




SPH 上海医药
SHANGHAI PHARMA

上海醫藥集團股份有限公司
Shanghai Pharmaceuticals Holding Co., Ltd.*

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

Stock Code: 02607

GLOBAL OFFERING

Joint Global Coordinators and Joint Lead Managers

Goldman Sachs   Deutsche Bank   CREDIT SUISSE

Joint Bookrunners

Goldman Sachs   Deutsche Bank   CREDIT SUISSE   CICC 中金香港证券

Joint Sponsors

Goldman Sachs   CICC 中金香港证券   Deutsche Bank   CREDIT SUISSE

* *For identification purposes only*

IMPORTANT

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

上海醫藥集團股份有限公司

Shanghai Pharmaceuticals Holding Co., Ltd.*

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

GLOBAL OFFERING

Number of Offer Shares	:	664,214,000 H Shares (subject to the Over-Allotment Option)
Number of Hong Kong Offer Shares	:	33,210,800 H Shares (subject to adjustment)
Number of International Offer Shares	:	631,003,200 H Shares (subject to adjustment and the Over-Allotment Option)
Maximum Offer Price	:	HK$26.00 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	:	RMB1.00 per H Share
Stock code	:	02607

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

The Offer Price is expected to be determined by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, May 13, 2011 and, in any event, not later than Wednesday, May 18, 2011.

The Offer Price will be not more than HK$26.00 and is currently expected to be not less than HK$21.80, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$26.00 per Offer Share, unless otherwise announced, together with 1% brokerage, the Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, subject to refund if the Offer Price should be lower than HK$26.00.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered in the Global Offering and/or the indicative Offer Price range stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice 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 at the website of the Company at **www.pharm-sh.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** 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 lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced. For further information, see the "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" sections in this Prospectus.

If, for any reason, the Offer Price is not agreed among the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or before Wednesday, May 18, 2011, the Global Offering will not proceed and will lapse.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our H Shares. Such differences and risks are set out in the sections headed "Risk Factors," "Regulation," Appendix VIII — "Summary of Principal Legal and Regulatory Provisions" and Appendix IX — "Summary of Articles of Association" in this Prospectus.

If certain circumstances arise, the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) prior to 8:00 a.m. on the Listing Date. Such circumstances are described in the section headed "Underwriting — Grounds for Termination."

* *For identification purposes only*

May 6, 2011

Application lists open(2)	11:45 a.m. on Thursday, May 12, 2011
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, May 12, 2011
Latest time to give electronic application instructions to HKSCC(3)	12:00 noon on Thursday, May 12, 2011
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**(4)	11:30 a.m. on Thursday, May 12, 2011
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, May 12, 2011
Application lists close	12:00 noon on Thursday, May 12, 2011
Expected Price Determination Date(5)	Friday, May 13, 2011
Announcement of the Offer Price	Thursday, May 19, 2011

(1) Announcement of:

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

will be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.pharm-sh.com.cn** on or before .... Thursday, May 19, 2011

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (see "— How to Apply for Hong Kong Offer Shares — Publication of Results") from .... Thursday, May 19, 2011

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Thursday, May 19, 2011
H Share certificates in respect of wholly or partially successful applications to be dispatched on or before(6)(7)	Thursday, May 19, 2011
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before(7)(8)(9)	Thursday, May 19, 2011
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on	Friday, May 20, 2011

Notes:

(1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed "Structure of the Global Offering" in this Prospectus.

(2) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 12, 2011, the application lists will not open on that day. See the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in the section headed "How to apply for Hong Kong Offer Shares" in this Prospectus.

(3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS" 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 Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, May 13, 2011, and in any event no later than Wednesday, May 18, 2011. If, for any reason, the Offer Price is not agreed on or before Wednesday, May 18, 2011, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) The Company will not issue any temporary documents of title in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, May 20, 2011, provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have indicated in their Application Forms their wish to collect refund cheques (where applicable) and H Share certificates (where applicable) in person may do so from our H Share Registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, May 19, 2011. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

(8) Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the application payment account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

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

CONTENTS

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or supervisors, or any other person or party involved in the Global Offering. Please note that the totals set forth in the tables in this Prospectus may differ from the sum of individual items in such tables due to rounding. The English names of the PRC governmental authorities or PRC entities are translations of their Chinese names and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail. Unless otherwise specified, all references to shareholding in our Company assumes no exercise of the Over-Allotment Option.

CONTENTS

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

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

BUSINESS OVERVIEW

As a national pharmaceutical group headquartered in Shanghai, we are the only integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical product and distribution markets. Our vertically integrated business model enables us to benefit from major stages of the pharmaceutical industry value chain, as well as enjoy the potential synergies arising from our coordinated efforts across business segments. We believe our market leadership will enhance our ability to increase market share through both organic growth and acquisitions, as well as provide us with sufficient resources to continue developing new products and distribution services to drive our future growth and profitability.

We primarily operate in the following three business segments in the PRC:

- *Pharmaceutical business*. We are engaged in the research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products.

- *Pharmaceutical distribution and supply chain solutions*. We provide distribution, warehousing, logistics and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies.

- *Pharmaceutical retail*. We operate and franchise a network of retail pharmacies across nine provinces, municipalities and autonomous regions.

We have experienced significant revenue growth in recent years. In particular, our revenue increased from RMB27,440.8 million in 2008 to RMB31,228.2 million in 2009, and to RMB37,381.6 million in 2010. Our net profit, defined as after-tax profit attributable to our equity holders, increased from RMB697.0 million in 2008 to RMB1,296.8 million in 2009, and to RMB1,368.3 million in 2010. The increase in net profit in 2009 partly reflected a one time pre-tax gain of RMB536.4 million on the disposal of our equity interest in Lianhua Supermarket in 2009. In 2010, segment revenue of our pharmaceutical business, pharmaceutical distribution and supply chain solutions business and pharmaceutical retail business was RMB8,075.2 million, RMB29,149.9 million and RMB1,725.5 million, respectively, representing 21.6%, 78.0% and 4.6% of our revenue, respectively.

Unless otherwise indicated, the term "segment revenue" used in this Prospectus refers to the revenue of a business segment before inter-segment elimination.

Pharmaceutical Business

We were the third largest pharmaceutical company in the PRC in terms of revenue of pharmaceutical business in 2009, according to the NFS Report. We manufacture and market a broad range of pharmaceutical products, spanning chemical drugs, modern Chinese medicines, biopharmaceutical products and other pharmaceutical products, including approximately 70.0% of the drugs on the National List of Essential Drugs. The majority of our pharmaceutical products are prescription drugs. We manufacture many products in therapeutic areas with significant current market demand or future market potential, such as cardiovascular system, alimentary tract and metabolism, central nervous system, antiinfectives for systemic use and antineoplastic and immunomodulating agents. According to the NFS Report, in terms of 2009 sales, drugs that fall within the top five therapeutic areas of the PRC chemical and biopharmaceutical drugs market represented 78.5% of the total sales of chemical and biopharmaceutical drugs in the PRC, and drugs that fall within the top five therapeutic areas of the PRC modern Chinese medicine market represented 79.1% of the total sales of modern Chinese medicines in the PRC. As of December 31, 2010, over 400 of our pharmaceutical products fall within these therapeutic areas.

As of December 31, 2010, we had 53 major products (including two products of Techpool Bio-Pharma), which, in aggregate, accounted for 52.4% of the segment revenue of our pharmaceutical business in 2010. Our portfolio of major products will expand to include six additional products upon the completion of our pending acquisitions of the Antibiotics Business. We examine and adjust our product portfolio and manufacturing and marketing resources from time to time to adapt to changing customer demand, as well as to focus on products that have higher profit margin, greater market potential and demand, and higher barriers-to-entry.

We manufacture our products according to stringent quality standards and have obtained necessary PRC GMP certifications for all of our active pharmaceutical production facilities, certain of which have also been certified pursuant to the cGMP standards of the United States or the GMP standards of the European Union. We market and sell many of our products under widely recognized brand names, including Well-Known Trademarks recognized by the PRC trademark authority, such as "Sine (信誼)," "Leishi (雷氏)," "Longhu (龍虎)," "Qingchunbao (青春寶)," "Huqingyutang (胡慶餘堂)" and "Cangsong (蒼松)." The strength of our brands, together with the quality of our products, enable us to market our products effectively.

Our pharmaceutical business has been supported by our strong research and development team through a robust pipeline of commercially viable new products. Our research and development capabilities are well-recognized in the industry and by the government as demonstrated by our participation in, or undertaking of, numerous government-sponsored drug research and development programs. We target to develop and commercialize first-to-market generic drugs and innovative drugs to address unmet medical needs in the PRC, which we believe will provide high margins and offer substantial growth opportunities.

Pharmaceutical Distribution and Supply Chain Solutions

We were the second largest distributor of pharmaceutical products in the PRC in terms of revenue in 2009, according to the NFS Report. As of December 31, 2010, we operated a national distribution network comprising 41 subsidiaries and branches, as well as 32 logistics centers and warehouses located strategically across the Eastern China Region, the Northern China Region and the Southern China Region. These three regional markets, in aggregate, accounted for 67.0% of the entire PRC pharmaceutical distribution market in terms of sales in 2009, according to the NFS Report. The Eastern China Region, the most affluent, in terms of per capita GDP, and the most populated region in the PRC, alone represented 39.1% of the PRC pharmaceutical distribution market in terms of sales in 2009, according to the NFS Report. We had a market share of 11.0% in the Eastern China Region in 2009. We continue to expand our distribution network in the PRC. In April 2011, we acquired CHS, whose main asset is its wholly-owned subsidiary CITIC Pharma, a leading pharmaceutical distributor in Beijing in terms of revenue in 2009. The addition of CITIC Pharma will significantly expand our operations and market share in the Northern China Region.

In 2010, we derived 58.8% of the external revenue of our pharmaceutical distribution and supply chain solutions business from sales of imported medicines and those manufactured by subsidiaries of international pharmaceutical companies in the PRC. In addition, we specialize in distributing products directly to hospitals and other medical institutions, including community healthcare centers and clinics, which generally have higher margins than sales to other distributors. We directly sell our products to over 7,600 hospitals and other medical institutions in the PRC, including 229, or 63.8% of, Class III hospitals and 879, or 55.7% of, Class II hospitals in the Eastern China Region. In 2010, our direct sales accounted for 61.9% of the external revenue of our pharmaceutical distribution and supply chain solutions business. We extend our reach to other customers throughout the PRC through sales to other distributors. We manage our distribution logistics operations with the goal of facilitating smooth and efficient movement of products and minimizing our inventory holding costs.

We distinguish ourselves as a pharmaceutical product distributor in part through the value-added services we provide to both our suppliers and customers, such as inventory tracking and management system, access to valuable market data and information and vendor managed inventory systems. Our value-added services help our customers to increase operational efficiency and reduce inventory and fulfillment costs and other operational expenses, and at the same time, enhance our ability to retain customers. Our value-added services can also benefit our suppliers by helping them manage their businesses more efficiently, as well as by tailoring their marketing activities to target customers.

Pharmaceutical Retail

We operate a retail pharmacy network in nine provinces, municipalities and autonomous regions in the PRC. As of December 31, 2010, our retail pharmacy network consisted of 1,682 retail pharmacies, among which 1,187 were directly operated retail pharmacies (including 363 retail pharmacies we operated through our jointly controlled entity, Jiangxi Nanhua) and 495 were franchise pharmacies. We were the largest pharmacy chain in the Eastern China Region in terms of revenue in 2009, according to the NFS Report. Our retail pharmacies operate under nationally or regionally well-known brand names, such as "Huashi (華氏)" and "Leiyunshang (雷允上)." Our retail pharmacies regularly carry over 10,000 types of products, including prescription pharmaceutical products, over-the-counter drugs and personal healthcare products. We seek out new products, services and business models to meet our customers' changing demands, such as offering traditional Chinese medicine diagnoses and prescription services at some of our Chinese medicine pharmacies.

Integration and Synergy

Our pharmaceutical business and our pharmaceutical distribution and supply chain solutions business work together closely to expand the sales of our products. In doing so, our pharmaceutical business benefits from additional sales of our products through our national distribution network, as well as the government and hospital relationships of our pharmaceutical distribution and supply chain solutions business. Our pharmaceutical distribution and supply chain solutions business, on the other hand, benefits by gaining access to a vast portfolio of high-quality pharmaceutical products manufactured by us, and from increases in revenue from distributing such products.

Compared with third party manufacturers and distributors, our manufacturing business and distribution business enjoy greater flexibility in making coordinated sales efforts, allowing us to price our products and services more competitively or offer other benefits to customers, including increased supplier stability and efficiency. The ability to leverage the resources of and coordination between business segments enables us to generate additional business and revenue as well as increase market share. In 2010, 13.2% of our pharmaceutical business segment revenue was derived from products sold through our pharmaceutical distribution and supply chain solutions, and we expect this percentage to increase over time.

Price Control

A substantial portion of the pharmaceutical products manufactured by us are included in the National Medical Insurance Drugs Catalog and are subject to retail price control imposed by the PRC government in the form of fixed prices or maximum retail prices. In addition, a product included in a Provincial Medical Insurance Drugs Catalog is also subject to governmental price controls in the relevant province. These controls indirectly affect the price at which we sell our products to distributors. Controls over and adjustments to the retail price of a pharmaceutical product, if significant, could have a corresponding impact on the price at which we sell our products, which may have an adverse impact on our revenue and profitability. In March 2011, the NDRC lowered the maximum retail prices of certain pharmaceutical products, affecting 35 of our products, including two major products, which collectively accounted for 2.1%, 2.4% and 2.6% of the segment revenue of our pharmaceutical business in 2008, 2009 and 2010, respectively. Except for the March 2011 adjustments, the NDRC has not lowered the maximum retail price of our major products since January 1, 2008.

INDUSTRY OVERVIEW

The PRC healthcare industry is one of the largest components of the PRC's GDP. According to the China Health Statistics Yearbook 2010, the PRC's total healthcare spending grew from RMB866.0 billion in 2005 to RMB1.7 trillion in 2009, representing a CAGR of 18.7%. The increase in PRC's total healthcare spending has been reflected in the significant growth in both the PRC pharmaceutical product and distribution markets. In the PRC, the rapid growth of the healthcare industry as a whole, as well as each of the PRC pharmaceutical product and distribution markets, were mainly driven by a number of favorable socioeconomic factors, such as: (i) fast growing GDP and disposable income; (ii) growth, aging and increased life expectancy of the population; (iii) increasing urbanization; (iv) rising health awareness and healthcare spending; and (v) government initiatives and spending related to the PRC healthcare industry. Supported by these factors, the PRC's total healthcare spending is expected to grow to RMB3.3 trillion by 2014, representing a CAGR of 13.7% from 2009 to 2014, according to the NFS Report.

As an integral part of the PRC healthcare industry, the PRC pharmaceutical product market had a rapid growth from RMB313.1 billion in 2005 to RMB619.4 billion in 2009, representing a CAGR of 18.6%, and it is expected to further grow to RMB1.7 trillion by 2014, representing a CAGR of 22.4% from 2009 to 2014, according to the NFS Report. Specifically, the PRC chemical and biopharmaceutical drugs market grew from RMB210.3 billion in 2005 to RMB410.3 billion in 2009, representing a CAGR of 18.2%, and the modern Chinese medicine market grew from RMB102.8 billion in 2005 to RMB209.1 billion in 2009, representing a CAGR of 19.4%, according to the NFS Report.

The PRC pharmaceutical distribution market has also experienced a rapid growth in recent years, from RMB300.0 billion in 2005 to RMB568.4 billion in 2009, representing a CAGR of 17.3%, according to the CAPC, and is expected to further grow to RMB1,629.5 billion by 2014, representing a CAGR of 23.4% from 2009 to 2014, according to the NFS Report.

Retail pharmacy sales are an important part of pharmaceutical retail sales in the PRC, in addition to retail sales by hospitals and other medical institutions. The PRC retail pharmaceutical sales market experienced a steady growth between 2005 and 2009, from RMB79.0 billion to RMB148.7 billion, representing a CAGR of 17.1%, and it is expected to increase to RMB325.0 billion in 2014, representing a CAGR of 16.9%, according to the NFS Report.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- leading position in the high-growth PRC pharmaceutical industry;
- a leading pharmaceutical company with a wide range of high-quality products and strong brand recognition;
- strong research and development capabilities with a proven track record and a robust product pipeline;
- national distribution network with a focus on direct sales to hospitals;
- vertically integrated business model creating substantial synergies across business segments;
- dedicated international initiatives offering significant benefits; and
- experienced and professional management team.

OUR STRATEGIES

Our goal is to continue strengthening our position as a nationally-leading, vertically integrated pharmaceutical company and to become a consolidator of the fragmented PRC pharmaceutical industry by adhering to the principles of maximizing shareholder value and being socially responsible. To accomplish this goal, we plan to implement the following strategies:

- continue to optimize our product portfolio, consolidate our manufacturing resources and raise our manufacturing standards;
- continue to enhance our research and development capabilities;
- continue to enhance our leading position in pharmaceutical distribution and supply chain solutions;
- continue to enhance cross-segment and operational integration;
- expand our business through selective strategic acquisitions, investments or partnerships; and
- continue to enhance our international initiatives.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following summary historical consolidated income statement data, revenue breakdown by business segment and other summary consolidated financial data for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2010 and 2011 and the summary historical consolidated balance sheet data as of December 31, 2008, 2009 and 2010 and March 31, 2011 have been derived from the Accountants' Report from PricewaterhouseCoopers and our unaudited condensed consolidated interim financial information included in Appendix I and Appendix IV, respectively, to this Prospectus. You should read the summary historical financial information below in conjunction with our consolidated financial statements included in Appendix I — "Accountants' Report of the Company" and our condensed interim financial information included in Appendix IV — "Unaudited Condensed Consolidated Interim Financial Information," both of which have been prepared in accordance with HKFRS, together with the accompanying notes.

Summary Historical Consolidated Income Statement Data

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
	(in thousands of RMB, except per share data)				
Revenue	27,440,761	31,228,163	37,381,568	9,341,750	11,851,742
Cost of sales	(22,266,666)	(25,411,979)	(30,723,323)	(7,603,100)	(10,044,966)
Gross profit	5,174,095	5,816,184	6,658,245	1,738,650	1,806,776
Distribution and selling expenses	(2,448,535)	(2,625,374)	(3,006,095)	(747,028)	(755,163)
General and administrative expenses	(1,722,534)	(1,838,417)	(1,843,345)	(516,870)	(495,979)
Operating profit	1,003,026	1,352,393	1,808,805	474,752	555,634
Other income	125,462	86,346	165,677	23,740	8,917
Gains/(losses) on disposal of subsidiaries and associates(1)	1,103	550,677	17,479	(7,960)	526,996
Other gains — net	48,519	1,034	63,877	36,818	74,637
Finance income	42,556	55,014	45,846	10,287	17,273
Finance costs	(302,922)	(223,299)	(212,619)	(53,253)	(80,713)
Share of profit of jointly controlled entities	18,572	28,754	12,296	10,936	18,086
Share of profit of associates	269,186	279,125	271,174	106,023	117,084
Profit before income tax	1,205,502	2,130,044	2,172,535	601,343	1,237,914
Income tax expense	(210,193)	(464,854)	(393,550)	(84,683)	(277,910)
Profit for the year/period	995,309	1,665,190	1,778,985	516,660	960,004
Profit attributable to:					
Equity holders of the Company	696,992	1,296,789	1,368,253	409,266	848,596
Non-controlling interests	298,317	368,401	410,732	107,394	111,408
	995,309	1,665,190	1,778,985	516,660	960,004
Earnings per share attributable to the equity holders of the Company during the year/period (expressed in RMB per share)(2)					
— Basic and diluted	0.35	0.65	0.69	0.21	0.43

Notes:

(1) We had (i) a one-time pre-tax gain of RMB536.4 million on the disposal of our equity interest in Lianhua Supermarket in 2009 and (ii) a one-time pre-tax gain of RMB479.2 million relating to the change of accounting treatment for Techpool Bio-Pharma from a consolidated subsidiary to an associate in the three months ended March 31, 2011 as a result of our loss of control over this entity.

(2) Earnings per share are calculated based on the assumption that 1,992,643,338 Shares, including 1,423,470,454 Shares issued in 2010 in connection with the 2009 Restructuring, were outstanding throughout each period.

Revenue Breakdown by Business Segment

	Year ended December 31,								
	2008			2009			2010		
	External revenue	Inter-segment revenue	Segment revenue	External revenue	Inter-segment revenue	Segment revenue	External revenue	Inter-segment revenue	Segment revenue
	(in thousands of RMB)								
Segments:									
Pharmaceutical business.	6,014,432	832,288	6,846,720	6,369,666	952,961	7,322,627	7,011,995	1,063,169	8,075,164
Pharmaceutical distribution and supply chain solutions	19,683,695	530,522	20,214,217	23,117,630	650,884	23,768,514	28,348,117	801,810	29,149,927
Pharmaceutical retail	1,413,818	—	1,413,818	1,521,524	—	1,521,524	1,725,546	—	1,725,546
Other business operations.	328,816	67,979	396,795	219,343	62,017	281,360	295,910	38,975	334,885
Total	27,440,761	1,430,789		31,228,163	1,665,862		37,381,568	1,903,954	

	Three months ended March 31,					
	2010			2011		
	External revenue	Inter-segment revenue	Segment revenue	External revenue	Inter-segment revenue	Segment revenue
	(unaudited, in thousands of RMB)					
Segments:						
Pharmaceutical business	1,846,120	278,249	2,124,369	1,884,299	291,038	2,175,337
Pharmaceutical distribution and supply chain solutions .	6,908,111	193,784	7,101,895	9,387,973	250,400	9,638,373
Pharmaceutical retail	527,644	—	527,644	532,371	—	532,371
Other business operations . . .	59,875	—	59,875	47,099	—	47,099
Total.	9,341,750	472,033		11,851,742	541,438	

Other Summary Consolidated Financial Data

	Year ended December 31,			Three months ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
				(unaudited)	
Gross margin(1)	**18.9%**	**18.6%**	**17.8%**	**18.6%**	**15.2%**
Pharmaceutical business	47.4	50.3	51.4	50.0	46.6
Pharmaceutical distribution and supply chain solutions	7.9	7.8	7.1	8.0	6.7
Pharmaceutical retail	22.7	23.7	23.5	18.1	22.3
Operating margin(2)	**3.7**	**4.3**	**4.8**	**5.1**	**4.7**
Pharmaceutical business	9.6	11.6	13.8	14.7	12.9
Pharmaceutical distribution and supply chain solutions	1.3	2.1	2.2	2.4	2.6
Pharmaceutical retail	0.1	0.7	1.5	0.7	3.9
Net margin(3).	**2.5%**	**4.2%**	**3.7%**	**4.4%**	**7.2%**(4)

Notes:

(1) Gross margin, expressed as a percentage, equals gross profit divided by revenue.

(2) Operating margin, expressed as a percentage, equals operating profit divided by revenue.

(3) Net margin, expressed as a percentage, equals profit attributable to our equity holders divided by revenue.

(4) We had a one-time net gain (after taxation) of RMB333.5 million relating to the change of accounting treatment for Techpool Bio-Pharma from a consolidated subsidiary to an associate in the three months ended March 31, 2011 as a result of our loss of control over this entity.

Summary Historical Consolidated Balance Sheet Data

	As of December 31,			As of March 31,
	2008	2009	2010	2011
				(unaudited)
	(in thousands of RMB)			
ASSETS				
Non-current assets				
Land use rights	793,996	805,161	782,933	762,037
Investment properties	551,533	600,033	261,056	258,933
Property, plant and equipment	4,077,385	4,051,959	4,100,592	3,951,074
Intangible assets	171,246	134,900	516,432	451,146
Investments in jointly controlled entities	202,867	197,941	204,695	222,781
Investments in associates	1,246,454	842,296	1,062,201	1,919,587
Deferred income tax assets	101,666	119,243	150,167	135,766
Available-for-sale financial assets	402,836	443,590	383,716	323,345
Other non-current receivables	25,790	2,735	—	—
Other long-term prepayments	—	—	816,236	2,733,294
	7,573,773	7,197,858	8,278,028	10,757,963
Current assets				
Inventories	3,431,341	3,700,720	5,040,729	4,774,927
Trade and other receivables	5,499,186	6,078,319	8,580,616	9,683,216
Financial assets at fair value through profit or loss	10,396	10,445	3,234	3,011
Restricted cash	80,983	110,717	298,764	262,425
Cash and cash equivalents	3,185,370	4,776,503	6,039,573	6,083,868
	12,207,276	14,676,704	19,962,916	20,807,447
Total assets	19,781,049	21,874,562	28,240,944	31,565,410
Equity attributable to equity holders of our Company				
Share capital	569,173	569,173	1,992,643	1,992,643
Share premium	4,300,235	4,760,996	3,282,151	3,282,151
Other reserves	831,583	766,795	742,742	700,038
Retained earnings	1,361,594	2,185,046	3,117,023	3,965,619
	7,062,585	8,282,010	9,134,559	9,940,451
Non-controlling interests	1,759,959	2,153,134	2,749,704	2,589,559
Total equity	8,822,544	10,435,144	11,884,263	12,530,010
LIABILITIES				
Non-current liabilities				
Borrowings	113,389	84,297	66,098	40,514
Deferred income tax liabilities	15,658	33,407	43,520	177,006
Termination benefit obligations	106,166	98,064	79,835	75,322
Other non-current liabilities	138,877	246,117	224,717	234,257
	374,090	461,885	414,170	527,099
Current liabilities				
Trade and other payables	6,684,588	7,460,901	10,912,154	11,592,967
Current income tax liabilities	129,007	184,682	211,980	175,531
Borrowings	3,770,820	3,331,950	4,818,377	6,739,803
	10,584,415	10,977,533	15,942,511	18,508,301
Total liabilities	10,958,505	11,439,418	16,356,681	19,035,400
Total equity and liabilities	19,781,049	21,874,562	28,240,944	31,565,410
Net current assets	1,622,861	3,699,171	4,020,405	2,299,146
Total assets less current liabilities	9,196,634	10,897,029	12,298,433	13,057,109

SUMMARY UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have prepared certain unaudited pro forma consolidated financial information to give the effect of the acquisitions of CHS and the Antibiotics Business as if these acquisitions had been completed, in the case of the pro forma balance sheet, on December 31, 2010, and in the case of the pro forma statements of income and cash flow, on January 1, 2010. The following summary unaudited pro forma financial data have been derived from our unaudited pro forma financial information set forth in Appendix III — "Unaudited Pro Forma Financial Information" to this Prospectus.

Our unaudited pro forma financial information has been derived from our audited consolidated financial statements and the respective audited historical financial statements of CHS and the Antibiotics Business, all of which have been prepared in accordance with the HKFRS. Our unaudited pro forma financial information has been prepared using the assumptions and adjustments described in the notes to the unaudited pro forma financial information in Appendix III to this Prospectus. Neither these adjustments nor the resulting pro forma financial information have been audited in accordance with the generally accepted auditing standards in Hong Kong or the United States. The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to be indicative of what the results of operations or financial position would have been had the acquisitions actually taken place for the period indicated, and should not be taken as representative of our future results of operations or financial condition for any future period.

Summary Unaudited Pro Forma Income Statement Data for the Year Ended December 31, 2010

		Pro forma adjustments			Pro forma adjustments		
	The Company (actual)[1]	The Antibiotics Business (actual)[2]	Other pro forma adjustments	The Company and the Antibiotics Business combined (pro forma)	CHS (actual)[3]	Other pro forma adjustments	The Company, the Antibiotics Business and CHS combined (pro forma)
				(in thousands of RMB)			
Revenue	37,381,568	1,414,149	(103,561)	38,692,156	6,111,948	(463,348)	44,340,756
Cost of sales	(30,723,323)	(1,086,513)	103,561	(31,706,275)	(5,633,842)	437,958	(36,902,159)
Gross profit	6,658,245	327,636	—	6,985,881	478,106	(25,390)	7,438,597
Profit before income tax	2,172,535	110,715	—	2,283,250	189,814	(62,053)	2,411,011
Income tax expense	(393,550)	(22,335)	—	(415,885)	(58,099)	15,514	(458,470)
Profit for the year	1,778,985	88,380	—	1,867,365	131,715	(46,539)	1,952,541

Summary Unaudited Pro Forma Balance Sheet Data as of December 31, 2010

		Pro forma adjustments			Pro forma adjustments			
	The Company (actual)(1)	The Antibiotics Business (actual)(2)	Other pro forma adjustments	The Company and the Antibiotics Business combined (pro forma)	CHS (actual)(3)	Reclassification(4)	Other pro forma adjustments	The Company, the Antibiotics Business and CHS combined (pro forma)
				(in thousands of RMB)				
Non-current assets	8,278,028	663,884	—	8,941,912	159,780	(8,107)	1,740,940	10,834,525
Current assets	19,962,916	1,271,468	(1,504,949)	19,729,435	3,789,557	8,107	(2,735,579)	20,791,520
Total equity	11,884,263	943,965	(1,487,780)	11,340,448	996,198	—	(996,198)	11,340,448
Non-current liabilities	414,170	2,444	—	416,614	3,797	—	103,753	524,164
Current liabilities	15,942,511	988,943	(17,169)	16,914,285	2,949,342	—	(102,194)	19,761,433

Summary Unaudited Pro Forma Cash Flow Statement Data for the Year Ended December 31, 2010

		Pro forma adjustments			Pro forma adjustments			
	The Company (actual)(1)	The Antibiotics Business (actual)(2)	Other pro forma adjustments	The Company and the Antibiotics Business combined (pro forma)	CHS (actual)(3)	Reclassification(4)	Other pro forma adjustments	The Company, the Antibiotics Business and CHS combined (pro forma)
				(in thousands of RMB)				
Net cash generated from/(used in) operating activities	1,461,681	492,087	—	1,953,768	(536,660)	(52,592)	—	1,364,516
Net cash used in investing activities	(2,750,334)	(245,327)	(1,487,780)	(4,483,441)	(402,018)	—	(2,338,694)	(7,224,153)
Net cash generated from/(used in) financing activities	2,557,213	(203,492)	—	2,353,721	715,536	52,592	—	3,121,849

Notes:

(1) These amounts are extracted from the Accountants' Report of the Company as set forth in Appendix I to this Prospectus.

(2) These amounts are extracted from the Accountants' Report of Shanghai New Asiatic and Shanghai Huakang as set forth in Appendix IIB to this Prospectus.

(3) These amounts are extracted from the Accountants' Report of CHS as set forth in Appendix IIA to this Prospectus.

(4) This represents the reclassification of those balance sheet, income statement and cash flow statement items in the Accountants' Report of CHS to conform to the presentation of the consolidated balance sheet, income statement and cash flow statement in the Accountants' Report of the Company, respectively.

For more details of the pro forma financial information of the Company, including the assumptions thereof, see the section headed "Financial Information" and Appendix III — "Unaudited Pro Forma Financial Information" to this Prospectus, which should be read in conjunction with the related notes thereto and the report on the examination of the pro forma financial statements of the Company.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

Certain forecast data of the Company for the year ending December 31, 2011 are set forth below. We prepared these forecast data on the bases and assumptions set out in Appendix V — "Profit Forecast" to this Prospectus and after taking into account the one-time net gain (after taxation) of RMB333.5 million in the first quarter of 2011 relating to the change of accounting treatment for Techpool Bio-Pharma from a consolidated subsidiary to an associate as a result of our loss of control over this entity, as well as assuming the absence of unforeseen circumstances. For example, we assumed that there will be no material changes in laws and regulations relating to our products such as price control policies, and that the Antibiotics Business acquisition will be completed in the first half of 2011. In addition, our profit forecast was partially based on our understanding of future trends in the PRC pharmaceutical industry. Furthermore, demand for our products and services may fluctuate in the future, and we generally do not have confirmed long-term sales orders from our customers.

Unaudited forecast consolidated profit attributable to equity holders of the Company	Not less than RMB2,100 million[(1)(3)] (approximately HK$2,507 million)
Unaudited pro forma forecast earnings per Share based on forecast consolidated profit attributable to equity holders of the Company	Not less than RMB0.79[(2)(3)] (approximately HK$0.94)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 has been prepared and summarized in Appendix V — "Profit Forecast" to this Prospectus. Although not all of the assumptions are of equal significance to our profit forecast (for example, should we fail to complete the Antibiotics Business acquisition in the first half of 2011 in accordance with our current timetable, we do not expect our profit forecast for 2011 to be materially affected), if one or more of these assumptions turned out to be not true, our business may be materially and adversely affected and our actual profit in 2011 may be materially less than our forecast. See "Risk Factors — Risks Relating to Our Business Operations — Our profit forecast contained in this Prospectus is subject to numerous risks, uncertainties and assumptions and our actual results of operation may differ significantly from the forecast."

(2) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2011, on a fully diluted basis, is calculated by dividing the unaudited forecast consolidated profit attributable to equity holders of the Company for the year ending December 31, 2011 by 2,656,857,338 Shares assumed to be issued and outstanding during the entire year, adjusted as if the Global Offering had occurred on January 1, 2011, but without taking into account any H Shares which may be issued upon the exercise of the Over-Allotment Option.

(3) The unaudited forecast consolidated profit attributable to equity holders of the Company for the year ending December 31, 2011 and the unaudited pro forma forecast earnings per Share for the year ending December 31, 2011, on a fully diluted basis, are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8376. No representation is made that the RMB amount has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

GLOBAL OFFERING

The Global Offering consists of:

(i) the Hong Kong Public Offering of an aggregate of 33,210,800 H Shares (subject to adjustment) in Hong Kong as described in "Structure of the Global Offering — The Hong Kong Public Offering;" and

(ii) the International Offering of an aggregate of 631,003,200 H Shares (subject to adjustment and the Over-Allotment Option) outside the United States (including to professional and institutional investor within Hong Kong in offshore transactions) in reliance on Regulation S, and in the United States only to QIBs as defined in Rule 144A.

The number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering are subject to adjustment and allocation as described in the section headed "Structure of the Global Offering."

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company 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 May 13, 2011 and, in any event, no later than May 18, 2011.

The Offer Price will be not more than the maximum Offer Price as stated in the Application Forms.

OFFER STATISTICS

The following table sets forth certain offer statistics of the Global Offering:

	Based on an Offer Price of HK$21.80 per H Share	Based on an Offer Price of HK$26.00 per H Share
Market capitalization of the H Shares(1)	HK$15,928 million	HK$18,997 million
Prospective price/earnings multiple on a pro forma basis(2)(4)	23.10 times	27.55 times
Pro forma adjusted net tangible asset value per H Share(3)(4)	HK$9.11	HK$10.13

If the Over-Allotment Option is exercised in full, assuming an Offer Price of HK$23.90 per Share (being the mid-point of the indicative Offer Price range stated in this Prospectus), the pro forma adjusted net tangible asset value per H Share will be HK$10.11, while the earnings per H Share on a pro forma fully diluted basis will be diluted correspondingly to HK$0.91.

Notes:

(1) The calculation of market capitalization is based on 730,635,400 H Shares expected to be issued and outstanding following the Global Offering.

(2) The calculation of the prospective price/earnings multiple on a pro forma basis is based on the unaudited pro forma forecast earnings per H Share and the respective Offer Prices of HK$21.80 per H Share and HK$26.00 per H Share.

(3) The pro forma adjusted net tangible asset value per H Share is arrived at after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets" and on the basis of 2,656,857,338 Shares in issue and the respective Offer Prices of HK$21.80 per H Share and HK$26.00 per H Share.

(4) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8376 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate, or at any rate or at all.

DIVIDEND AND DIVIDEND POLICY

The payment of any dividend by us must be approved by our Shareholders in a Shareholders' meeting. While our Board intends to recommend the declaration of cash dividends to the Shareholders in general meetings, the decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend on, among other things:

- our results of operations and cash flow;
- our financial position;
- general business conditions;
- our future prospects;
- statutory, regulatory and contractual restrictions on the payment of dividends by us; and
- other factors that our Board deems relevant.

Our Board will propose dividends, if any, in Renminbi with respect to the H Shares on a per Share basis for Shareholders' approval. We will pay such dividends in Hong Kong dollars. Under the PRC Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and distributions. Holders of the H Shares will share proportionately on a per Share basis in all dividends and other distributions.

In accordance with applicable requirements of the PRC Company Law, we may only distribute dividends after we have made an allowance for:

- recovery of losses, if any;
- allocation to the statutory reserve fund; and
- allocation to a discretionary revenue fund if approved by our Shareholders and after allocation is made to the statutory reserve fund.

The allocations to the statutory funds are currently 10% of our net profit determined in accordance with PRC GAAP. Under the applicable PRC laws, our distributable profit will be equal to our net profit, as determined in accordance with PRC GAAP or HKFRS, whichever is lower, less allocations to the statutory and discretionary funds. Pursuant to the Articles of Association, the cumulative cash dividends of our Company for any three-year period shall be no less than 30.0% of the average annual distributable profit for the same three-year period.

Prior to the 2009 Restructuring, our Company declared and paid cash dividends of RMB25.6 million with respect to 2008. After the completion of the 2009 Restructuring, our Company declared and paid cash dividends of RMB104.0 million with respect to 2009. With respect to 2010, (i) RMB35.6 million of cash dividends was declared and paid by the Company pursuant to the contractual terms under the 2009 Restructuring; and (ii) an additional RMB278.9 million of cash dividends to holders of our A Shares, but not the holders of our H Shares, has been proposed by our Board, pending Shareholders' approval.

USE OF PROCEEDS

We estimate that we will receive from the Global Offering net proceeds of approximately HK$15,275.2 million (assuming an Offer Price of HK$23.90 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus, and assuming the Over-Allotment Option is not exercised) after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering.

Assuming an Offer Price of HK$23.90 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus, and assuming the Over-Allotment Option is not exercised, we currently intend to use such net proceeds from the Global Offering as follows:

- approximately 40% of the net proceeds, or approximately HK$6,110.1 million, is expected to be used for expanding and strengthening our distribution network and for consolidating our existing distribution network, primarily in the Eastern China Region, Northern China Region and Southern China Region, including funding our acquisition of CHS (at a purchase price of approximately RMB3,568.9 million);

- approximately 30% of the net proceeds, or approximately HK$4,582.6 million, is expected to be used for strategic acquisitions of pharmaceutical manufacturing businesses both within the PRC and internationally, including funding our acquisition of the Antibiotics Business from Shanghai Pharmaceutical (Group) (at a purchase price of approximately RMB1,487.8 million), and for internal integration of our current pharmaceutical business;

- approximately 10% of the net proceeds, or approximately HK$1,527.5 million, is expected to be used for investments in the product research and development platform so as to further strengthen our product portfolio and pipeline;

- approximately 10% of the net proceeds, or approximately HK$1,527.5 million, is expected to be used for investments in the information technology system and platform, including the establishment of a central data center, in order to improve our operations management, internal control and communications capabilities; and

- the balance of approximately 10% of the net proceeds, or approximately HK$1,527.5 million, is expected to be used for our working capital requirements and general corporate purposes.

In the event the Over-Allotment Option is exercised in full and assuming an Offer Price of HK$23.90 per Share (being the mid-point of the indicative Offer Price range stated in this Prospectus), we will receive total net proceeds of approximately HK$17,584.8 million, including additional net proceeds of approximately HK$2,309.6 million.

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-Allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds into short-term interest-bearing accounts, such as savings accounts or money market funds, with licensed commercial banks or other authorized financial institutions.

RISK FACTORS

There are certain risks relating to an investment in our H Shares. These can be categorized into: (i) risks relating to our business operations; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. A detailed discussion of the risk factors is set forth in the section headed "Risk Factors."

Risks Relating to Our Business Operations

- We may not be able to implement our business strategies on schedule or within our budget or at all.
- We may not be able to successfully identify, acquire or integrate businesses, or adhere to our growth and expansion plans.
- We may fail to realize the anticipated benefits of our recent restructuring transactions.
- The pro forma consolidated financial information is not necessarily reflective of what our actual financial results would have been had the businesses been acquired during the periods presented in the pro forma financial information, and our actual financial results for future periods may differ significantly from the pro forma financial results.
- We may be required to record a significant charge to earnings if our goodwill or acquired intangible assets are determined to be impaired.
- Our business, financial condition and results of operations may be materially and adversely affected if we are unable to compete effectively in the PRC pharmaceutical industry.
- A substantial portion of the pharmaceutical products manufactured by us are subject to government price controls in the PRC.
- Any changes to the products that are included in the Medical Insurance Drugs Catalogs could have a material adverse effect on our business, financial condition, results of operations and prospects.
- If we fail to win the statutory tender process, or fail to secure orders from hospitals or other medical institutions, our pharmaceutical business may be materially and adversely affected.
- Development of new pharmaceutical products is time-consuming and costly, and has a low rate of successful commercialization.
- Our pharmaceutical business depends heavily on the supply of certain raw materials, and a decrease in the supply, or an increase in the cost, of raw materials could severely disrupt our business as well as materially reduce our revenue and profitability.
- We rely on our manufacturing and storage facilities. Any disruption of our current facilities or in the development of new facilities could reduce or restrict sales and have a material adverse effect on our business, financial condition and results of operations.

- Our business operations may be materially and adversely affected by present or future environmental regulations or enforcement and we deal with potentially hazardous materials that may cause environmental contamination or injury to others.

- We rely on our distributors for sales of pharmaceutical products.

- We may encounter difficulties in effectively managing the operations of our joint ventures and associates.

- If we are unable to successfully optimize or expand our pharmaceutical distribution and supply chain solutions operations, we may be unable to meet customer demand and our results of operations and prospects may be materially adversely affected.

- Any disruption, loss or material change in our supplier relationships could have a material adverse effect on our pharmaceutical distribution and supply chain solutions.

- Failure to maintain optimal inventory levels could increase our operating costs or cause us to lose sales, either of which could have a material adverse effect on our business, financial condition and results of operations.

- Substantial reductions in purchases by or delays in collecting receivables from our customers, particularly those of our pharmaceutical distribution and supply chain solutions business, could have a material adverse effect on our business, financial condition and results of operations.

- Our pharmaceutical retail business is subject to a variety of risks, which may have a material adverse effect on our business, financial condition and results of operations.

- Elimination of, or changes to, any of the incentives provided to us by the PRC government could materially reduce our profitability.

- We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products and services, and we do not have any product liability insurance.

- We may need additional capital and may not be able to obtain it at acceptable terms or at all.

- We depend substantially on the continuing efforts of our senior executives, key research and development personnel and key sales and marketing personnel, and our business and prospects may be severely disrupted if we lose their services.

- The existence of counterfeit products in the pharmaceutical retail market in the PRC may damage our brand and reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

- If we are unable to protect our intellectual property, such as our technology and manufacturing know-how, our business, financial condition and results of operations could be materially and adversely affected.

- If our products infringe on the intellectual property rights of third parties, we may incur substantial liabilities, and we may be unable to sell these products.

- We have not obtained formal title certificates to some of the buildings and units we occupy and construction certificates with respect to some properties under construction and some of our landlords lack relevant title certificates for the buildings and units leased to us, all of which may materially and adversely affect our rights to use such buildings and units.

- Our Controlling Shareholders are able to exercise significant influence over us.

- Our profit forecast contained in this Prospectus is subject to numerous risks, uncertainties and assumptions and our actual results of operation may differ significantly from the forecast.

- If our internal control system fails to detect risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

- We may experience failures in our information technology system, which could materially and adversely affect our business, financial condition and results of operations.

- Our operations in Sudan may expose us to legal or divestment risks.

Risks Relating to Our Industry

- The pharmaceutical industry in the PRC is highly regulated, and future government regulations may place additional burdens on our business as well as have a material adverse effect on our financial condition, results of operations and prospects.

- We may not be able to fully comply with applicable GMP, GSP or other regulatory requirements or renew our GMP and GSP certifications and other permits and licenses which enable us to conduct our business. Non-compliance with, changes in, or amendments to these regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

- We are subject to risks in relation to actions taken by us, our employees or our affiliates that constitute violations of anti-corruption measures taken by the PRC government to prevent fraud and abuses in the pharmaceutical industry. Our failure to comply with these measures, or effectively manage our employees and affiliates, could severely damage our reputation, as well as have a material adverse effect on our business, financial condition, results of operations and prospects.

- Our growth relies in part on the continued development of the PRC pharmaceutical industry. If the recently announced healthcare reform plan does not result in the anticipated growth of the PRC pharmaceutical industry within the expected timeframe, our business and prospects could be materially and adversely affected.

Risks Relating to the People's Republic of China

- The PRC's economic, political and social conditions and government policies could affect our business and prospects.

- The PRC legal system has inherent uncertainties that could limit the legal protections available to you.

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

- Natural disasters and health and public security hazards in the PRC may severely disrupt our business and operations and may have a material adverse effect on our financial condition and results of operations.

- Inflation in the PRC could negatively affect our profitability and growth.

- Government control of currency conversion and future fluctuation of Renminbi exchange rates could have a material adverse effect on our financial condition and results of operations, and may reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

- Dividends received by individual holders of our H Shares who are non-PRC nationals and gains derived from the disposition of our H Shares by such holders may become subject to PRC taxation, and there are uncertainties as to the collection of PRC enterprise income tax on gains derived by holders of our H Shares that are non-PRC enterprises from their disposition of our H Shares.

- Some facts, forecasts and statistics contained in this Prospectus with respect to the PRC, the PRC economy and pharmaceutical industry are derived from various official or other third party sources and may not be accurate, reliable, complete or up to date.

Risks Relating to the Global Offering

- An active trading market for our H Shares may not develop or be sustained, and their trading prices may fluctuate significantly, which could result in substantial losses to you.

- Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

- Future sales or perceived sales of substantial amounts of our securities in the public market, including any future sale of our H Shares by those Shareholders that are currently subject to contractual and/or legal restrictions on Share transfers or re-registration of Shares held on our A Share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.

- Since the Offer Price of our H Shares is higher than our net tangible book value per H Share, purchasers of our H Shares in the Global Offering will experience immediate dilution.

- Our historical dividend distributions may not be indicative of our future dividend policy.

- Our A Shares and our H Shares are neither interchangeable nor fungible.

- You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange or other media outlets.

In this Prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

"2008 EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended
"2009 Restructuring"	the series of transactions entered into in 2009 and completed in early 2010 to consolidate our Company with a number of companies under the common control of SIIC
"A Shares"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"Antibiotics Business"	Shanghai New Asiatic, Shanghai Huakang and their respective subsidiaries, collectively
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of Shanghai Pharmaceuticals as amended from time to time
"Associates"	has the meaning ascribed to it under the Hong Kong Listing Rules unless the context requires otherwise
"Beijing Aixin Weiye"	Beijing SPH Aixin Weiye Medicine Co., Ltd. (北京上藥愛心偉業醫藥有限公司), formerly known as Beijing Aixin Weiye Medicine Co., Ltd. (北京愛心偉業醫藥有限公司)
"Board" or "Board of Directors"	the Board of Directors of Shanghai Pharmaceuticals
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CAPC"	The China Association of Pharmaceutical Commerce (中國醫藥商業協會), which is a national industry and trade organization that advises the relevant PRC government agencies in charge of the pharmaceutical industry
"CCASS"	the Central Clearing and Settlement System established and operated by the HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Central China Region"	the central region of the PRC, which includes Henan Province, Hubei Province and Hunan Province
"Changzhou Pharmaceutical"	Changzhou Pharmaceutical Co., Ltd. (常州藥業股份有限公司)
"Chiatai Qingchunbao"	Chiatai Qingchunbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司)
"CHS"	China Health System Ltd.
"CICC"	China International Capital Corporation Hong Kong Securities Limited
"CITIC Pharma"	CITIC Pharma Co., Ltd. (中信醫藥實業有限公司), a wholly-owned subsidiary of CHS
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Connected Person"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules and, unless the context requires otherwise, refers to Shanghai Pharmaceutical (Group), Shanghai Shangshi and SIIC
"Credit Suisse"	Credit Suisse (Hong Kong) Limited
"CSRC"	the China Securities Regulatory Commission, a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deutsche Bank"	Deutsche Bank AG, Hong Kong Branch
"Director(s)"	the director(s) of Shanghai Pharmaceuticals, including all executive, non-executive and independent non-executive directors

"Eastern China Region"	the eastern region of the PRC, which includes Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shanghai Municipality
"Entrustment Agreement"	the entrustment agreement, dated December 13, 2010, entered into between Shanghai New Asiatic and Shanghai Pharmaceutical (Group)
"Fudan-Zhangjiang"	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司)
"Fujian Pharmaceutical"	Fujian Pharmaceutical Co., Ltd. (福建省醫藥有限責任公司)
"GDP"	gross domestic product
"GEM"	Growth Enterprise Market, an alternative stock market operated by Hong Kong Exchanges and Clearing Limited
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goldman Sachs"	Goldman Sachs (Asia) L.L.C.
"Green Application Form(s)"	the application form(s) to be completed by **White Form eIPO Service** Provider, Computershare Hong Kong Investor Services Limited
"Group," "we" or "us"	the Company and all its subsidiaries
"Guangzhou Z.S.Y."	Guangzhou Z.S.Y. Pharmaceutical Co., Ltd. (廣州中山醫醫藥有限公司)
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	overseas listed foreign shares in our ordinary share capital, with a nominal value of RMB1.00 each, which are to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HK$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Listing Rules" or "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)
"Hong Kong Offer Shares"	the H Shares offered for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer by our Company of initially 33,210,800 H 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 (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this Prospectus and the Application Forms as further described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this Prospectus
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed as such in the section headed "Underwriting — Hong Kong Underwriters" in this Prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement relating to the Hong Kong Public Offering, dated May 5, 2011, entered into among the Company and the Hong Kong Underwriters, as further described in the section headed "Underwriting" in this Prospectus
"Huashi Pharmacy"	Shanghai Huashi Pharmacy Co., Ltd. (上海華氏大藥房有限公司)
"Independent Third Party(ies)"	a person or persons or a company or companies that is not or are not Connected Person(s)
"International Offer Shares"	the H Shares offered pursuant to the International Offering
"International Offering"	the offer for subscription of 631,003,200 H Shares to institutional, professional, corporate and other investors, subject to adjustment and the Over-Allotment Option, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"International Purchase Agreement"	the underwriting agreement relating to the International Offering, which is expected to be entered into among the Company, the Joint Global Coordinators and the International Purchasers, as further described in the paragraph headed "The International Offering" under the section headed "Structure of the Global Offering" in this Prospectus

"International Purchasers"	the group of underwriters led by the Joint Global Coordinators, who are expected to enter into the International Purchase Agreement to underwrite the International Offering
"ISO"	the International Organization for Standardization
"Jiangxi Nanhua"	Jiangxi Nanhua Medicine Co., Ltd. (江西南華醫藥有限公司), a 50 to 50 joint venture between Shanghai Pharmaceutical Distribution Co. and Jiangxi Pharmaceutical Group Co., Ltd. (江西省醫藥集團公司)
"Joint Bookrunners"	Goldman Sachs, Deutsche Bank, Credit Suisse and CICC
"Joint Global Coordinators" or "Joint Lead Managers"	Goldman Sachs, Deutsche Bank and Credit Suisse
"Joint Sponsors"	Goldman Sachs, CICC, Deutsche Bank and Credit Suisse
"Latest Practicable Date"	April 27, 2011, being the latest practicable date before the printing of this Prospectus for ascertaining certain information in this Prospectus
"Leiyunshang Pharmaceutical"	Shanghai Leiyunshang Pharmaceutical Co., Ltd. (上海雷允上藥業有限公司)
"Lianhua Supermarket"	Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司)
"Listing"	the listing of the Offer Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about May 20, 2011, on which dealings in the H Shares commence on the Hong Kong Stock Exchange
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas," as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems on August 27, 1994
"Medical Insurance Drugs Catalogs"	the National Medical Insurance Drugs Catalog and the Provincial Medical Insurance Drugs Catalogs
"Mergen"	Mergen Biotech Limited

"Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ministry of Environmental Protection"	the Ministry of Environmental Protection Administration of the PRC (中華人民共和國環境保護部)
"Ministry of Health" or "MOH"	the Ministry of Health of the PRC (中華人民共和國衛生部)
"Ministry of Human Resources and Social Security"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"National Bureau of Statistics"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"National List of Essential Drugs"	the National Essential Drugs List (國家基本藥物目錄), issued by the Ministry of Health in 2009, as amended
"National Medical Insurance Drugs Catalog"	the State Basic Medical Insurance and Work Injury Insurance Drugs Catalog (國家基本醫療保險和工傷保險藥品目錄), issued by the Ministry of Human Resources and Social Security in 2009, as amended
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Rural Co-Op Insurance"	the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險)
"NFS"	SFDA South Medicine Economic Research Institute (SFDA南方醫藥經濟研究所)
"NFS Report"	the industry report on the PRC healthcare industry and pharmaceutical markets issued by the NFS in January 2011
"Non-Competition Deeds"	the non-competition deeds, dated December 22, 2009, committed to our Company by Shanghai Pharmaceutical (Group) and SIIC
"Northeastern China Region"	the northeastern region of the PRC, which includes Heilongjiang Province, Jilin Province and Liaoning Province
"Northern China Region"	the northern region of the PRC, which includes Hebei Province, Shanxi Province and Inner-Mongolia Autonomous Region, Beijing Municipality and Tianjin Municipality

"Northwestern China Region"	the northwestern region of the PRC, which includes Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region and Xinjiang Uygur Autonomous Region
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會), serving as a strategic reserve fund accumulated by the central government to support future social security expenditures
"Offer Price"	the final Hong Kong dollar price per H Share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fees) at which the H Shares are to be subscribed for and issued pursuant to the Hong Kong Public Offering, to be determined as further described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this Prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H Shares issued and sold pursuant to the exercise of the Over-Allotment Option
"Over-Allotment Option"	the option granted by us to the International Purchasers to require us to allot and issue up to 99,632,100 additional H Shares, at the Offer Price, which is exercisable from the date of the International Purchase Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering
"Patent Law"	the Patent Law of the PRC (中華人民共和國專利法), as amended
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PBOC Rate"	the exchange rate for foreign exchange transactions published daily by the PBOC
"PRC" or "China"	the People's Republic of China; except where the context otherwise requires, references in this Prospectus to the PRC or China do not apply to Hong Kong, Macau or Taiwan
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended
"PRC GAAP"	the generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises

"Price Determination Date"	the date on which the pricing of the Offer Shares will be fixed by the Joint Global Coordinators, on behalf of the Underwriters and the Company, expected to be on or around May 13, 2011, and in any event no later than May 18, 2011
"PricewaterhouseCoopers"	PricewaterhouseCoopers, Certified Public Accountants, Hong Kong
"Prospectus"	this prospectus in connection with the Hong Kong Public Offering
"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
"Provincial Medical Insurance Drugs Catalog"	the basic medical insurance and work injury insurance drugs catalog, issued by the local agency of human resources and social security of a province, municipality or autonomous region
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Qingdao Growful"	Qingdao Growful Pharmaceutical Co., Ltd. (青島國風藥業股份有限公司)
"Qualified Domestic Institutional Investors"	has the meaning ascribed to it under the Trial Measures of the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資管理試行辦法) promulgated by the CSRC, effective from July 5, 2007
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)

"SDA"	the State Drug Administration of the PRC (國家藥品監督管理局), the predecessor of the SFDA
"SFC"	the Securities and Futures Commission of Hong Kong
"SFDA"	the State Food and Drug Administration of the PRC (國家食品藥品監督管理局)
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended
"Shanghai Ajinomoto"	Shanghai Ajinomoto Amino Acid Co., Ltd. (上海味之素氨基酸有限公司)
"Shanghai Asia Pioneer"	Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司)
"Shanghai Huakang"	Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd. (上海新先鋒華康醫藥有限公司)
"Shanghai Hutchison"	Shanghai Hutchison Pharmaceutical Co., Ltd. (上海和黃藥業有限公司)
"Shanghai Industrial Holdings"	Shanghai Industrial Holdings Limited (上海實業控股有限公司) (listed on the Hong Kong Stock Exchange; stock code is 0363)
"Shanghai Industrial Pharma"	Shanghai Industrial Pharmaceutical Investment Co., Ltd. (上海實業醫藥投資股份有限公司) (formerly listed on the Shanghai Stock Exchange; stock code was 600607)
"Shanghai Listing Rules"	Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Shanghai New Asiatic"	Shanghai New Asiatic Pharmaceutical Co., Ltd. (上海新亞藥業有限公司)
"Shanghai No. 1 Biochemical"	Shanghai No. 1 Biochemical and Pharmaceutical Co., Ltd. (上海第一生化藥業有限公司)
"Shanghai Pharmaceutical Distribution Co."	Shanghai Pharmaceutical Distribution Co., Ltd. (上海醫藥分銷控股有限公司)
"Shanghai Pharmaceutical (Group)"	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)
"Shanghai Pharmaceutical Material Supply and Marketing Co."	Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd. (上海醫藥物資供銷有限公司)

"Shanghai Pharmaceuticals," "our Company" or "the Company"	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (listed on the Shanghai Stock Exchange; stock code is 601607)
"Shanghai Roche"	Shanghai Roche Pharmaceuticals Ltd. (上海羅氏製藥有限公司)
"Shanghai SASAC"	the State-Owned Assets Supervision and Administration Commission of the Shanghai Municipal Government (上海市國有資產監督管理委員會)
"Shanghai Shangshi"	Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司)
"Shanghai Shengrui"	Shanghai Shengrui Investment Co., Ltd. (上海盛睿投資有限公司)
"Shanghai Squibb"	Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥有限公司)
"Shanghai Sunve Co."	Shanghai Sunve Co., Ltd. (上海三維有限公司)
"Shanghai Traditional Chinese Medicine Co."	Shanghai Traditional Chinese Medicine Co., Ltd. (上海市藥材有限公司)
"Shareholder(s)"	holder(s) of our Shares
"Shares"	shares of Shanghai Pharmaceuticals of nominal value RMB1.00 each, comprising both A Shares and H Shares
"Shenergy"	Shenergy Company Ltd. (申能(集團)有限公司)
"Shenzhen Kondarl"	Shenzhen Kondarl (Group) Corp., Ltd. (深圳市康達爾(集團)股份有限公司)
"SHINEWING"	SHINEWING (HK) CPA Limited
"SIIC"	Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業(集團)有限公司)
"SIIC Medical Science and Technology"	SIIC Medical Science and Technology (Group) Limited (上海實業醫藥科技(集團)有限公司)
"Sine Pharmaceutical"	Shanghai Sine Pharmaceutical Laboratories Co., Ltd. (上海信誼藥廠有限公司)
"Sine Tianyi"	Shanghai Sine Tianyi Pharmaceutical Co., Ltd. (上海信誼天一藥業有限公司)

"Sine Yellow River"	Shanghai Sine Yellow River Pharmaceutical Co., Ltd. (上海信誼黃河製藥有限公司)
"SIPO"	the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局)
"Songjiang Model"	an arrangement we have developed with local government authorities through the coordinated efforts between our pharmaceutical business and distribution business to distribute drugs on the National List of Essential Drugs to community medical institutions
"Southern China Region"	the southern region of the PRC, which includes Guangdong Province, Guangxi Zhuang Autonomous Region and Hainan Province
"Southwestern China Region"	the southwestern region of the PRC, which includes Sichuan Province, Yunnan Province, Guizhou Province, Chongqing Municipality and Tibet Autonomous Region
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended
"SPIE"	Shanghai Pharmaceutical Import and Export Co., Ltd. (上海醫藥進出口有限公司)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Substantial Shareholder(s)"	has the meaning ascribed to it in the Hong Kong Listing Rules
"Sunve Pharmaceutical"	Shanghai Sunve Pharmaceutical Co., Ltd. (上海三維製藥有限公司), being the predecessor of Zhongxi Sunve
"Supervisors"	the members of the board of Supervisors of Shanghai Pharmaceuticals
"Techpool Bio-Pharma"	Techpool Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司)
"Trademark Office"	Trademark Office of the SAIC
"Underwriters"	collectively, the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Purchase Agreement

"United States" or "U.S."	territories and possessions of the United States of America, any state of the United States, and the District of Columbia
"Urban Resident Program"	the Urban Resident Basic Medical Insurance Program (城鎮居民基本醫療保險)
"Urban Worker Program"	the Urban Worker Basic Medical Insurance Program (城鎮職工基本醫療保險)
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended
"Well-Known Trademarks"	trademarks that enjoy high reputation and are well-known to consumers in the relevant industries in the PRC market are Well-Known Trademarks according to the Provisions for the Determination and Protection of Well-Known Trademarks issued by the SAIC
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting an application online through the designated website of White Form eIPO **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Xin Hua Lian Pharmaceutical Factory"	Shanghai Pharmaceutical (Group) Co., Ltd. Xin Hua Lian Pharmaceutical Factory (上海醫藥(集團)有限公司新華聯製藥廠)
"Zhonghua Pharmaceutical"	Shanghai Zhonghua Pharmaceutical Co., Ltd. (上海中華藥業有限公司)
"Zhongxi Pharmaceutical"	Shanghai Zhongxi Pharmaceutical Co., Ltd. (formerly listed on the Shanghai Stock Exchange; stock code was 600842) (上海中西藥業股份有限公司)
"Zhongxi Sunve"	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd. (上海中西三維藥業有限公司)

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms and definitions used in this Prospectus in connection with our Company and our business. These terms and their meanings may not correspond to the standard industry meaning and usage of these terms.

"abdominal distension"	a sensation of elevated abdominal pressure and volume
"active ingredients" or "active pharmaceutical ingredient(s)"	an active substance in a pharmaceutical product, responsible for the therapeutic effect of a drug
"adjuvant therapy"	a pharmacological or immunological therapy that modifies the effect of other agents (e.g., drugs, vaccines) while having few if any direct effects when given by itself
"alimentary tract"	a musculomembranous tube that extends from the mouth to the anus and that is lined with mucous membrane, in which the movement of muscles and the release of hormones and enzymes digest food
"amino acid(s)"	molecules containing an amine group, a carboxylic acid group and a side chain that varies between different amino acids
"angina"	chest pain caused by an inadequate flow of blood to the heart, generally due to obstruction or spasm of the heart's blood vessels
"ankylosing spondylitis"	also known as Bekhterev syndrome, a chronic, inflammatory arthritis that can cause eventual fusion of the spine
"antibiotics"	a substance, such as penicillin or streptomycin, produced by or derived from certain fungi, bacteria and other microorganisms, or produced by chemical processes that can destroy or inhibit the growth of other microorganisms; widely used in the prevention and treatment of infectious diseases
"antiinfectives for systemic use"	medicines that prevent or treat infections by affecting the body as a whole
"antineoplastic"	relating to a class of medicines that inhibit or prevent the development of neoplasms (a tumor)
"aplastic anemia"	a condition of having fewer red blood cells than normal, where bone marrow does not produce sufficient new cells to replenish blood cells

GLOSSARY OF TECHNICAL TERMS

"ATC classification"	the Anatomical Therapeutic Chemical classification, a system used for the classification of drugs and controlled by the World Health Organization Collaborating Center for Drug Statistics Methodology
"autoimmune diseases"	diseases which arise from an overactive immune response of the body against substances and tissues normally present in the body
"biliary tracts"	an anatomical term for the path by which bile is secreted by the liver, then transported to the duodenum, or small intestine
"biochemical"	relating to chemical composition of a particular living system or biological substance
"biopharmaceutical"	relating to medicines created by means of biotechnology
"blood forming organs"	organs responsible for the formation and development of blood cells, including bone marrow, lymphatic, liver and spleen
"bone marrow transplantations"	a technique used to enhance or restore a person's immune response or supply of blood cells or to replace diseased or destroyed bone marrow with normally functioning bone marrow, which involves the removal of bone marrow from a donor and transplantation of it to a patient
"capsule(s)"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials which are sealed in a gelatin capsule
"cardio-cerebral vascular"	relating to or affecting the brain, heart, blood vessels, and/or circulatory systems
"cardiogenic shock"	an insufficient forward cardiac output to maintain adequate perfusion of vital organs to meet ongoing demands for oxygenation and metabolism
"cardiovascular"	relating to the circulatory system that comprises the heart and the blood vessels, which carries nutrients and oxygen to the tissue of the body and removes carbon dioxide and other wastes from them
"central nervous system"	a major division of the nervous system consisting the brain and the spinal cord

GLOSSARY OF TECHNICAL TERMS

"Certificate of New Medicine"	a Certificate of New Medicine generally provides a medicine product a monitoring period of up to five years, during which other pharmaceutical products manufacturers in the PRC are not permitted to produce the relevant products; such medicines may include medicines based on existing formulae but produced in new product forms or with new curative effects in the PRC market
"cGMP"	Current Good Manufacturing Practice, which consists of guidelines and regulations, issued by Food and Drug Administration of the United States, to ensure that pharmaceutical products subject to those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use and the technologies and systems applied are up-to-date
"chemical drugs"	medicines created by means of chemistry or obtained by chemical processes
"chemotherapy"	a treatment of disease by chemical means that have a specific toxic effect upon the disease producing microorganisms, or that selectively destroy cancerous tissue
"Chinese herbal medicines"	medicines using medicinal herbs, one of the branches of traditional Chinese medicines
"circulatory shock"	the shock resulting from inadequate cardiac function, as from myocardial infarction or mechanical obstruction; characteristics include hypovolemia, hypotension, cold skin, weak pulse and confusion
"Class II hospitals"	regional hospitals with minimum capacity that provide multiple communities with integrated medical services and undertake certain educational and scientific research missions are designated as Class II hospitals by the MOH hospital classification system
"Class III hospitals"	multi-regional hospitals with large capacity that provide multiple regions with high-quality professional medical services, undertake higher education and scientific research initiatives are designated as Class III hospitals by the MOH hospital classification system
"coronary heart disease(s)"	the failure of coronary circulation to supply adequate circulation to cardiac muscle and surrounding tissue
"dermatologicals"	medicines used to treat diseases affecting the skin

GLOSSARY OF TECHNICAL TERMS

"diagnostic agents"	medicines used to reveal, pinpoint, and define the localization of a pathological process
"DNA"	deoxyribonucleic acid, a nucleic acid that contains the genetic instructions for the biological development of a cellular form of life or a virus
"endotoxemia"	a presence of endotoxins in the blood, which can lead to septic shock if the immune response is severely pronounced
"essential drugs"	drugs listed under the National List of Essential Drugs, issued by the Ministry of Health in 2009
"first-to-market generic drug(s)"	generic drugs that first received approval to be marketed
"gastrointestinal"	relating to or affecting the stomach and intestines, which comprise the digestive system
"generic drugs"	drugs using the same active ingredients as the original medicine and generally available in the same strengths and dosage forms as the original
"genito-urinary system"	all of the urinary and genital organs and their associated structures, such as kidneys, ureters and bladders
"GMP" or "Good Manufacturing Practice"	Good Manufacturing Practice, which are guidelines and regulations issued to ensure that pharmaceutical products subject to those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use
"gonorrhea"	a common sexually transmitted disease caused by gonococcal bacteria that affects the mucous membrane chiefly of the genital and urinary tracts and is characterized by an acute purulent discharge and painful or difficult urination, though women often have no symptoms
"granule(s)"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines which are formed into dry granules
"granulocyte"	a category of white blood cells characterized by the presence of granules in their cytoplasm

GLOSSARY OF TECHNICAL TERMS

"GSP" or "Good Supply Practice"	Good Supply Practice, which are guidelines and regulations issued, from time to time, pursuant to the Law of the PRC on the Administration of Pharmaceuticals as part of quality assurance to ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with those guidelines and regulations
"gynecological"	relating to the female reproductive system
"H1N1"	a subtype of the species influenza A virus
"heat-clearing and detoxifying"	relating to a class of Chinese medicines that counteract the effects of endotoxin, based on the theory of traditional Chinese medicines
"hepatitis"	an inflammation of the liver caused by infectious or toxic agents and characterized by jaundice, fever, liver enlargement, and abdominal pain
"hypertension"	abnormally elevated blood pressure
"immunodeficiency"	an innate, acquired or induced inability to develop a normal immune response
"immunomodulating agent"	medicines that adjust the immune response to a desired level
"injectables"	a form in which medicines may be delivered via injection into the human body in a sterile liquid form
"innovative drugs"	drugs that are new chemical or biochemical entities and are different from existing options to treat diseases
"intravenous injection"	an injection into a vein
"ISO14001"	an international standard published by ISO specifying processes for controlling and improving environmental performance, consisting of: general requirements, environmental policy, planning; implementation and operation, checking and corrective action and management review
"liposome"	an artificial microscopic vesicle consisting of an aqueous core enclosed in one or more phospholipid layers, used to convey vaccines, drugs, enzymes, or other substances to target cells or organs
"meningitis"	an inflammation of the protective membranes covering the brain and spinal cord, known collectively as the meninges

"metabolism"	the whole range of biochemical processes that occur within an organism
"modern Chinese medicines"	medicines based on traditional Chinese medicine theories that retain the properties of traditional Chinese medicines, and which are produced using modern production processes and techniques and typically in modern formulations, such as capsules and injectables
"multiple myeloma"	a cancer of plasma cells in which antibody-producing plasma cells grow in an uncontrolled and invasive or malignant manner
"musculo-skeletal system"	a complex that consists of bones, joints, ligaments, muscles, and the nerves that innervate these parts and supports the body, controls locomotion, and provides for movement of the individual parts and organs
"myelodysplastic syndromes"	a group of bone marrow disorders characterized by the underproduction of one or more types of blood cells due to dysfunction of the marrow
"neutropenia"	a hematological disorder characterized by an abnormally low number of neutrophils, the most important type of white blood cell, in the blood
"over-the-counter"	relating to pharmaceutical products which may, upon receiving SFDA approval, be sold over the counter in the PRC at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
"pancreas"	a gland organ in the digestive and endocrine system
"parasitology"	the therapeutic area that deals with diseases caused by parasites
"pediatric"	relating to the medical care of infants, children, and adolescents
"pelvic"	relating to the pelvis, which is the part of the trunk inferioposterior (below-behind) to the abdomen in the transition area between the trunk (torso) and the lower limbs (legs)
"photodynamic therapy"	a therapy for cancer in which a cytotoxic drug is activated by light rays to destroy malignant and other diseased cells
"pneumococcal disease"	the disease caused by a common bacterium, the pneumococcus, which can attack different parts of the human body

"pneumonia"	an infection of one or more lungs which is usually caused by bacteria, viruses or fungi
"prescription medicine(s)" or "prescription drug(s)"	medicines which may be prescribed only by qualified medical practitioners
"psychotropic"	relating to the exerting of an effect on the mind or the modifying of mental activity
"pulmonary heart diseases"	the enlargement of the right heart ventricle as a response to increased resistance or high blood pressure in the lungs
"radio-frequency identification"	a technology that uses communication via radio waves to exchange data between a reader and an electronic tag attached to an object, for the purpose of identification and tracking
"recombinant DNA"	a form of artificial DNA that is created by combining two or more sequences that would not normally occur together through the process of gene splicing
"respiratory"	relating to the system that includes airways, lungs, and the respiratory muscles
"rheumatoid arthritis"	a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks synovial joints
"SARS"	severe acute respiratory syndrome, a severe viral infection of the lungs characterized by high fever, a dry cough, and breathing difficulties
"septicemia"	a systemic illness with toxicity due to invasion of the bloodstream by virulent bacteria coming from a local site of infection
"State Protected Chinese Medicine"	medicines listed under the Catalog of National Protected Chinese Medicines (國家中藥保護品種目錄), as amended from time to time by the SFDA
"systemic hormonal preparations"	medications used in hormone therapy that contain hormones or their synthetic analogs to treat diseases caused by hormonal imbalance by affecting the body as a whole
"systemic lupus erythematosus"	a chronic generalized connective tissue disorder, also a systemic autoimmune disease, that can affect any part of the body, where the immune system attacks the body's cells and tissue, resulting in inflammation and tissue damage, often abbreviated to "SLE" or "lupus"

GLOSSARY OF TECHNICAL TERMS

"tablet(s)"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines, which are formed into tablet form
"traditional Chinese medicines"	a type of drug where the active ingredients come from or are derived from natural plants, animals or minerals
"trypsin inhibitor"	substance that inhibits the activities of trypsin, an enzyme occurring in the pancreatic juice that aids digestion by catalysing the hydrolysis of proteins to peptides
"viral myocarditis"	the inflammation of heart muscle of the myocardium, caused by common viruses

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this Prospectus, including, without limitation, the discussions of our business strategies and expectations concerning future operations, results, margins, profitability, liquidity and capital resources, the future development of our industry and the future development of the general economy of our key markets and any statements preceded by, followed by or that include words and expressions such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "going forward," "intend," "may," "ought to," "plan," "potential," "predict," "project," "seek," "should," "will," "would," similar words or statements, and the negative of these words and other similar statements, as they relate to our Group or our management, are intended to identify forward-looking statements.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in this Prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among other things, the risks and uncertainties associated with:

- general business prospects under economic and political conditions, including macroeconomic policies of the PRC government;
- laws, rules and regulations of the PRC government regarding the pharmaceutical industry;
- future developments, trends and conditions in the pharmaceutical industry, both within the PRC and globally;
- the amount and nature of, and potential for, future development of our business, including through both organic growth and through third party strategic transactions such as acquisitions and joint ventures;
- our strategies, plans, objectives and goals, and our ability to successfully implement the same;
- our future debt levels and capital needs;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any, and undertake no, obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section.

In this Prospectus, statements of or references to our intentions or that of any of our Directors are made as of the date of this Prospectus. Any such intentions may change in light of future developments.

You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. The trading price of our H Shares could decrease due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, see the section headed "Regulation," Appendix VIII — "Summary of Principal Legal and Regulatory Provisions" and Appendix IX — "Summary of Articles of Association."

RISKS RELATING TO OUR BUSINESS OPERATIONS

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

The successful implementation of our business strategies is subject to significant business, economic and competitive uncertainties and contingencies, including, among others, continued growth of the pharmaceutical market in the PRC, government policies, competition, compliance with environmental or other laws and regulations, delays in securing requisite government approvals and a downturn in the economy or changes in market conditions, natural disasters, labor disputes or civil unrest, any of which could delay or inhibit the implementation of our business strategies. For example, one of our business strategies is to expand our business through selective acquisitions, which involves a number of risks and uncertainties. See "— We may not be able to successfully identify, acquire or integrate businesses, or adhere to our growth and expansion plans." In addition, we are in the process of consolidating our manufacturing operations, which requires extensive internal and external coordination and, in many cases, efforts to overcome regulatory challenges. Any delays or failure to successfully implement our business strategies could result in the loss or delayed receipt of revenue, an increase in financing costs or the failure to grow our business or increase our profitability, any of which may materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to successfully identify, acquire or integrate businesses, or adhere to our growth and expansion plans.

One of our business strategies is to take advantage of the consolidation trend in the highly fragmented PRC pharmaceutical industry by engaging in acquisition transactions, which has contributed significantly to our recent growth. For example, in December 2010, we contracted to acquire the Antibiotics Business, which is expected to be completed in the first half of 2011. In April 2011, we completed the acquisition of CHS, whose main asset is its wholly-owned subsidiary CITIC Pharma, a leading pharmaceutical distributor in Beijing in terms of revenue in 2009. In addition, we may identify, pursue and set up joint venture projects from time to time. Furthermore, as part of our future plans, we aim to expand our business operations through selective acquisitions.

Acquisitions and expansion involve numerous risks and uncertainties, including:

- inability to identify suitable acquisition targets or complete acquisitions at commercially acceptable terms or prices;

- increasingly intense competition for attractive acquisition targets;
- the availability, terms and costs of any financing required to fund acquisitions or complete expansion plans;
- inability to timely secure necessary governmental approvals, third party consents and land use rights;
- the costs of and difficulties in integrating acquired businesses, managing a larger and growing business and operating in new markets and geographic regions;
- potential ongoing financial obligations and unforeseen, hidden or latent liabilities of our acquisition targets and other unidentified risks;
- failure to capitalize on the expected synergies arising from acquisitions and achieve other intended objectives or benefits, or to generate sufficient revenue to recover the costs and expenses, of an acquisition or expansion plan;
- acquired business's failure to perform as expected and resulting impairment costs;
- the decrease in our overall gross margins due to the lower gross margins of our acquired businesses;
- potential negative effect on our liquidity position due to the net cash outflow of an acquired business;
- failure to retain the management teams of the acquired businesses and their expertise; and
- the diversion of resources and management attention from our existing businesses.

Any failure to address these risks successfully may have a material adverse effect on our business, financial condition and results of operations.

We may fail to realize the anticipated benefits of our recent restructuring transactions.

In late 2009 and early 2010, we undertook a series of transactions to restructure and consolidate the pharmaceutical business assets previously held by our major Shareholders with ours. See "History, Restructuring and Corporate Structure — History and Development — The Restructuring." The success of these restructuring transactions will depend, in part, on our ability to successfully integrate our resulting business operations and realize the anticipated benefits and cost savings from the consolidation of these business operations. As such, we cannot assure you that we will be able to achieve these objectives within the anticipated time frame, or at all. Specifically, issues that must be addressed in integrating the combined operations in order to realize the anticipated benefits include, among other things:

- consolidating manufacturing resources;
- establishing unified management platforms to coordinate manufacturing, distribution, marketing and promotion activities;
- integrating research and development functions;

- centralizing and standardizing information technology systems;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures among the combined operations;
- identifying and eliminating redundant and underperforming operations and assets; and
- managing costs or inefficiencies associated with integrating the combined operations.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual cost and operation synergies between business operations, if achieved at all, may be lower than we expect and may take longer to achieve than anticipated. If we are not able to adequately address these challenges, we may be unable to successfully integrate our business operations, or to realize the anticipated benefits of the restructuring transactions. Integration efforts may also divert management attention and resources. Any inability to realize the full extent of, or any of, the anticipated benefits of these reorganization transactions, as well as any delays in the integration process, could have a material adverse effect on our business, financial condition and results of operations.

The pro forma consolidated financial information is not necessarily reflective of what our actual financial results would have been had the businesses been acquired during the periods presented in the pro forma financial information, and our actual financial results for future periods may differ significantly from the pro forma financial results.

The unaudited pro forma consolidated financial information presented in this Prospectus includes all adjustments that our management believes are necessary for a proper presentation of the pro forma operating results in the historical periods. In preparing the unaudited pro forma consolidated financial information, our management has made certain assumptions. In addition, it is impossible to precisely quantify and reflect the impact of the combinations on results of operations in periods prior to the combinations actually occurring. Furthermore, one of the acquisitions to which the unaudited pro forma financial information gives pro forma effect is pending completion. Because of these uncertainties, the unaudited pro forma consolidated financial statements are not necessarily indicative of the results that would have been reported had the events for which pro forma effect has been given actually occurred on the dates specified, nor are they necessarily indicative of our future results of operations.

We may be required to record a significant charge to earnings if our goodwill or acquired intangible assets are determined to be impaired.

We are required to review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill and intangible assets with indefinite lives are required to be tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that the assets might be impaired. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or acquired intangible assets may not be recoverable include a general decline in stock price and market capitalization and slower growth rates in our industry. If the carrying value of our goodwill or acquired intangible assets is determined to be impaired, their carrying value would be written down.

We have recorded significant goodwill and intangible assets relating to our recent completed acquisitions in 2010. As of December 31, 2010, the net book value of our goodwill and other intangible assets were RMB422.8 million and RMB93.7 million, respectively. We expect to record significant additional goodwill as a result of the CHS acquisition. As we cannot give any assurances regarding the future profitability of the acquired entities, we may be required to record a significant charge to earnings in our financial statements during the period in which our goodwill or acquired intangible assets is determined to be impaired, which could materially and adversely affect our profit.

Our business, financial condition and results of operations may be materially and adversely affected if we are unable to compete effectively in the PRC pharmaceutical industry.

The pharmaceutical industry is highly competitive. Our key competitors are large national and regional manufacturers and distributors of pharmaceutical and healthcare products and large national and regional retail pharmacy chains. In addition, we compete with local manufacturers and distributors of pharmaceutical products, retail pharmacies and other healthcare product providers. We also compete with foreign pharmaceutical distribution, retail and service companies with operations in the PRC. Specifically, the major competitors of our pharmaceutical business include, but are not necessarily limited to, Harbin Pharmaceutical Group Co., Ltd. and Shijiazhuang Pharmaceutical Group Co., Ltd. The major competitors of our pharmaceutical distribution and supply chain solutions business include, but are not necessarily limited to, Sinopharm Group Co., Ltd., Jointown Pharmaceutical Group., Ltd. and China Resources Medications Group Limited. Our pharmacy retail business primarily competes with, among others, Sinopharm Group Co., Ltd. and China Nepstar Chain Drugstore Ltd. These companies may have substantially greater financial, technical, research and development, marketing, distribution and other resources than we do. They may also have longer operating histories, larger customer bases or broader and deeper market coverage. Furthermore, new competitors, domestic or foreign, may enter markets where we currently operate.

The technologies used by us and our competitors are evolving rapidly, and new developments frequently result in price competition and product obsolescence. In addition, we may be impacted by competition from substitute products. We cannot assure you that we will be able to remain competitive by continually distinguishing our products and services, or maintain our supplier and customer relationships, nor can we assure you that we will increase or maintain our existing market share. Moreover, any significant increase in competition could have a material adverse effect on our revenue and profitability as well as our business and prospects. If we are unable to compete effectively, we may lose market share and our financial condition and results of operations may deteriorate significantly.

A substantial portion of the pharmaceutical products manufactured by us are subject to government price controls in the PRC.

A substantial portion of the pharmaceutical products manufactured by us, primarily those included in the Medical Insurance Drugs Catalogs, are subject to government price controls in the form of fixed retail prices or retail price ceilings. See "Regulation — Price Controls." As a result, our ability to set or raise the prices of these products is significantly limited. In addition, the fixed or maximum retail prices of products that are included in the Medical Insurance Drugs Catalogs are subject to periodic downward adjustments as the PRC government authorities aim to make pharmaceutical products more affordable to the general public. In July 2010, the NDRC issued a notice with regard to a survey of the wholesale prices of approximately 900 pharmaceutical products and the operations of the relevant pharmaceutical manufacturers. The purpose of this survey was to understand the cost structure of the selected pharmaceutical products. The result of this survey, which has not been published publicly, may lead to further downward adjustments in the maximum retail prices of these pharmaceutical products. Twenty-two of our products were included in the scope of this survey, which collectively contributed 10.8% of the segment revenue of our pharmaceutical business in 2010. Any downward adjustment to the maximum retail prices of these products may materially reduce our revenue.

In 2008, 2009 and 2010, sales of pharmaceutical products manufactured by us included in the National Medical Insurance Drugs Catalog accounted for 55.7%, 59.1% and 60.2%, respectively, of our pharmaceutical business segment revenue. Although there are no control over the prices at which pharmaceutical manufacturers in the PRC must sell their products to distributors or hospitals, should the PRC government significantly reduce the fixed retail prices or the retail price ceilings applicable to our products, we may have to reduce the prices at which we sell these products. In such an event, our revenue and profitability may be materially reduced. Moreover, although we have not discontinued the manufacturing of any pharmaceutical product due to its fixed or maximum retail price set by the government preventing us from gaining an appropriate margin, we cannot assure you that it will not occur in the future. Furthermore, if additional products manufactured by us were to become subject to price controls in the future, our business, financial condition and results of operations could also be materially and adversely affected.

Any changes to the products that are included in the Medical Insurance Drugs Catalogs could have a material adverse effect on our business, financial condition, results of operations and prospects.

In the PRC, patients purchasing pharmaceutical products that are listed in the Medical Insurance Drugs Catalogs are entitled to reimbursement of all or a portion of their purchase costs from the social medical fund. Consequently, pharmaceutical products that are included in the Medical Insurance Drugs Catalogs are generally more competitive in terms of pricing than competing products in the market.

The Medical Insurance Drugs Catalogs are subject to review by the relevant government authorities from time to time based on various factors, including treatment requirements, frequency of use, efficacy and price. We cannot assure you that our existing products that are currently admitted in the Medical Insurance Drugs Catalogs will continue to be included in the catalogs. The removal of our products from the catalogs may significantly reduce the sales of such products. In addition, there is significant uncertainty regarding the insurance coverage and reimbursement of newly approved pharmaceutical products. The commercial success of our new products is substantially dependent on whether reimbursement is available to hospitals ordering these products for use by their patients. Any non-inclusion of our new products in the Medical Insurance Drugs Catalogs may have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to win the statutory tender process, or fail to secure orders from hospitals or other medical institutions, our pharmaceutical business may be materially and adversely affected.

In 2008, 2009 and 2010, a majority of our pharmaceutical business revenue was derived from sales to hospitals and other medical institutions in the PRC. The purchase of pharmaceutical products by government owned or controlled hospitals is generally subject to an annual statutory tender process run by the relevant local governments. With the recent introduction of a more centralized statutory tender system for essential drugs, which may lead to increasing competition among suppliers of essential drugs, the PRC government is expected to bring further downward pricing pressure on pharmaceutical product manufacturers. See "Regulation — Distribution — Statutory Tender Process Requirements for Hospital Purchase of Medicines" for details of such statutory requirements. We may fail to win the statutory tender process if our prices are not competitive, our drugs fail to meet certain quality requirements or are less effective clinically than competing products, our reputation were adversely affected by unforeseen events, our service quality fails to meet the tender requirements, or for other reasons. Even if we win the statutory tender process, the relevant hospitals and other medical institutions may place orders with other suppliers that also won the statutory tender process. If we fail to win orders from hospitals or other medical institutions through the statutory tender process, we will not be able to sell our products to them, our pharmaceutical businesses will suffer, and our revenue and profitability could be materially reduced.

Development of new pharmaceutical products is time-consuming and costly, and has a low rate of successful commercialization.

The success of our pharmaceutical business depends in part on our ability to enhance our existing products and to develop new products. The development process for pharmaceutical products is complex and uncertain, as well as time-consuming and costly. In particular, relatively few research and development programs end up producing a commercial product. A product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons, such as:

- failure to demonstrate safety and efficacy in preclinical and clinical trials;
- failure to obtain approvals for the intended use from relevant regulatory bodies, such as the SFDA;
- inability to manufacture and commercialize sufficient quantities of the product economically; and
- lack of proprietary rights, such as patent rights, to our product candidate and/or inability to acquire or license such rights on commercially reasonable terms, or at all.

Delays in any part of the development process or inability to obtain regulatory approval of our products could have a material adverse effect on our business, financial condition, results of operations and prospects.

Even if we successfully develop and launch a new product, we cannot assure you that it will be commercially accepted in the market. The primary factors which may affect the commercial acceptance of our products include, among other things:

- the safety and efficacy of the product;
- the effectiveness of our marketing efforts;
- the product's cost-effectiveness; and

- the product's perceived advantages and disadvantages relative to competing products.

In addition, the market acceptance of a product is also affected by whether it is included in the Medical Insurance Drugs Catalogs whereby payment reimbursement would be available for insured patients. If any of our new products is not well accepted by the market, we may not be able to recoup our investment, and our business, financial condition and results of operations may be materially and adversely affected. Even if we successfully commercialize new products, these products may serve markets that are currently being served by our existing products and may result in a reduction in the sales volume of our mature products or vice versa.

Our pharmaceutical business depends heavily on the supply of certain raw materials, and a decrease in the supply, or an increase in the cost, of raw materials could severely disrupt our business as well as materially reduce our revenue and profitability.

Purchase of raw materials accounted for a majority of the total cost of sales of our pharmaceutical business in 2008, 2009 and 2010, respectively. In order to manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices and in a timely manner. We typically do not enter into long-term supply agreements with raw material suppliers and as a result are vulnerable to supply shortages and fluctuations in market prices. Should any of our suppliers fail to supply sufficient quantities of raw materials of an acceptable quality in the future, we may be unable to obtain replacement raw materials elsewhere in a timely manner. We may also be forced to obtain raw materials from different suppliers, who may require us to pay prices that are not commercially reasonable or may provide us with raw materials that are not of an acceptable quality. Any interruption in our supply of raw materials could delay the production and delivery schedules of the relevant products, which may result in the loss of customers and revenue. In addition, the market prices of raw materials may be subject to significant fluctuations due to various factors, such as weather conditions, the occurrence of natural disasters or sudden increases in demand. For example, the market prices of certain raw materials for our modern Chinese medicine products have increased significantly in recent years. We cannot assure you that we would be able to pass on any increase in raw material costs to our customers, and any substantial fluctuation in market prices of raw materials may materially increase our costs and decrease our profit.

We rely on our manufacturing and storage facilities. Any disruption of our current facilities or in the development of new facilities could reduce or restrict sales and have a material adverse effect on our business, financial condition and results of operations.

We rely on our manufacturing and storage facilities for the continued operation of our pharmaceutical business. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying these facilities, could significantly impair our ability to manufacture products and operate business. These facilities and equipment would be difficult to replace in a timely manner. Catastrophic events may also destroy any inventory located in these facilities. The occurrence of such an event could significantly disrupt our business and materially reduce our revenue and profitability. In addition, our pharmaceutical manufacturing facilities are designed, equipped and certified in accordance with applicable GMP standards for producing particular pharmaceutical products. Consequently, manufacturing facilities for one pharmaceutical product generally may not be converted to producing another product without being re-tooled, re-equipped and re-certified in accordance with the relevant GMP standards, which could be very time-consuming and costly.

Our business operations may be materially and adversely affected by present or future environmental regulations or enforcement and we deal with potentially hazardous materials that may cause environmental contamination or injury to others.

We are subject to PRC laws, rules and regulations concerning the discharge of effluent water and solid waste during our manufacturing processes. In addition, we are required to obtain clearances and authorizations from government authorities for the treatment and disposal of such discharge. We cannot assure you that we will be able to comply fully at all times with applicable environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. Furthermore, the cost of complying with current and future environmental protection laws, rules and regulations and the liabilities which may potentially arise from the discharge of effluent water and solid waste may materially increase our costs as well as materially decrease our profit.

Our research and development programs, clinical trials and manufacturing operations involve the controlled use of hazardous materials. In particular, the risk of accidental contamination to the environment or injury to our employees or others from the use, manufacture, storage, handling or disposal of these materials may not be completely eliminated. In the event of contamination or injury, we could be held liable for any resulting damages, which could exceed our resources or any insurance coverage we may have. Furthermore, governmental agencies could initiate investigations against us, which may result in fines, sanctions, revocations of operating permits, suspension of our operations, closure of our facilities or other penalties. Our reputation may be harmed as well. For example, Shanghai Pesticide Factory Co., Ltd., one of our subsidiaries, had an accidental gas leak during its production of weed-killer in September 2008. The gas leak caused discomfort to residents in the area. As a result of that incident, Shanghai Pesticide Factory Co., Ltd. was fined RMB250,000 by the relevant environmental authority and has since ceased its pesticide manufacturing business. We do not plan to resume manufacturing pesticides in the foreseeable future.

Moreover, the PRC government may take steps towards the adoption of more stringent environmental regulations. 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 change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, we may be forced to cease certain of our pharmaceutical business. In addition, environmental liability insurance is not commonly available in the PRC. Consequently, any significant environmental liability claims successfully brought against us could have a material adverse effect on our business, financial condition and results of operations.

We rely on our distributors for sales of pharmaceutical products.

We generally sell the products of our pharmaceutical business to distributors who in turn sell those products to hospitals, medical institutions or other distributors. In 2010, only

13.2% of the segment revenue of our pharmaceutical business was derived from sales through our own distribution network. In line with the industry practice, we generally do not have long-term agreements with distributors, though we have established long-term relationships with many of them. We cannot assure you all of our distributors will renew their agreements with us, or otherwise continue their business relationships with us. Neither could we assure you that our distributors will continue to purchase our products at current volumes or prices, or meet performance targets, in the future. In the event that a significant number of our distributors cease or reduce their purchase of our products or fail to meet performance targets, our business, financial condition and results of operations could be materially and adversely affected.

We may encounter difficulties in effectively managing the operations of our joint ventures and associates.

We have established a number of joint ventures with third party joint venture partners. See "Business — Pharmaceutical Business — Joint Ventures" for the details of these joint ventures. On an aggregate basis, 23.9%, 14.5% and 13.0% of our profit before income tax was derived from such joint ventures in 2008, 2009 and 2010, respectively.

We cannot assure you that disputes will not arise between us and our joint venture partners, or that our joint venture partners will not breach their obligations to us or the joint venture. In particular, our joint venture partners may:

- have economic or business interests inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our objectives or policies;
- be unable or unwilling to fulfill the obligations under the relevant joint venture agreements; or
- have disputes with us relating to the provisions in the joint venture agreements.

If a dispute cannot be timely resolved in a satisfactory manner, the business and results of operations of the affected joint venture may be negatively impacted. The joint venture may also be at risk of termination if a dispute remains unsolved for an extended period of time.

In addition, we do not have control over the proposed strategies, policies or objectives of joint ventures in which we hold minority interests. We cannot assure you that these joint ventures will take actions which we believe would be most beneficial for us. Even if we obtain control over our joint ventures through contractual arrangements with other joint venture partners, we cannot assure you that such arrangements will be renewed upon expiration. For example, on January 1, 2011, Techpool Bio-Pharma ceased to be a consolidated subsidiary of ours following the expiration of our agreement with another shareholder of Techpool Bio-Pharma, which agreement had previously given us control over Techpool Bio-Pharma. We have since accounted for Techpool Bio-Pharma as an associate using the equity method of accounting. While this change in accounting treatment does not have any material impact on our business, operations or cash flow, the revenue, profits and other financial data of Techpool Bio-Pharma will be reflected in our consolidated accounts in a way similar to our other jointly controlled entities or associates under the new accounting treatment, and there will be no contribution from Techpool Bio-Pharma in our revenue and gross profit going forward. See "Business — Pharmaceutical Business — Joint Ventures —

Techpool Bio-Pharma." Furthermore, any financial, operating or other difficulties experienced by our joint venture partners in their businesses may also impede their ability to fulfill their obligations to the joint ventures, which may in turn adversely affect the operating results of the joint ventures.

If we are unable to successfully optimize or expand our pharmaceutical distribution and supply chain solutions operations, we may be unable to meet customer demand and our results of operations and prospects may be materially adversely affected.

Our pharmaceutical distribution and supply chain solutions business distributes substantially all products to customers through a distribution network that consisted of 41 subsidiaries and branches and 32 logistics centers and warehouses located in 12 provinces, municipalities and autonomous regions, as of December 31, 2010. Our ability to meet customer demand may be significantly constrained if we are unable to efficiently operate our pharmaceutical distribution and supply chain solutions operations, or if the operations of one or more of our subsidiaries, branches or logistics centers are disrupted or shut down for any reason, including as the result of natural disasters. Any such disruption could result in higher costs or longer lead times associated with product distribution. In addition, as it is difficult to predict accurate sales volume in our industry, we may be unable to optimize our pharmaceutical distribution and supply chain solutions operations, which may result in excess or insufficient inventory, warehousing, fulfillment or distribution capacity. Any failure to effectively operate our distribution processes could also significantly decrease our operating margins and materially reduce our profitability.

In 2008, 2009 and 2010, our pharmaceutical distribution and supply chain solutions derived 92.9%, 92.9% and 88.4%, respectively, of its external revenue from the Eastern China Region, which is one of the most economically developed geographic regions in the PRC. We expect that the Eastern China Region will remain as our largest regional market in the near future. Our business, financial condition and results of operations could be materially and adversely affected if there is any adverse change in the economic, political or social conditions in the Eastern China Region.

We intend to expand our distribution network to include additional cities in the PRC to extend our customer geographical reach. For example, in April 2011, we acquired CHS, the addition of which will significantly expand our operations and market share in the Northern China Region. However, we cannot assure you that we will be successful in expanding our distribution network as planned. The success of our planned expansion will depend on many factors, including our ability to optimize our distribution network and form relationships with, and manage an increasing number of, customers nationwide. We must also be able to anticipate and respond effectively to competition posed by other pharmaceutical distributors in new markets. If we fail to expand our distribution network as planned or if we are unable to compete effectively with other distributors in new markets, our business, financial condition and results of operations may be materially and adversely affected.

Any disruption, loss or material change in our supplier relationships could have a material adverse effect on our pharmaceutical distribution and supply chain solutions.

We typically distribute products pursuant to annual agency or distribution agreements entered into directly between us and our suppliers or upstream distributors, under which our suppliers provide us with a series of economic incentives and other support. In general, our agreements with our suppliers are for a term of one year. We cannot assure you that manufacturers and other suppliers will continue to sell products to us on commercially acceptable terms, or at all. We also cannot assure you that we will be able to establish new supplier relationships, or renew our agreements with suppliers when they expire. In addition, we cannot assure you that there would not be material changes in our relationships with suppliers due to reasons beyond our control. For example, some of our multinational pharmaceutical product suppliers have established or plan to establish their own distribution businesses in the PRC, which could make these suppliers less dependent on us to distribute their products. In addition, our annual agency or distribution agreements with suppliers may be terminated from time to time due to various reasons that are beyond our control. Moreover, the annual agency or distribution agreements for some products are not exclusive, and we cannot assure you that our competitors will not obtain the distribution rights of such products. If we fail to maintain or expand our supplier relationships, our pharmaceutical distribution and supply chain solutions revenue and profitability could significantly decrease, and our financial condition and results of operations could be materially and adversely affected.

Failure to maintain optimal inventory levels could increase our operating costs or cause us to lose sales, either of which could have a material adverse effect on our business, financial condition and results of operations.

We need to maintain sufficient inventory levels to operate our pharmaceutical distribution and supply chain solutions successfully as well as meet our customer demand. At the same time, we are exposed to the risk of excess inventory accumulation. In particular, we are exposed to inventory risk as a result of rapid changes in product life cycles, changing consumer preferences, uncertainty of success of product launches, manufacturer back orders and other vendor-related problems as well as the recent volatile economic environment in the PRC. We cannot assure you that we can accurately predict these trends and events and avoid over-stocking or under-stocking products. Furthermore, demand for products could change significantly between the time product inventory is ordered and the time it is available for sale. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately. The purchase of certain types of inventory may also require significant lead-time. As our distribution network carries a broad selection of products and maintains significant inventory levels for a substantial portion of our merchandise, we may be unable to sell such inventory in sufficient quantities or during the relevant selling seasons. Inventory levels in excess of customer demand may result in inventory write-downs, expiration of products or increase in inventory holding costs. Net write-downs of our inventories to their net realizable value totaled RMB191.2 million, RMB187.7 million and RMB162.8 million as of December 31, 2008, 2009 and 2010, respectively. Conversely, if we underestimate consumer demand or if our suppliers fail to provide products in a timely manner, we may experience inventory shortages, which may in turn result in unfulfilled customer orders and have a negative impact on customer relationships. We cannot assure you that we will be able to maintain proper inventory levels for our pharmaceutical distribution and supply chain solutions operations, and any such failure could have a material adverse effect on our business, financial condition, results of operations and prospects.

Substantial reductions in purchases by or delays in collecting receivables from our customers, particularly those of our pharmaceutical distribution and supply chain solutions business, could have a material adverse effect on our business, financial condition and results of operations.

Our customers primarily include hospitals, other medical institutions, other distributors and third party retail pharmacies. We cannot assure you that these customers will continue to maintain relationships with us or that they will continue to purchase our products at similar volumes or at all. In addition, we cannot assure you that our customers would not experience any deterioration in their financial position, such as bankruptcy, insolvency or general liquidity problems. Moreover, any slowdown in the growth of the PRC economy, and any corresponding effects on the levels of consumer and commercial spending, may cause customers to reduce, modify, delay or cancel plans to purchase our products.

Our trade receivables mainly represent accounts receivable and notes receivable. We typically grant a credit period of 30 to 120 days to customers. For customers with a good credit history, in particular hospitals, we usually grant a longer credit period of between 90 days to 180 days. A portion of our customers make payments in the form of bank acceptance notes, with maturities generally under 180 days. To the extent that revenue recognized under a sales contract has not been received, we record it as an accounts receivable. Our customers may delay their payments beyond the time period of our agreed credit arrangements. As of December 31, 2010, we had in aggregate trade receivables from third parties before provision for impairment of RMB7,739.7 million, of which RMB6,284.3 million, or 81.2%, had been outstanding for less than six months from the time the revenue was recognized, RMB800.8 million, or 10.3%, had been outstanding for six months to one year, RMB61.2 million, or 0.8%, had been outstanding for one to two years, and RMB593.4 million, or 7.7%, had been outstanding for over two years, in each case from the time the revenue was recognized.

As of December 31, 2010, our provision for impairment of trade receivables from third parties amounted to RMB613.5 million, or 7.9% of total trade receivables from third parties, of which RMB9.9 million were made in 2010. As of December 31, 2010, we also had other receivables from third parties of RMB1,376.3 million, of which RMB694.4 million, or 50.5%, have been provided for impairment. We cannot assure you that our past provisioning practice will not change in the future or that our provision levels will be sufficient to cover defaults in our accounts receivable. Our liquidity and cash flows from operations may be materially and adversely affected if our receivable cycles or collection periods, particularly those in respect of our pharmaceutical distribution and supply chain solutions business, lengthen further or if we encounter a material increase in defaults of payment or provisions for impairment of our receivables from customers, particularly those in respect of our pharmaceutical distribution and supply chain solutions business. Should these events occur, we may be required to obtain working capital from other sources, such as from third party financing, in order to maintain our daily operations, and such financing from outside sources may not be available at acceptable terms or at all.

Our pharmaceutical retail business is subject to a variety of risks, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain risks in our pharmaceutical retail business, including:

- inability to successfully execute effective advertising, marketing and promotional programs necessary to maintain and increase the awareness of our brands, products and services;
- failure to implement effective pricing and other strategies in response to competitive pressures in the industry or because of government-imposed price controls;
- inability to respond to changes in consumer demand in a timely manner;

- inability to secure and renew leases and properties for retail pharmacies in prime locations at competitive prices;
- inability to stock an adequate supply of pharmaceutical products and related merchandise that are desired by customers on the shelves of our retail pharmacies;
- failure to adhere to, or comply with, any relevant PRC retail, franchise, health, employment and labor laws, rules or regulations;
- inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass PRC government inspections or audits; and
- the risk of, and resulting liability from, any contamination, injury or other harm caused by any use, misuse or misdiagnosis involving our retail products or in store medical diagnosis services.

The occurrence of any such risks in our pharmaceutical retail business could damage our business and reputation, and have a material adverse effect on our financial condition and results of operations.

Elimination of, or changes to, any of the incentives provided to us by the PRC government could materially reduce our profitability.

The PRC government has provided various incentives to our businesses, including reduced enterprise income tax rates or ad hoc grants. For example, as high-and-new technology enterprises, some of our subsidiaries are entitled to a preferential income tax rate of 15% (compared to the statutory income tax rate of 25%) subject to recertification every three years. In addition, we recorded government grants of RMB109.1 million, RMB73.8 million and RMB136.1 million to support our business development in 2008, 2009 and 2010, respectively.

Each of the applicable subsidiaries must remain classified as a high-and-new technology enterprise and meet a number of other financial and non-financial criteria in order to continue to qualify for the above reduced tax rate incentives, such as (i) retaining a minimum number of research and development personnel and employees with college or higher level education; (ii) providing services or products within the scope of certain industries encouraged by the PRC government; (iii) having an annual research and development expenditure for the past three years equal to certain percentage of its annual revenue; and (iv) having sales revenue for its "high-technology" products equal to certain percentage of its total revenue in the latest fiscal year. In 2008, 2009 and 2010, each of our high-and-new technology enterprise subsidiaries had maintained its high-and-new technology enterprise status, and we expect such status to be renewed upon expiration. However, the PRC government could determine at any time to eliminate or reduce the scale of any preferential tax policy. See "Financial Information — Components of Our Income Statements — Income Tax Expense — PRC Income Tax." Similarly, government grants are typically awarded at the discretion of the relevant government agencies, and we cannot assure you that we will continue to receive them in the future.

We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products and services, and we do not have any product liability insurance.

We are exposed to risks inherent in the manufacturing, packaging, marketing and distribution of pharmaceutical and healthcare products, such as unsafe, ineffective, defective or contaminated products, improper filling of prescriptions, insufficient or improper labeling of products, including inadequate warnings or insufficient or misleading disclosures of side effects, and unintentional distribution of counterfeit medicines. In the event any use or misuse of our products results in personal injury or death, product liability claims may be brought against us for damages, we may be subject to product recalls, and the PRC government may close down our operations.

A substantial claim or a substantial number of claims against us, if successful, would have a material adverse effect on our business, financial condition and results of operations. In this regard, liability insurance for pharmaceutical products is not available in the PRC. In the event of allegations that any of our products are harmful, we may experience reduced consumer demand for products distributed or manufactured by us or these products may be recalled from the market. Any claims against us or product recalls, regardless of merit, could strain our financial resources as well as consume the time and attention of our management. If any claims against us were to prevail, we may incur monetary liabilities, and our reputation would be severely damaged. Although we have not been the subject of any substantial claim or a substantial number of claims based on product liability, personal injury, wrongful death or product recalls, we cannot assure you that any such claims would not have a material adverse effect on our business, financial condition and results of operations.

Moreover, applicable laws, rules and regulations require our in-store retail pharmacists to offer advice, without additional charge, to our customers regarding medication, dosage, common side effects and other information deemed significant by our in-store pharmacists. Our in-store pharmacists may also have a duty to warn customers regarding any potential negative effects of a prescription medicine if the warning could reduce or negate these effects. We may be liable for claims arising from such advice given by our in-store pharmacists, and our business, financial condition and results of operations, as well as reputation, could be materially and adversely affected.

We may need additional capital and may not be able to obtain it at acceptable terms or at all.

As of December 31, 2010, we had cash and cash equivalents of RMB6,039.6 million. However, we may need to raise additional funds if our expenditures exceed our current expectations due to changed business conditions or other future developments. Our future liquidity needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities or securities convertible or exchangeable to our equity securities would result in additional dilution to you. In addition, the incurrence of additional indebtedness would result in increased debt service obligations and could result in operating and financing covenants that restrict our operational flexibility. We may be unable to obtain additional capital in a timely manner or on commercially acceptable terms, or at all. Our ability to raise additional funds in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising activities by pharmaceutical companies; and
- economic, political and other conditions in the PRC and elsewhere.

We depend substantially on the continuing efforts of our senior executives, key research and development personnel and key sales and marketing personnel, and our business and prospects may be severely disrupted if we lose their services.

Our future success depends heavily upon the continued services of our senior management and key research and development and sales and marketing personnel. In particular, we rely on the expertise and experience of our senior management team led by Mr. LU Mingfang, our Chairman. We also rely on the pharmaceutical industry-related experience and professional knowledge of our other senior officers. Our research and development team is critical to the development and commercialization of products of our pharmaceutical business and realization of the potential benefits of our intellectual property. In addition, success in the distribution of our products depends on the dedication and skills of our sales and marketing personnel. Our ability to attract and retain key personnel, in particular, senior management, key research and development personnel and key sales and marketing personnel, is a critical aspect of our competitiveness. Competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which would increase our operating expenses and, in turn, could materially and adversely affect our financial condition and results of operations. We may be unable to attract or retain the personnel required to achieve our business objectives, and failure to do so could severely disrupt our business and prospects. The loss of any of our key employees, including senior executives, key research and development personnel or key sales and marketing personnel, could severely harm our business and prospects. We do not maintain key-person insurance for members of our management team. If we lose the services of any senior management, we may not be able to identify suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects. Furthermore, if any of our executive officers joins a competitor or forms a competing company, we may lose a significant number of our existing customers, which could have a material adverse effect on our business and revenue.

The existence of counterfeit products in the pharmaceutical retail market in the PRC may damage our brand and reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain products distributed or sold in the pharmaceutical retail market in the PRC may be manufactured without proper licenses or approvals and/or fraudulently mislabeled with respect to their content and/or manufacturer. These products are generally referred to as counterfeit pharmaceutical products. These products are generally sold at lower prices than authentic products due to their lower production costs, and in some cases are very similar in appearance to the authentic products. Furthermore, counterfeit products may or may not have the same chemical content as their authentic counterparts. The counterfeit product regulation control and enforcement system in the PRC is not sufficiently well developed to completely eliminate production and sale of such products. Any unintentional sale of these products by us in our pharmaceutical distribution or retail business, or the sale of counterfeit products by others illegally using our brand names, may subject us to negative publicity, fines and other administrative penalties or even result in litigation against us. Moreover, the continued proliferation of counterfeit products may reinforce the negative image of distributors and retailers among consumers, and may severely harm the reputation and brand names of companies like us. Furthermore, consumers may buy counterfeit products that are in direct competition with the products of suppliers to our pharmaceutical distribution and supply chain solutions or our pharmaceutical retail business or with products manufactured by us. As a result, the continued proliferation of counterfeit pharmaceutical products in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to protect our intellectual property, such as our technology and manufacturing know-how, our business, financial condition and results of operations could be materially and adversely affected.

Our success depends in part on our ability to protect our proprietary technologies and manufacturing know-how. We seek to protect the technology and manufacturing know-how that we consider important to our business under a combination of patent and trade secret protection laws in the PRC and other jurisdictions, as well as employee and third party confidentiality agreements.

As of December 31, 2010, we had 319 patents. The process of seeking patent protection can be lengthy and expensive, and we cannot assure you that our pending patent applications, or any patent applications we may make in the future in respect of other products, will result in issued patents, or that any patents issued in the future will be able to provide us with meaningful protection or commercial benefits. The scope of protection for issued patents may also vary across different jurisdictions. Moreover, patent applications and issued patents may be challenged, invalidated or circumvented in the future. For example, our invention patent relating to a ginkgoleaf compound and its preparation method was declared invalid by the SIPO in May 2009. We filed an appeal with a court in Beijing. In October 2010, the court ruled in our favor and declared our invention patent to be valid. The SIPO is in the process of appealing this decision. In another instance, a third party individual filed a lawsuit in a PRC court in 2006 to challenge our ownership of an invention patent relating to a genetically engineered adenovirus and its application and the court ruled adversely against us by determining that the third party individual was the inventor and owner of that patent. We are currently in the process of appealing that decision.

In addition to patents, we rely on trade secrets and proprietary know-how to protect our intellectual property. We have entered into confidentiality agreements (which include, in the case of employees, non-competition provisions) with our key research and development personnel. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with them is to be kept confidential and not disclosed to third parties except in circumstances specified in the agreements. In the case of employees, the agreements provide that all of the technology which is conceived by the individual during the course of employment is our exclusive property. These agreements may not provide meaningful protection or adequate remedies in the event of unauthorized use or disclosure of their proprietary information. In addition, it is possible that third parties could independently develop information and techniques substantially similar to ours or otherwise gain access to our trade secrets.

We may not be able to identify the infringement of our intellectual property rights at an early stage and may inadvertently forfeit opportunities to enforce such intellectual property rights. Even if we are able to enforce intellectual property rights in a timely manner, the PRC legal system has generally provided less protection for intellectual property rights than certain other legal systems, such as in the United States. Policing unauthorized use of proprietary technology is difficult and expensive, and we might need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of PRC courts in handling intellectual property litigation varies, and outcomes are unpredictable. Furthermore, such litigation may require significant expenditures of cash and management resources and could harm our business, financial condition and results of operations. An adverse determination in any such litigation could materially impair our intellectual property rights and may materially and adversely affect our business, prospects and reputation.

If our products infringe on the intellectual property rights of third parties, we may incur substantial liabilities, and we may be unable to sell these products.

Our commercial success also depends significantly on our ability to operate without infringing on the patents and other proprietary rights of third parties. Patent applications in the PRC are maintained in secrecy until their publication 18 months after the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications were filed. The PRC, similar to many other countries, adopts the first-to-file system under which the first party to file a patent application (instead of the first to invent the subject invention) may be awarded a patent. Even after reasonable investigation, we may not know with certainty whether we have infringed upon a third party's patent because such third party may have filed a patent application without our knowledge while we are still developing that product. If a third party claims that infringement upon its proprietary rights has taken place, any of the following may occur:

- we may become involved in time-consuming and expensive litigation, even if the claim is without merit;
- we may become liable for substantial damages for past infringement if a court decides that our technology infringes upon a competitor's patent;
- a court may prohibit us from selling or licensing our products (including those manufactured by us and/or distributed through our distribution network and retail pharmacies) without a license from the patent holder, which may not be available on commercially reasonable terms, if at all, or which may require us to pay substantial royalties or grant cross licenses to their patents; and
- we may have to reformulate the product in question so that it does not infringe upon the patent rights of others, which may not be possible or could be very expensive and time-consuming.

If any of these events occur, our business will suffer and the market price of our H Shares could decline.

We have not obtained formal title certificates to some of the buildings and units we occupy and construction certificates with respect to some properties under construction and some of our landlords lack relevant title certificates for the buildings and units leased to us, all of which may materially and adversely affect our rights to use such buildings and units.

As of February 28, 2011, we had not obtained formal building ownership certificates to approximately 20.7% of the buildings and units, in terms of gross floor area, that we occupied and used. In addition, among those for which we have obtained the relevant building ownership certificates, 57 buildings and units with an aggregate gross floor area of 25,406 square meters, representing 1.8% of the total floor areas of the buildings and units occupied and used by us as of February 28, 2011, are without relevant land use right certificates. According to our PRC legal counsel, Grandall Legal Group, we may not transfer, lease, mortgage or otherwise dispose of these buildings and units until we obtain approvals from the relevant authorities, pay the land transfer premium and other related fees for such land use rights and complete the registration process. If we fail to obtain the full title certificates to any of our properties, or if any of our properties is expropriated, we may be required to seek alternative premises for our business operations, which may lead to disruptions in our business operations.

As of February 28, 2011, we had 16 buildings and units that were under construction, with an aggregate planned gross floor area of 47,348 square meters. We anticipate using these buildings mainly for production, storage and other logistical purposes. Among these properties under construction, we have not obtained the relevant construction certificates for ten buildings and units with an aggregate gross floor area of 16,772 square meters. Our PRC legal counsel, Grandall Legal Group, has advised us that, with respect to these properties under construction, we may be ordered to cease or dismantle the constructions and may also be subject to fines equaling up to 10% of the construction cost.

As of February 28, 2011, we leased an aggregate lettable area of 445,692 square meters from third parties. In respect of 369 buildings leased by us with an aggregate lettable area of approximately 71,802 square meters, our landlords have not provided us with the relevant land use right certificates, building ownership certificates and/or real estate certificates. The lessors of six of these 369 leased buildings and units, with an aggregate lettable area of 7,957 square meters, have undertaken to indemnify us for losses arising from their defective legal titles or other rights to such buildings and units. If any of our leases were terminated as a result of challenges by third parties or failure of the lessors to renew the leases upon expiration, we may need to seek alternative premises and incur additional costs relating to such relocations.

Our Controlling Shareholders are able to exercise significant influence over us.

Immediately upon the completion of the Global Offering (assuming no exercise of the Over-Allotment Option), our Controlling Shareholders will own in the aggregate, directly and indirectly, 34.81% of our entire issued share capital. Accordingly, our Controlling Shareholders, if acting collectively, may have the ability to exercise significant influence over our business, including matters relating to:

- our management, especially the composition of our senior management;
- our business strategies and plans;
- distribution of dividends;
- plans relating to major corporate activities, such as strategic investments, mergers, acquisitions, joint ventures, investments or divestitures; and
- the election of our Directors and Supervisors.

Our Controlling Shareholders may collectively take actions that we may not agree with or that are not in our or our other Shareholders' best interests.

Our profit forecast contained in this Prospectus is subject to numerous risks, uncertainties and assumptions and our actual results of operation may differ significantly from the forecast.

This Prospectus contains our forecast for the profit in 2011. We prepared our profit forecast for 2011 based on our audited financial statements for 2008, 2009 and 2010, our management accounts for the first two months of 2011, and our forecast for the remaining ten months of 2011. Such forecast is subject to numerous risks, uncertainties and assumptions. In particular, our profit forecast was partly based on our understanding of the trend in the PRC pharmaceutical industry. However, we cannot assure you that the PRC pharmaceutical industry will develop as anticipated, or that we would be able to realize the anticipated benefits from such development. In addition, demand for our products and services may fluctuate in the future, and we generally do not have confirmed long-term sales orders from our customers. We have also made a number of key assumptions, including, among other things, that in 2011:

- there will be no material changes in existing governmental policies or political, legal, fiscal or economic conditions in the PRC or the PRC pharmaceutical industry;
- there will be no material changes in laws and regulations relating to our products, such as price control policies, in the PRC;
- there will be no significant changes in the bases and rates of applicable taxes;
- there will be no significant changes in inflation or interest rate from those currently prevailing in the PRC; and
- our business, results of operations and financial position will not be adversely affected by the occurrence of any of the events described in "Risk Factors."

In addition, we have assumed that the Antibiotics Business acquisition will be completed in the first half of 2011. Please refer to Appendix V — "Profit Forecast" for a summary of the bases and assumptions on which we prepared our profit forecast for 2011.

Although these assumptions and related estimates underlying our profit forecast have been presented with numerical specificity and considered reasonable by us, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. Accordingly, we cannot provide any assurance that these results will be realized. If one or more of these assumptions turned out to be not true, our business may be materially and adversely affected and our actual profit in 2011 may be materially less than our forecast.

If our internal control system fails to detect risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

As a public company, we have established our internal control system such as organizational framework, policies and procedures that are designed to monitor and control potential risk areas relevant to our business operations. In connection with the Global Offering, we have examined our internal control system, and made certain enhancements where appropriate, so that it would satisfy our internal control requirements after the completion of the Global Offering, including taking into account our 2009 Restructuring and our completed and pending acquisitions. However, due to the inherent limitations in the design and implementation of internal control system, we cannot assure you that our internal control system will be able to identify, prevent and manage all risks. Furthermore, although we will examine additional enhancements to our internal control system as necessary in connection with our various completed and pending acquisitions, integration of various business operations from those acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our internal control system fails to detect risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

In addition, our risk management and internal controls also depend on effective implementation by our employees. We cannot assure you that such implementation by our employees will always function as intended. Any defect in the implementation of our internal control system by our employees could materially and adversely affect our business, financial conditions and results of operations.

We may experience failures in our information technology system, which could materially and adversely affect our business, financial condition and results of operations.

We depend heavily on our information technology system to record and process our operational and financial data and to provide reliable services. In particular, we rely on our information technology system to, among other things:

- facilitate the shipping and distribution of pharmaceutical products to and from our logistics facilities;
- monitor and control the receipt and processing of orders;
- manage billing and collections from customers;
- process payments to suppliers and service providers; and
- manage and monitor the quality control over our products.

We may be subject to severe failures in our information technology system arising from natural disasters or failures of public infrastructure, our information technology infrastructure or our applications software systems that are wholly or partially beyond our control. Any material disruption to the operation of our information technology system could have a material adverse effect on our business. Our failure to address these problems could result in our inability to perform, or prolonged delays in performing, critical business operational functions, the loss of key business data, or our failure to comply with regulatory requirements, which could materially and adversely affect our business operations and customer service, among others. This could in turn materially and adversely affect our business, financial condition and results of operations.

Our operations in Sudan may expose us to legal or divestment risks.

The U.S. Department of the Treasury's Office of Foreign Assets Control administers certain laws, rules and regulations (the "U.S. Economic Sanctions Laws") that seek to restrict business with and investments in certain countries, governments, entities and individuals that are the target of the U.S. Economic Sanctions Laws (the "Sanctioned Targets"), and penalties may be imposed upon persons who violate the U.S. Economic Sanctions Laws. As part of these restrictions, U.S. persons are generally prohibited from facilitating any transactions or investments that non-U.S. persons may engage in with Sanctioned Targets even if such activities by those non-U.S. persons would not by themselves violate the U.S. Economic Sanctions Laws. Other jurisdictions and the United Nations have adopted similar sanctions targeting various countries, governments, entities and individuals.

We operate a majority-owned subsidiary in Sudan, which is a Sanctioned Target and the subject of sanctions administered by various other jurisdictions and bodies. Our subsidiary engages in the manufacture and sale of pharmaceutical products, including primarily antibiotics and anti-malaria products, within Sudan. The subsidiary does not export any of its products outside Sudan. In 2008, 2009 and 2010, the subsidiary's revenue represented 0.1%, 0.2% and 0.1% of our consolidated revenue, respectively, and the subsidiary's profit after taxation represented 0.8%, 0.8% and 0.6% of our consolidated profit after taxation, respectively. We also export certain pharmaceutical products and healthcare equipment to Sudan. In 2010, the aggregate value of our export business related to Sudan, excluding the results of the subsidiary, was approximately EUR4.0 million, representing 0.1% of our aggregate revenue. None of our business operations in Sudan, including the subsidiary, involves U.S.-origin goods, services or technologies, and we believe our business related to Sudan does not otherwise implicate the jurisdiction of the United States. We do not have any other business operations involving countries or governments that are Sanctioned Targets.

We will not use any proceeds from the Global Offering to fund any business operations in Sudan or any other activities in, business with or investments in any other Sanctioned Target. We believe that we are not in violation of U.S. Economic Sanctions Laws or any other sanctions laws in connection with our business relating to Sudan. However, we cannot predict with certainty how the U.S. Economic Sanctions Laws or other sanctions laws will be interpreted or enforced. Furthermore, the U.S. Economic Sanctions Laws and other sanctions laws may change in a way that could affect our business. As part of our overall compliance program, we monitor developments in sanctions laws in order to determine whether our business activities could subject us to sanctions penalties. If our business activities are found to violate current or future U.S. Economic Sanctions Laws or other sanctions laws, we and certain individuals associated with us could be subject to penalties, which, under the U.S. Economic Sanctions Laws or other sanctions laws, could involve significant fines or other significant penalties including, in appropriate cases, criminal penalties, and such a finding could materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

Even if our business activities with respect to Sudan do not violate the U.S. Economic Sanctions Laws or other sanctions laws, companies engaged in such business activities may suffer other consequences. For example, the market for our H Shares may not be as robust as it otherwise would be, as it is possible that some investors may forego the purchase of our H Shares due to our involvement in Sudan, and some investors in our H Shares may, under the applicable sanctions laws, rules or regulations or under their internal investment policies, divest their investments in our H Shares once acquired, all of which could have a material adverse effect on the value of our H Shares. In addition, we may suffer negative publicity or reputational harm as a result of international scrutiny of our business in Sudan, which could materially and negatively impact market demand for our H Shares.

RISKS RELATING TO OUR INDUSTRY

The pharmaceutical industry in the PRC is highly regulated, and future government regulations may place additional burdens on our business as well as have a material adverse effect on our financial condition, results of operations and prospects.

The pharmaceutical industry in the PRC is subject to extensive government regulation and supervision. In particular, the regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing and certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs, quality control, pricing of pharmaceutical products and environmental protection. Violation of these laws, rules and regulations may also constitute a criminal offense under certain circumstances, and could have a material adverse effect on our business and reputation, as well as our financial condition, results of operations and prospects. Certain other laws, rules and regulations may also affect the pricing, demand and distribution of pharmaceutical products, such as those relating to pricing, procurement, prescription and dispensing of essential and other drugs by public hospitals and other medical institutions, and government funding for individual healthcare and pharmaceutical services. Furthermore, PRC governmental authorities have introduced certain new regulatory measures in recent years, and have announced plans to implement additional rules and regulations with respect to the pharmaceutical industry. For example, a set of new PRC GMP standards came into effect in 2011. These new regulatory measures and future government regulations may lead to significant changes in the PRC pharmaceutical industry, and could result in additional costs and lower profit margins for pharmaceutical manufacturers, distributors and retail pharmacies, as well as materially decrease the demand and reduce the pricing of pharmaceutical products and services.

In addition, many initiatives taken, or to be taken, by the PRC government under the ongoing healthcare reform plan are expected to significantly contribute to the growth of the pharmaceutical industry. For example, a significant portion of the government investment under the ongoing healthcare reform plan will be applied towards subsidizing patients' purchase of drugs. We cannot assure you, however, that the relevant PRC governmental authorities will continue to introduce favorable policies. On the other hand, the relevant PRC government authorities may also introduce policies that are unfavorable to the industry. Termination of or material alterations to any favorable policies, or introduction of any unfavorable policies, could have a material adverse effect on our business, financial condition, results of operation and prospects.

We may not be able to fully comply with applicable GMP, GSP or other regulatory requirements or renew our GMP and GSP certifications and other permits and licenses which enable us to conduct our business. Non-compliance with, changes in or amendments to these regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

All pharmaceutical manufacturing, distribution and retail companies in the PRC are required to obtain certain permits and licenses from various PRC governmental authorities, including GMP certifications for manufacturing, GSP certifications for wholesale and retail distribution and certain other permits and licenses which enable them to conduct their business. For details regarding certain key permits and licenses relating to our business operations in general, see "Regulation — Manufacture" and "Regulation — Distribution." We have obtained permits, licenses and GMP certifications required for the manufacture of our pharmaceutical products as well as permits, licenses and GSP certifications for the wholesale and retail distribution of pharmaceutical products. These permits and licenses held by us are generally valid for a maximum period of five years and are subject to periodic renewal and/or reassessment by the relevant PRC government authorities. We intend to apply for the renewal of these permits, licenses and certifications when required by applicable laws, rules and regulations. However, the standards of such renewal or reassessment may change from time to time. We cannot assure you that we will be able to successfully renew all of these permits, licenses and certifications. Any inability to renew any permits, licenses or certifications that are material to our operations could severely disrupt, as well as prevent us from conducting, our business. Furthermore, if any interpretation or implementation of the relevant regulations or new regulation requires us to obtain additional permits, licenses or certifications, we cannot assure you that we will successfully obtain them. Even if we obtain such permits, licenses or certifications, there may be significant additional costs and expenses involved, which may adversely affect our results of operations.

For example, our pharmaceutical manufacturing business is required to comply with GMP standards and certain other regulatory requirements, including manufacturing process or product quality and safety standards, as well as corresponding maintenance, recordkeeping and documentation standards. In addition, our manufacturing facilities must be approved by the relevant regulatory authorities before we may use these facilities to commercially manufacture products. GMP and other regulatory standards may also change from time to time, which may result in substantial compliance burdens and additional costs on our operations. If we fail to comply with applicable regulatory requirements, including manufacturing and transportation processes or product quality and health and safety standards, at any stage during the manufacturing and transportation process, we may be subject to sanctions by both the PRC regulators and regulators in other countries where we conduct manufacturing business or sell our pharmaceutical products, including:

- monetary penalties;
- product recalls or seizure;
- injunctions;
- refusal of regulatory agencies to review pending manufacturing approval applications or supplements to approval applications;
- total or partial suspension of production or sales;
- confiscation of products;
- withdrawals, revocation or non-renewal of approvals, license or permits previously issued; and
- criminal prosecution.

In addition, the general public may view the other pharmaceutical businesses of our Controlling Shareholders and us as within one business group. As a result, product quality and safety problems of these other pharmaceutical businesses may be attributed to us by the general public, which may damage our business, reputation and prospects.

Moreover, we are subject to regular inspections, examinations, inquiries and audits by the regulatory authorities as part of the process of maintaining or renewing the various permits, licenses and certificates required for manufacturing and distributing pharmaceutical products and providing related logistics services. Our pharmaceutical distribution and supply chain solutions business are also subject to periodic on-site inspections conducted by the relevant regulatory authorities in order to maintain our logistics operation permits. In the event that any of our products or facilities fails such inspections, our business, reputation and prospects could be materially and adversely affected.

We are subject to risks in relation to actions taken by us, our employees or our affiliates that constitute violations of anti-corruption measures taken by the PRC government to prevent fraud and abuses in the pharmaceutical industry. Our failure to comply with these measures, or effectively manage our employees and affiliates, could severely damage our reputation, as well as have a material adverse effect on our business, financial condition, results of operations and prospects.

In our pharmaceutical business, pharmaceutical distribution and supply chain solutions and pharmaceutical retail business, we are subject to PRC laws, rules and regulations relating to healthcare fraud and abuse. As a result, we are subject to risks in relation to actions taken by us, our employees or our affiliates that constitute violations of the PRC anti-corruption and other related laws. There have been several instances of corrupt practices in the pharmaceutical industry, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by pharmacies, hospitals and medical practitioners from manufacturers and distributors in connection with the prescription of pharmaceutical products. If we, our employees or affiliates violate these laws, rules or regulations, we could be required to pay damages or fines. In the case of our pharmaceutical business and our pharmaceutical distribution and supply chain solutions business, the products involved may be seized and our operations may be suspended, and, in the case of our pharmaceutical retail business, outstanding claims from government security bureaus for reimbursement of purchases using medical insurance cards could be rejected. For example, in July 2008, November 2008 and October 2009, two of our subsidiaries and one of our jointly controlled affiliates were found to have paid illegal kickbacks to physicians, hospitals or distributors in connection with their sales activities, which violated the PRC Anti-Unfair Competition Law. Two of these incidents related to activities that occurred prior to 2008, while the other one related to activities that occurred in 2007 and 2008. As a result, administrative penalties and fines of RMB0.9 million, RMB0.5 million and RMB0.5 million were imposed against these entities, all of which have been fully paid without any liability outstanding. We continue to improve our internal control system to prevent the recurrence of such incidents. For example, through seminars and publications, we provide anti-corruption compliance training to our employees to encourage a compliance culture. Each of our subsidiaries has a designated anti-corruption officer, whose responsibilities include implementing anti-corruption measures and investigating possible violations. Such officers are required to give annual written acknowledgement of their responsibilities to the anti-corruption officer of the direct parent company. In addition, we have established a whistleblower hotline and the procedures to investigate allegations reported through the whistleblower hotline. We are not aware of any other violation of the PRC anti-corruption or other related laws by our employees or subsidiaries since January 1, 2008. Any of such or similar events could materially and adversely affect our business, financial condition, results of operations, reputation and prospects. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-corruption laws and regulations could also require us to make changes to our operations. Our reputation and our sales activities could be adversely affected if we become the target of any negative publicity as a result of actions taken by us, our employees or affiliates. Our failure to comply with these measures, or effectively manage our employees and affiliates, could have a material adverse effect on our reputation, results of operations and prospects.

Our growth relies in part on the continued development of the PRC pharmaceutical industry. If the recently announced healthcare reform plan does not result in the anticipated growth of the PRC pharmaceutical industry within the expected timeframe, our business and prospects could be materially and adversely affected.

The healthcare system in the PRC has undergone, and evolved over various stages of, reform since the PRC was established in 1949. In March 2009, the PRC government announced that it expected to spend RMB850.0 billion on the healthcare reform in the PRC in the following three years and highlighted several areas of focus, including:

- expanding the coverage of the basic healthcare insurance programs to 90.0% of urban and rural residents by 2011, and increasing the government contribution to rural residents and urban residents to RMB120 per person;

- establishing the National List of Essential Drugs, and more importantly, an implementation system that will ensure the supply of essential drugs at an affordable price to the public;

- improving the basic medical infrastructure with an emphasis on local hospitals, township medical centers, remote area village clinics and low-income community medical centers; and

- reforming public hospitals.

While such reform is expected to bring positive effects to the PRC pharmaceutical industry, there may be negative effects, such as:

- execution risk: the anticipated spending may be slower and the reform process may be more time-consuming and require a larger amount of funding than was announced;

- sufficiency of funding: 61.0% of the planned spending of RMB850.0 billion is required to be financed by local governments, which may not have sufficient funds to allocate to the healthcare reform; and

- reduction in prices: centralized procurement through the adoption of the National List of Essential Drugs may lead to a reduction in the selling prices of our products if they are included in the list. As of December 31, 2010, 215 of the pharmaceutical products manufactured by us had been included in the National List of Essential Drugs.

Our growth relies to a significant extent on the continued development of the PRC pharmaceutical industry. Although the healthcare reform plan is expected to benefit our business, the full effect of the healthcare reform plan on our operations is unclear, and our business may not benefit as much as we expect.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

The PRC's economic, political and social conditions and government policies could affect our business and prospects.

Substantially all of our assets are located in the PRC, and substantially all of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition and results of operations as well as the growth of our business will be affected to a significant extent by economic, political and legal developments in the PRC.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in the economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall economy of the PRC, but may have a material adverse effect on the pharmaceutical industry or our business in particular.

The PRC legal system has inherent uncertainties that could limit the legal protections available to you.

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. While prior court decisions may be cited for reference, they have limited precedential value. Since 1979, the PRC government has promulgated laws, rules and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws, rules and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws, rules and regulations involve significant uncertainties.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or senior officers or holders of A Shares, arising out of our Articles of Association or any rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center in accordance with its applicable rules. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award, and no assurance can be given as to the outcome of any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favor of holders of H shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H shares of their rights under the articles of association of any PRC issuer or the PRC Company Law.

In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections, and our minority Shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

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

We are a company incorporated under the laws of the PRC, and substantially all of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC, and the assets of our Directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon most of our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible. In addition, although we will be subject to the Hong Kong Listing Rules and the Hong Kong Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules.

Natural disasters and health and public security hazards in the PRC may severely disrupt our business and operations and may have a material adverse effect on our financial condition and results of operations.

In May 2008, a major earthquake registering 8.0 on the Richter scale struck Sichuan Province and certain other parts of the PRC, devastating much of the affected areas and causing tens of thousands of deaths and widespread injuries. In addition, in early 2008, parts of the PRC, in particular its southern, central and eastern regions, experienced what was reportedly the most severe winter weather in the country in half a century, which resulted in significant and extensive damage to factories, power lines, homes, automobiles, crops and other properties, blackouts, transportation and communications disruptions and other losses in the affected areas. Moreover, certain countries and regions, including the PRC, have encountered incidents of the H1N1 strain of bird flu, or avian flu, as well as SARS, over the past ten years and, more recently in 2009, the outbreak of influenza A (H1N1). We are unable to predict the effect, if any, that any future natural disasters and health and public security hazards may have on our business. Any future natural disasters and health and public security hazards may, among other things, significantly disrupt our ability to adequately staff our business, distribute our products and may generally disrupt our operations and services. Furthermore, such natural disasters and health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies and increases in bank interest rates. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that unfolded in 2008 may result in an increase in inflation in the future. If such inflation occurs and is allowed to proceed without mitigating measures by the PRC government, our cost of sales would likely increase, and our profitability would be materially reduced, as there is no assurance that we would be able to pass any cost increases to our customers. If the PRC government implements new measures to control inflation, these measures may also slow economic activity and reduce demand for our products and severely decrease our growth.

Government control of currency conversion and future fluctuation of Renminbi exchange rates could have a material adverse effect on our financial condition and results of operations, and may reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

The value of the Renminbi fluctuates, is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are determined daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to that of the U.S. dollar. Under the policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by the PBOC. On May 18, 2007, the PBOC increased the floating band of Renminbi trading prices against the U.S. dollar in the inter-bank spot foreign currency exchange market from 0.3% to 0.5%. With increased floating range of the Renminbi's value against foreign currencies, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies. Depreciation of the Renminbi could increase costs and expenses that are denominated in foreign currencies, while appreciation of Renminbi could adversely affect the competitiveness of our export products and the value cash flow denominated in foreign currencies generated from our operations, and therefore the price of our Shares. In 2010, our currency translation losses were RMB1.9 million. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations may further increase as the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert the same into Renminbi.

Dividends received by individual holders of our H Shares who are non-PRC nationals and gains derived from the disposition of our H Shares by such holders may become subject to PRC taxation, and there are uncertainties as to the collection of PRC enterprise income tax on gains derived by holders of our H Shares that are non-PRC enterprises from their disposition of our H Shares.

Under the Notice of the PRC State Administration of Taxation Concerning the Taxation of Gains on Transfer of Share (Equity) and Dividends Received by Foreign-Invested Enterprises, Foreign Enterprises and Foreign Individuals, which was promulgated in 1993, and other relevant notices subsequently issued by the PRC tax authority, dividends received by individual holders of H Shares who are non-PRC nationals and the gains derived from the disposition of H Shares by such holders are temporarily exempt from PRC individual income tax.

If such exemptions were to be withdrawn in the future, individual holders of our H Shares who are non-PRC nationals would be required to pay PRC individual income tax on dividends received from us at the rate of 20%, and we would be required to withhold such tax from our dividend payments, unless the applicable tax treaties between the PRC and the jurisdictions in which such non-PRC nationals reside reduce or exempt the individual income tax. Similarly, individual holders of our H Shares who are non-PRC nationals would be required to pay PRC individual income tax on gains from the dispositions of our H Shares at the rate of 20%, unless the applicable tax treaties between the PRC and the jurisdictions in which such non-PRC nationals reside reduce or exempt the individual income tax.

Under the 2008 EIT Law and its implementing rules, a non-PRC enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of equity interests in a PRC company, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC, but the PRC-sourced income is not connected with such establishment or premise in the PRC, subject to further reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence.

As the 2008 EIT Law and its implementation rules are relatively new, there remains significant uncertainty as to their interpretation and application by the PRC tax authorities, including whether and how enterprise income tax on gains derived by holders of our H Shares that are non-PRC enterprises from their disposition of our H Shares may be collected. If such tax is collected, the value of such non-PRC enterprise holders' investments in our H Shares may be materially and adversely affected.

For additional information, see Appendix VII — "Taxation and Foreign Exchange" to this Prospectus.

Some facts, forecasts and statistics contained in this Prospectus with respect to the PRC, the PRC economy and pharmaceutical industry are derived from various official or other third party sources and may not be accurate, reliable, complete or up to date.

Some of the facts, forecasts and statistics in this Prospectus relating to the PRC, the PRC economy and pharmaceutical industry are derived from various official or other third party sources, including the NFS Report. While we have exercised reasonable care in compiling and reproducing these facts, forecasts and statistics, they have not been independently verified by us. Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside these jurisdictions and may not be complete or up to date. Moreover, the statistics in this Prospectus may be inaccurate or less developed than statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop or be sustained, and their trading prices may fluctuate significantly, which could result in substantial losses to you.

Prior to the Global Offering, no public market for our H Shares existed. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market on which the H Shares are publicly traded. We cannot assure you that an active trading market for our H Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our H Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the H Shares is expected to be determined by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters and the International Purchasers) and us, and may not be indicative of the market price of the H Shares following the completion of the Global Offering. If an active trading market for our H Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other pharmaceutical companies based in Asia may affect trading price of our H Shares. In addition, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. Recently, a number of PRC-based companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. These broad market and industry factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance. In addition to market and industry factors, the price and trading volume for our H Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, profit and cash flow could cause the market price of our H Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our H Shares.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

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

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future sale of our H Shares by those Shareholders that are currently subject to contractual and/or legal restrictions on Share transfers or re-registration of Shares held on our A Share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Certain amounts of our Shares currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See the sections headed "Share Capital — Lock-Up Periods" and "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules" for details. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares could negatively impact the market price of our H Shares and our ability to raise capital in the future.

Subject to the approval of the State Council, holders of our domestic shares may transfer their domestic shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the listing and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the applicable contractual and/or legal restrictions on share transfers, holders of our domestic shares may transfer their domestic shares to overseas investors, which Shares may then trade on the Hong Kong Stock Exchange as H Shares. This could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

Since the Offer Price of our H Shares is higher than our net tangible book value per H Share, purchasers of our H Shares in the Global Offering will experience immediate dilution.

If you purchase our H Shares in the Global Offering, you will pay more for your H Shares than our net book value on a per H Share basis. As a result, you will experience an immediate dilution of HK$14.28 per H Share, representing the difference between our pro forma net tangible book value per H Share as of December 31, 2010, after giving effect to the Global Offering and the assumed Offer Price of HK$23.90 per H Share (being the mid-point of the indicative Offer Price range of HK$21.80 and HK$26.00 per Offer Share).

Our historical dividend distributions may not be indicative of our future dividend policy.

Our Company declared and paid RMB25.6 million and RMB104.0 million in cash dividends for 2008 and 2009, respectively. In respect of 2010, (i) RMB35.6 million of cash dividends were declared and paid by the Company pursuant to the contractual terms under the 2009 Restructuring, and (ii) an additional RMB278.9 million of cash dividends to holders of our A Shares has been proposed by our Board, pending Shareholders' approval. We cannot guarantee whether and when any dividends will be paid in the future and the amount of dividends that we have declared historically is not indicative of our future profit or the amount of dividends that we may pay in the future. For further information on our dividend policy after completion of the Global Offering, see the section headed "Financial Information — Dividend Policy" in this Prospectus. Any declaration of dividends will be proposed by our Board and the amount of any dividends will depend upon, among other things, our results of operations and cash flow, our financial position, general business conditions, our future prospects, statutory, regulatory and contractual restrictions on the payment of dividends by us and other factors that our Board may deem relevant.

Our A Shares and our H Shares are neither interchangeable nor fungible.

We conducted an offering of our A Shares in the PRC and listed such shares on the Shanghai Stock Exchange in 1994. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current laws, rules and regulations, our A Shares and H Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A Share and H Share markets. The A Share and H Share markets have different characteristics, including different trading volume and liquidity, and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading prices of our A Shares and H Shares may not be the same. Fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the A Share and H Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an investment in our H Shares.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange or other media outlets.

There have been, prior to the publication of this Prospectus, and there may be, subsequent to the date of this Prospectus but prior to the completion of the Global Offering, press and media coverage regarding us, the Global Offering and our A Shares, including related coverage in the Sing Tao Daily, Hong Kong Economic Journal, Ming Pao, Ta Kung Pao, Hong Kong Commercial Daily and various other newspapers. Such press and other media coverage may include certain financial information, financial projections, valuations and other information about us that do not appear in this Prospectus. We have not authorized the disclosure of any such information in the press or media. They may also include information disclosed by us in the PRC as part of our A Share listing or trading requirements under PRC laws. The information announced by us in connection with our A Share is based on regulatory requirements and market practices in the PRC, which are different from those applicable to the Global Offering. You should rely solely upon the information contained in this Prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering in making your investment decision regarding our

H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media or other sources regarding our H Shares or A Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent, or conflicts, with the information contained in the Prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our H Shares or in the Global Offering.

Following the listing of our A Shares on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC and, as a result, we from time to time publicly release information relating to us in the PRC. However, such information does not and will not form a part of this Prospectus. Prospective investors in H Shares are reminded that, in making their decisions as to whether to purchase our H Shares, they should rely only on the financial, operational and other information included in this Prospectus and the Application Forms. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this Prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

PERMISSION TO LIST PURSUANT TO RULE 8.05(3) AND WAIVER UNDER RULE 8.05A OF THE HONG KONG LISTING RULES

Rule 8.05 of the Hong Kong Listing Rules provides that an issuer must satisfy either the profit test in Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3).

Rule 8.05A of the Hong Kong Listing Rules provides that in the case of the market capitalization/revenue test, the Hong Kong Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rules 8.05(3)(b) if the new applicant is able to demonstrate to the satisfaction of the Hong Kong Stock Exchange of the following:

(a) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new applicant; and

(b) management continuity for the most recent audited financial year.

The Company is applying for listing using the market capitalization/revenue test in Rule 8.05(3) of the Hong Kong Listing Rules. Therefore, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.05(3)(b) pursuant to Rule 8.05A of the Hong Kong Listing Rules, for the following reasons:

(i) the executive Directors and senior management of the Company have sufficient and satisfactory experience of at least three years in the line of business and industry of the Company;

(ii) the Company has been under substantially the same management for the most recent audited financial year (2010), as seven out of nine of the Company's core management, comprising the three executive Directors and the six senior management members, had actively participated in the management of the Group's business and have held key management positions in the Group throughout 2010; and

(iii) the Company meets the other requirements set out in Rule 8.05(3) of the Hong Kong Listing Rules, namely, the requirement for a trading record of at least three financial years, the ownership continuity and control requirement, market capitalization requirement and revenue requirement.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Hong Kong Listing Rules, all applicants applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of the applicant's executive directors must be ordinarily resident in Hong Kong.

The Company's business operations are primarily located in the PRC and substantially all of the Company's assets are located in the PRC. The Company's executive Directors are based in the PRC as the Company believes it is more effective and efficient for its executive

Directors to be based in the location where the Company has its operations. The Company therefore does not, and in the foreseeable future will not, have a management presence in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules, provided that the Company will maintain regular communications with the Hong Kong Stock Exchange by way of the following arrangements:

(i) the Company has appointed Mr. LU Mingfang, Chairman and an executive Director, and Ms. HAN Min, a joint company secretary, as the authorized representatives of the Company for the purposes of Rule 3.05 of the Hong Kong Listing Rules. They will serve as the principal channel of communication with the Hong Kong Stock Exchange on behalf the Company and make themselves readily available to communicate with the Hong Kong Stock Exchange. Both Mr. Lu and Ms. Han possess valid travel documents and are able to renew such travel documents when they expire in order to be readily available for meetings with the Hong Kong Stock Exchange in person, if necessary, and will be readily contactable by the Hong Kong Stock Exchange by telephone, fax and email, if necessary, to deal with inquiries from the Hong Kong Stock Exchange from time to time;

(ii) all Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period. In addition, each Director has provided his/her contact details, such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers, to the authorized representatives and to the Hong Kong Stock Exchange. In the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation or other contact details to the authorized representatives, which would ensure that each of the authorized representatives would have the means to contact all the Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters; and

(iii) the Company will, in accordance with Rule 3A.19 of the Hong Kong Listing Rules, appoint Goldman Sachs (Asia) L.L.C. as the compliance advisor, who will serve as an alternative channel of communication with the Hong Kong Stock Exchange in addition to the authorized representatives of the Company. The compliance advisor will have access, at all times during the term of its appointment, to the Company's authorized representatives, Directors and members of the senior management team. The contact persons of the compliance advisor will be readily available to communicate between the Hong Kong Stock Exchange and the Company and to answer inquiries from the Hong Kong Stock Exchange.

JOINT COMPANY SECRETARIES

Rule 8.17 of the Hong Kong Listing Rules provides that the secretary of an 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 secretary of the issuer. In terms of qualifications, pursuant to Rules 8.17(2) and (3) of the Hong Kong Listing Rules, such person must be: (i) an ordinary member of the Hong Kong Institute of Company Secretaries, a solicitor or barrister (as defined in the Legal Practitioners Ordinance) or a professional accountant; or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience ("Relevant Experience"), is, in the opinion of Hong Kong Stock Exchange, capable of discharging those functions.

Rule 19A.16 of the Hong Kong Listing Rules provides that the secretary of a PRC issuer need not be ordinarily resident in Hong Kong, provided such person can meet the other requirements under Rule 8.17. In addition, the note to Rule 19A.16 further provides that, in the absence of the qualification required under Rule 8.17(2), in assessing whether the person has the Relevant Experience to properly discharge the function of secretary of an issuer, the Hong Kong Stock Exchange will normally have regard to, among other considerations, the following: (i) the period of his/her employment with the issuer; (ii) his/her familiarity with the Hong Kong Listing Rules; and (iii) a submission from the sponsor demonstrating that sufficient time and efforts have been spent on training such person by way of induction courses or other means which are satisfactory to the Hong Kong Stock Exchange, and that the sponsor is satisfied that such person will be able to discharge a secretary's duties.

We have appointed Ms. HAN Min as our joint company secretary to discharge the duties and responsibilities as our company secretary. Ms. Han does not possess the professional qualifications required by Rule 8.17(2) of the Hong Kong Listing Rules. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.17(2) and 19A.16 of the Hong Kong Listing Rules, on the following grounds:

(i) the Company is incorporated under the laws of the PRC as a joint stock company and conducts substantially all of its business operations in the PRC. The Directors believe that its company secretary should, apart from being able to meet the professional qualification or Relevant Experience requirements under the Hong Kong Listing Rules, have sufficient knowledge about (a) the operation and the business of the Company and the Company's corporate culture, which may be significantly different from other companies outside the PRC; and (b) regulatory requirements in the PRC, including those of the SFDA, the Ministry of Health, the CSRC and the Shanghai Stock Exchange;

(ii) all members of the senior management of the Company who are familiar with the activities of the Company and who have acquired knowledge of the relevant Hong Kong regulatory requirements during the preparation of the listing application, including Ms. Han, lack the requisite professional qualification required under Rule 8.17(2) of the Hong Kong Listing Rules;

(iii) Ms. Han has extensive knowledge about the business operations, internal control system and corporate culture of the Company and, as the secretary of the Board of Directors of the Company, is conversant with corporate secretarial matters of the Company;

(iv) Ms. Han has obtained preliminary knowledge of the relevant requirements under the Hong Kong Listing Rules and other applicable securities laws and regulations through attending the relevant seminars organized by the Company's Hong Kong legal advisors and PRC legal advisors, and has actively participated in the preparations for the Listing and has through this process gained familiarity with the Hong Kong Listing Rules and the other applicable securities laws and regulations in Hong Kong;

(v) in order to ensure that her knowledge of the Hong Kong Listing Rules and other applicable securities laws, rules and regulations in Hong Kong remains current, Ms. Han will attend further training courses on a regular basis, including briefings on the latest changes to the applicable Hong Kong laws and regulations and the Hong Kong Listing Rules organized by the Company's Hong Kong legal advisors and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time;

(vi) Ms. Han will continue to be assisted by the compliance advisor and Hong Kong legal advisors of the Company, particularly in relation to Hong Kong corporate governance practices and compliance issues, on matters concerning the Company's ongoing compliance with the Hong Kong Listing Rules and the applicable laws and regulations; and

(vii) the Company will engage another joint company secretary, Ms. MOK Mingwai, for a period of three years from the date of commencement of Listing, to assist Ms. Han in acquiring the Relevant Experience and in discharging her functions as the company secretary.

The waiver is valid for an initial period of three years from the Listing Date. At the end of the three-year period, we will evaluate the qualifications and experience of Ms. Han. Upon our determination that no on-going assistance is necessary, we will demonstrate to the Hong Kong Stock Exchange that, with the assistance of Ms. Mok during such three-year period, Ms. Han has acquired the Relevant Experience within the meaning of Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange will then determine whether any further waiver would be necessary.

PROPERTY VALUATION

Pursuant to Rule 5.01 and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, a full valuation report in relation to a new listing applicant's interests, both legal and beneficial, in land and buildings is required to be included in a prospectus issued by such applicant.

In addition, such a valuation report is also required to be included in the prospectus of a non-Hong Kong-incorporated company pursuant to Section 342(1) under paragraph 34(2) of the Third Schedule to the Companies Ordinance.

According to the contents requirements under Rule 5.06 of the Hong Kong Listing Rules and paragraph 34(2) of the Third Schedule to the Companies Ordinance, such a valuation report should normally contain a description of, and other specified information in relation to, each property in which the listing applicant has an interest.

Under Rule 19A.27(4) of the Hong Kong Listing Rules, where the valuation report is not in the English language, a certified English translation thereof must be available for inspection.

According to the property valuation report set out in Appendix VI to this Prospectus, we:

— hold 90 parcels of land with an aggregate site area of approximately 2,315,906.31 square meters in the PRC;

— hold 1,386 buildings or units with an aggregate gross floor area of approximately 1,389,382.52 square meters in the PRC;

— own a unit with a gross floor area of approximately 39.9 square meters in Hong Kong;

— own a parcel of land with a site area of approximately 18,371 square meters and 4 buildings with a total gross floor area of approximately 3,300 square meters in Sudan;

— lease 16 parcels of land with an aggregate site area of approximately 213,456.46 square meters in the PRC;

— lease 815 properties in the PRC.

As a result of the substantial number of land and buildings involved in the property valuation, we are of the view that:

(a) it is impractical and unduly burdensome for the Company to list all of the properties and show their particulars and values individually in the Prospectus in the traditional format as required by the Hong Kong Listing Rules and the Companies Ordinance; and

(b) for a pharmaceutical business, such as that operated by the Company, to include in the prospectus excessive details in relation to properties would be irrelevant to potential investors and would not be material to a potential investor's investment decisions.

We have applied to the Hong Kong Stock Exchange for waivers, and to the SFC for an exemption, from strict compliance with: (1) the requirements of Rules 5.01, 5.06, 19A.27(4) and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules; and (2) paragraph 34(2) of the Third Schedule to the Companies Ordinance, subject to the following conditions:

(i) the property valuation report complying with all relevant requirements under the Hong Kong Listing Rules and all the requirements of paragraph 34 of the Third Schedule to the Companies Ordinance, being made available in the Chinese language for inspection in accordance with Appendix XI — "Documents Delivered to the Registrar of Companies and Available for Inspection" to this Prospectus;

(ii) the valuer's letter and the valuer's certificate containing a summary valuation of all the Group's property interests being included in the Prospectus, such summary to be prepared based on the full property valuation report and be in the form of the Summary of Values as set out in Appendix VI of this Prospectus; and

(iii) the Prospectus setting out particulars of these waivers and exemptions.

The Hong Kong Stock Exchange and the SFC have granted to the Company the requested waivers and exemption.

WAIVERS FROM RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 TO THE HONG KONG LISTING RULES

Rule 10.04 of the Hong Kong Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of the securities. Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides, among other things, that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to existing shareholders or their associates, whether in their own names or through nominees, unless certain conditions are fulfilled.

Allocation of H Shares to Our Controlling Shareholders to Reinstate the Portions of Their Pre-Listing Shareholdings in the Company That Are Mandatorily Required to Be Transferred to NSSF Under Relevant PRC Regulations

Pursuant to applicable PRC regulations (the Interim Measures of the State Council for the Administration of Reducing State-Owned Shares and Raising Social Security Funds (國務院《減持國有股籌集社會保障資金管理暫行辦法》), where a joint stock company in which the state holds shares makes an initial public offer of its shares to public investors outside the territory of the PRC, part of the state-owned shares of such listed company, which shall be equivalent to 10% of the total issuance amount, shall be transferred to the NSSF for holding; alternatively, such company may by way of secondary offerings sell part of the state-owned shares for an amount which shall be equivalent to 10% of the offering size, and the proceeds from the sale of the state-owned shares shall be turned over to the NSSF. As a state-owned joint stock company, the Company is subject to this regulation. In accordance with the foregoing, our Controlling Shareholders will transfer to NSSF their shareholdings in the Company equivalent to their pro rata shares in the 10% of the total issuance amount. Such transfer, however, has the effect of reducing the shareholding position of our Controlling Shareholders in the Company, which may affect the Company's business and management stability.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules to permit our Controlling Shareholders or their nominees to be allocated H Shares in the Global Offering so as to reinstate, in whole or in part, the portions of the Controlling Shareholders' existing shareholdings in the Company that are mandatorily required to be transferred to NSSF under the relevant PRC regulations described above. Such reinstatement of Controlling Shareholders' shareholding is necessary pursuant to PRC governmental directives applicable to the Controlling Shareholders. Our Controlling Shareholders will subscribe for 10,000,000 H Shares pursuant to the foregoing through a Hong Kong incorporated subsidiary of SIIC, at the Offer Price in the International Offering, and the H Shares thus subscribed will be subject to the lock-up restrictions under Rule 10.07 of the Hong Kong Listing Rules. Details of the final allocation, including the number of H Shares allocated, to our Controlling Shareholders or their nominees will be disclosed in the allotment results announcement for the Global Offering. The number of H Shares that may be allocated to our Controlling Shareholders or their nominees pursuant to the waiver described above will not exceed the total number of Shares mandatorily required to be transferred to NSSF by the Controlling Shareholders.

Subscription of H Shares by Certain Institutional Investors Who Hold A Shares of the Company

Prior to the Listing, the Company's share capital consisted entirely of A Shares listed on the Shanghai Stock Exchange (stock code: 601607). The Company's A Shares were widely held and actively traded. Other than our state-owned Shareholders, which are all wholly-owned subsidiaries of the Shanghai SASAC and collectively held 61.51% of the share capital of the Company prior to the Listing, no other single public shareholder held more than 2% of the total outstanding A Shares of the Company prior to the Listing.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules to permit certain institutional investors who hold a small amount of our A Shares to receive allocation of the H Shares in the International Offering as part of the Listing, subject to the following conditions:

(i) each of the institutional investors for which the above waiver is sought held less than 2% of the Company's issued share capital before the Listing, exerts no influence over the Share allocation process and has no representation on the Board;

(ii) none of the institutional investors for which the above waiver is sought was a pre-IPO Shareholder in the Company's A Share listing;

(iii) none of the institutional investors for which the above waiver is sought has been or will be a connected person or an associate of a connected person of the Company, and will not negatively impact the Company's ability to meet the public float requirements under the Hong Kong Listing Rules; and

(iv) such institutional investors will be subject to the same book building and allocation process as with other investors in the International Offering and no preferential treatment is given to them in the allocation.

CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE HONG KONG LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

(i) If the number of the H Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public

Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 49,816,200 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering.

(ii) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 66,421,400 H Shares, representing 10% of the Offer Shares initially available under the Global Offering.

(iii) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 132,842,800 H Shares, representing 20% of the Offer Shares initially available under the Global Offering. In each such case, the number of the Offer Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is 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.

Please also see the section headed "Structure of the Global Offering — Reallocation" of this Prospectus.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Members of our Group have entered into, and are expected to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver expiring on December 31, 2011 pursuant to its discretion under Rule 14A.42(3) of the Hong Kong Listing Rules from compliance with the announcement requirements under the Hong Kong Listing Rules in respect of such non-exempt continuing connected transactions. The details of such waiver are set out in the section headed "Connected Transactions" of this Prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

This Prospectus, for which the Directors of our Company collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Hong Kong Listing Rules for the purpose of giving information to the public of Hong Kong and with regard to our Company. The 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 untrue or misleading.

INFORMATION ON THE GLOBAL OFFERING

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

Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with the 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.

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

CSRC APPROVAL

The CSRC has given us its approval for the filing of our application to list the H Shares on the Hong Kong Stock Exchange and the Global Offering on April 12, 2011. In granting this approval, the CSRC does not accept responsibility for the financial soundness of our Company, or for the accuracy of any of the statements made or opinions expressed in this Prospectus and the Application Forms.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants applying under the Hong Kong Public Offering, this Prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Purchase Agreement relating to the International Offering is expected to be entered into on or about May 13, 2011, subject to determination of the pricing of the Offer Shares. If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Underwriters) by Wednesday, May 18, 2011, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this Prospectus and the application in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of, listing of, and permission to deal in, our Offer Shares to be issued pursuant to the Global Offering.

Subject to the granting of listing of, and permission to deal in, our Offer Shares on the Hong Kong Stock Exchange and the compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements that may affect their rights and interests.

All necessary arrangements have been made for the H Shares to be admitted into CCASS.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. See Appendix VII — "Taxation and Foreign Exchange."

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to Shareholders as recorded in our H Share register, and sent by ordinary post, at the Shareholders' own risk, to the registered address of each Shareholder.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See Appendix VIII — "Summary of Principal Legal and Regulatory Provisions" and Appendix IX — "Summary of Articles of Association;"

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not Associates of any of the Directors of our Company or an existing shareholder of our Company or a nominee of any of the foregoing.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Over-Allotment Option and stabilization are set out in the section headed "Underwriting" in this Prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for Hong Kong Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the H Shares. It is emphasized that neither we nor the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, nor their respective directors, nor any other person or party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of H Shares resulting from the subscription, purchase, holding, disposal of, dealing in, or exercise of any rights in relation to, the H Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars and of Renminbi amounts into U.S. dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into such Hong Kong dollar or U.S. dollar amounts, as the case may be, at the rates indicated, or at all. Unless we indicate otherwise, the translations of Renminbi into Hong Kong dollars and of Renminbi into U.S. dollars have been made at the following rates:

RMB0.8376:	HK$1.00 (the PBOC Rate prevailing on April 27, 2011)
RMB6.5067:	US$1.00 (the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on April 22, 2011)

Further information on exchange rates is set forth in Appendix VII — "Taxation and Foreign Exchange."

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed thereon are due to rounding. Certain amounts and percentage figures included in this Prospectus have also been subject to rounding adjustments, or have been rounded to one or two decimal places.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) included in this Prospectus and for which no official English translation exists are unofficial translations for your reference only.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this Prospectus has been derived from official government publications and other sources, including the NFS Report. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. While reasonable caution has been made in the process of reproducing the data and statistics extracted from such official government publications or other sources, the Joint Sponsors and our Company, or any of their directors, employees, agents, and representatives make no representation to the appropriateness, accuracy, completeness or reliability of any such statistical and market share information.

SEGMENT REVENUE AND EXTERNAL REVENUE

Unless otherwise indicated, the term "segment revenue" used in this Prospectus refers to the revenue of a business segment before elimination of inter-segment revenue and "external revenue" of a business segment refers to the revenue after such inter-segment elimination.

OPERATING DATA

Unless otherwise indicated or required by the context, "operating data" in this Prospectus, including but not limited to the number of products, production capacities, number of distributors, number of employees, research and development-related expenses and employee benefit expenses, were compiled as if the 2009 Restructuring had been completed prior to January 1, 2008.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LU Mingfang (呂明方)	Room 20E, No 1, Lane 123 Yanping Road Shanghai PRC	Chinese
Mr. ZHANG Jialin (張家林)	Room 1306, No 33, Lane 1203 Yuyuan Road Shanghai PRC	Chinese
Mr. XU Guoxiong (徐國雄)	Room 2101, No. 7, Lane 1727 North Sichuan Road Shanghai PRC	Chinese
Non-Executive Directors		
Mr. LU Shen (陸申)	Room 1101, No. 43, Lane 99 Huangjincheng Street Shanghai PRC	Chinese
Mr. JIANG Ming (姜鳴)	Room 505, No. 24 Zhongcao Road Shanghai PRC	Chinese
Independent Non-Executive Directors		
Mr. ZENG Yixin (曾益新)	Room 803, No. 13 Zhu Si Village Guangzhou Guangdong PRC	Chinese
Mr. BAI Huiliang (白慧良)	Room 1610, No. 8 Building Taiyueyuan Community Haidian District Beijing PRC	Chinese

Name	Address	Nationality
Mr. CHEN Naiwei (陳乃蔚)	Room 16C, No. 1, Lane 398 Dagu Road Shanghai PRC	Chinese
Ms. Tommei TONG (湯美娟)	M6, Floral Villas No. 18 Tso Wo Road, Sai Kung New Territories Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. ZHOU Jie (周杰)	Room 1807 No. 4301 South Pudong Road Shanghai PRC	Chinese
Mr. WU Junhao (吳俊豪)	Room 1502, No. 63, Lane 353 Ningxia Road Shanghai PRC	Chinese
Ms. CHEN Xin (陳欣)	Room 401, No. 4, Lane 385 Quyang Road Shanghai PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators and Joint Lead Managers	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Center 1 Austin Road West Kowloon Hong Kong
	Credit Suisse (Hong Kong) Limited 45/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Joint Bookrunners	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Center 1 Austin Road West Kowloon Hong Kong
	Credit Suisse (Hong Kong) Limited 45/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Center 1 Harbour View Street Central Hong Kong

Joint Sponsors	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Center 1 Harbour View Street Central Hong Kong
	Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Center 1 Austin Road West Kowloon Hong Kong
	Credit Suisse (Hong Kong) Limited 45/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Legal advisors to our Company	*As to Hong Kong and United States laws:* Freshfields Bruckhaus Deringer 11th Floor Two Exchange Square Central Hong Kong
	As to PRC law: Grandall Legal Group, Shanghai Office 45/F, Nanzheng Building 580 Nanjing West Road Shanghai PRC

Legal advisors to the Joint Sponsors and Underwriters	*As to Hong Kong law:* Clifford Chance 28th Floor, Jardine House One Connaught Place Hong Kong King & Wood 9th Floor, Hutchison House 10 Harcourt Road Central Hong Kong *As to United States law:* Sullivan & Cromwell LLP 28th Floor Nine Queen's Road Central Hong Kong *As to PRC law:* King & Wood, PRC Lawyers 40th Floor, Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing PRC
Reporting accountants as to our Company and the Antibiotics Business	PricewaterhouseCoopers *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong
Reporting accountants as to CHS	SHINEWING (HK) CPA Limited 43/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 6/F, Three Pacific Place 1 Queen's Road East Hong Kong

Receiving banks	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central, Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong
	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered Office	No. 92 Zhangjiang Road Pudong New District Shanghai PRC
Headquarters	No. 200 Taicang Road Shanghai Pharmaceutical Building Shanghai PRC
Principal place of business in Hong Kong	8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Joint Company Secretaries	Ms. HAN Min (韓敏) Ms. MOK Mingwai (莫明慧)
Authorized representatives	Mr. LU Mingfang (呂明方) Ms. HAN Min (韓敏)
Audit Committee	Ms. Tommei TONG (湯美娟) Mr. BAI Huiliang (白慧良) Mr. CHEN Naiwei (陳乃蔚)
Remuneration and Assessment Committee	Mr. CHEN Naiwei (陳乃蔚) Mr. ZENG Yixin (曾益新) Mr. BAI Huiliang (白慧良)
Strategy Committee	Mr. LU Mingfang (呂明方) Mr. BAI Huiliang (白慧良) Ms. Tommei TONG (湯美娟)
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

CORPORATE INFORMATION

Principal banks	Industrial and Commercial Bank of China, Shanghai Municipal Branch No. 24 Zhongshandongyi Road Shanghai PRC
	Bank of Communications, Shanghai Branch, Hongkou Sub-branch No. 263 Siping Road Shanghai PRC
	China Construction Bank, Shanghai No. 4 Branch No. 103 Dianchi Road Shanghai PRC
Compliance advisor	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Website of the Company	http://www.pharm-sh.com.cn *(information contained on this website does not form part of this Prospectus)*

The information presented in this section is derived from the NFS Report, as well as various official or publicly available publications. The information derived from the NFS Report reflects estimates of the market conditions based on information from various sources. See "— Source of Information." We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any part has been omitted that would render such information false or misleading in any material respect. We, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters, or their respective affiliates or advisors or any other party involved in the Global Offering have not independently verified, and make no representation as to, the accuracy of the information from official government or other third party sources. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the official government and other third party sources contained herein may not be accurate and should not be unduly relied upon.

THE PRC HEALTHCARE INDUSTRY

Overview

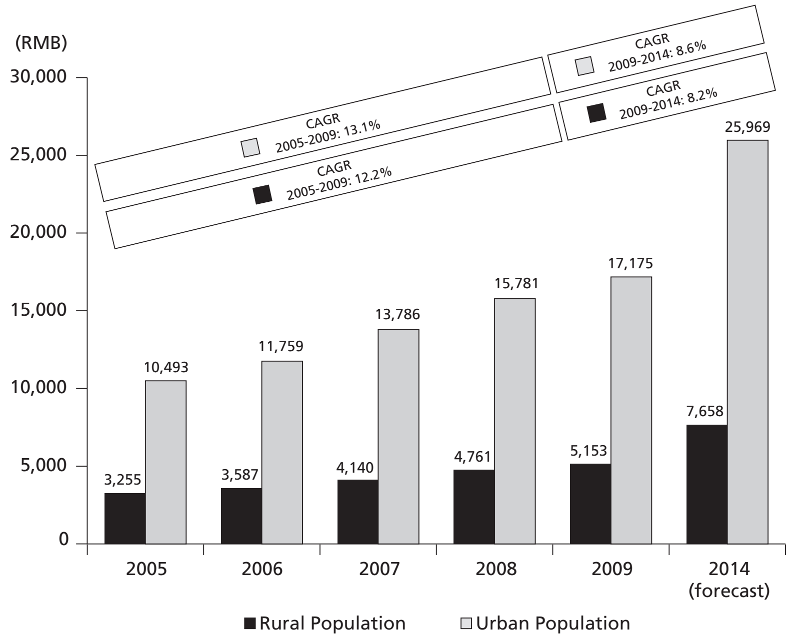
The PRC healthcare industry is one of the largest components of the PRC's GDP. According to the China Health Statistics Yearbook 2010, the total healthcare spending in the PRC grew from RMB866.0 billion in 2005 to RMB1,720.5 billion in 2009, representing a CAGR of 18.7%. The increase in the PRC's total healthcare spending has been reflected in the significant growth in both the PRC pharmaceutical product and distribution markets. Between 2005 and 2009, the PRC pharmaceutical product market grew at a CAGR of 18.6% and the distribution market grew at a CAGR of 17.3%. The rapid growth of the PRC healthcare industry was mainly driven by a number of favorable socioeconomic factors, such as the rapid growth of the PRC's GDP and the disposable income of its population, the increase in the average life expectancy and the ages of its population, the increased rate of urbanization, the rise in healthcare awareness, the adoption of the healthcare reform plan and other support provided by the PRC government. Supported by these factors, the PRC's total healthcare spending is expected to grow to RMB3,265.1 billion by 2014, representing a CAGR of 13.7% from 2009 to 2014, based on the NFS Report. Between 2009 and 2014, the PRC pharmaceutical product and distribution markets are expected to grow at CAGRs of 22.4% and 23.4%, respectively, according to the NFS Report.

Primary Growth Drivers of the PRC Healthcare Industry

Fast Growing GDP and Disposable Income

The PRC is one of the world's fastest-growing economies. According to the National Bureau of Statistics, the nominal GDP of the PRC increased from RMB18.4 trillion in 2005 to RMB34.1 trillion in 2009, representing a CAGR of 16.7%. According to the same source, the per capita GDP in the PRC increased from RMB14,062 in 2005 to RMB25,511 in 2009, representing a CAGR of 16.1%. The NFS projects that by 2014, the nominal GDP and per capita GDP of the PRC will reach RMB55.2 trillion and RMB40,351, respectively, representing CAGRs of 10.2% and 9.6%, respectively, from 2009 to 2014.

Along with its GDP growth, the PRC's population has experienced rapid growth in disposable income in both urban and rural areas, which is expected to contribute to the increase in the total healthcare spending in the PRC. According to the National Bureau of Statistics, the average per capita annual disposable income of the urban population in the PRC increased from RMB10,493 in 2005 to RMB17,175 in 2009, representing a CAGR of 13.1%, and the average per capita annual disposable income of rural population increased from RMB3,255 in 2005 to RMB5,153 in 2009, representing a CAGR of 12.2%. The NFS projects that the per capita disposable income of urban and rural populations in the PRC will reach RMB25,969 and RMB7,658, respectively, in 2014, representing CAGRs of 8.6% and 8.2%, respectively, from 2009 to 2014. The following chart sets forth the historical and the projected average per capita annual disposable income for both rural and urban populations of the PRC for the periods indicated:



Source: the National Bureau of Statistics; forecast by the NFS

According to the NFS Report, among the seven geographic regions of the PRC, the Eastern China Region has the highest per capita GDP; and within the Eastern China Region, Shanghai has the highest per capita GDP, as compared with the other provinces. According to the NFS Report, the per capita GDP of the Eastern China Region increased from RMB20,183 in 2005 to RMB35,127 in 2009, representing a CAGR of 14.9%; and is projected to increase to RMB54,678 in 2014, representing a CAGR of 9.3% from 2009 to 2014.

Growth, Aging and Increased Life Expectancy of the Population

The growth of the PRC's population is expected to drive up the demand for its healthcare industry. According to the National Bureau of Statistics, the PRC population grew from 1,307.6 million in 2005 to 1,334.7 million in 2009. The NFS projects that this figure will further increase to 1,368.8 million by 2014. In addition, the increase in the average life expectancy, which rose from 68.6 years of age in 1990 to 73.0 years of age in 2005, has contributed to the growth of the PRC's aging population during this period, both in absolute numbers and as a percentage of the total population. Historically, healthcare spending per capita of senior citizens of 60 years and older in the PRC was significantly higher than that of all the other age groups. In the PRC, the percentage of the population 60 years and older increased from 11.3% in 2006, or 149.0 million people in total, to 12.5% in 2009, or 167.1 million people in total; the percentage of those 60 years and older will further increase to 15.1%, or 206.8 million people in total in 2014. Over the past 25 years, there has been an increase in the prevalence of diseases in the PRC associated with increased life expectancy, for example, cancer, metabolic diseases, cardiovascular diseases, and arthritis, according to the NFS Report. There also has been an increase in the prevalence of diseases caused by social changes in the PRC, either directly or indirectly by adopting certain lifestyles, for example diet, smoking, alcohol use, physical exercise behavior and work schedule. These trends are expected to drive up the demands for the relevant drugs, products and services in the PRC.

Increasing Urbanization

The urban population in the PRC, which has greater needs for and access to medical care, has significantly higher per capita healthcare expenditures than that of the rural population and has been a majority contributor to the PRC's total healthcare spending. In 2009, the per capita health-related expenditures were RMB856 for the urban population and RMB288 for the rural population. Based on the NFS Report, by 2014, the annual per capita health-related expenditures of the urban and rural populations will reach RMB1,186 and RMB426, respectively. Furthermore, according to the NFS Report, from 2005 to 2009, the percentage of urban population grew from 43.0% to 46.6% and is projected to reach 50.9% by 2014. The NFS expects that the urbanization trend will continue to contribute to the growth of the PRC total healthcare spending.

Rising Health Awareness and Healthcare Spending

Compared with the other member countries of the World Health Organization, the per capita healthcare spending of the PRC is relatively low in absolute terms but is growing at a high rate. The following table sets forth the historical and projected per capita healthcare spendings and the corresponding CAGRs by selected countries or region for the periods indicated:

	2005	2009	CAGR from 2005 to 2009	2014	CAGR from 2009 to 2014
				(forecast)	(forecast)
	(US$, except percentages)				
United States	$7,076	$7,075	0.0%	$9,967	7.1%
Japan	2,449	2,633	1.8%	4,535	11.5%
Europe	3,464	3,757	2.1%	4,415	3.3%
Brazil	416	653	11.9%	1,196	12.9%
Russia	293	434	10.3%	1,026	18.8%
India	40	53	7.3%	129	19.5%
PRC	**$ 89**	**$ 167**	**17.0%**	**$ 427**	**20.7%**

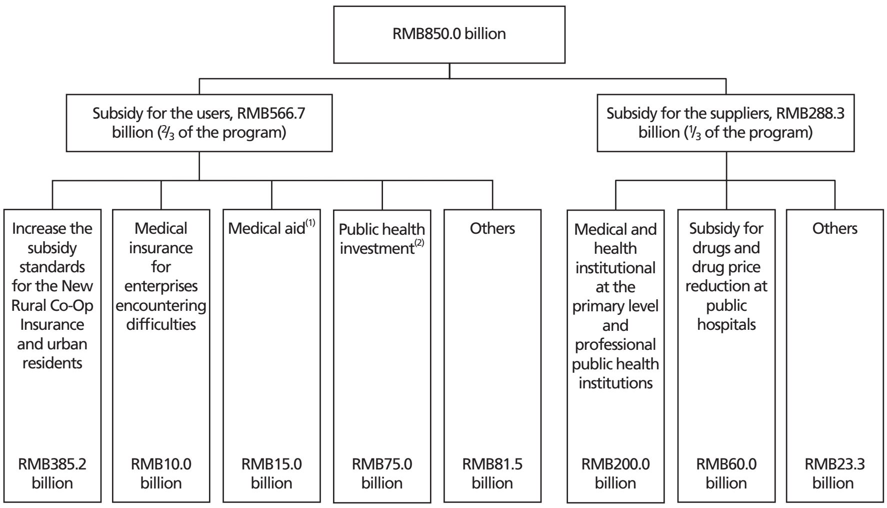
Source: the Economist Intelligence Unit

The high rate of growth in the PRC's per capita healthcare spending has been due to an increase in the demand for healthcare services and products. The rise in health awareness and the increased affordability of healthcare have played a major role in this regard. The number of hospital visits increased significantly from 4.1 billion, or 3.1 per capita, in 2005 to

5.5 billion, or 4.1 per capita, in 2009, according to the NFS Report. According to the same source, by 2014, the number of hospital visits is projected to reach 7.0 billion, or 5.1 per capita.

Government Initiatives and Spending Related to the PRC Healthcare Industry

The PRC government's continuous support in recent years has further fueled the growth of the PRC healthcare industry. As part of the Eleventh Five-Year Plan for National Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十一個五年規劃綱要), the PRC government set out to improve the affordability and accessibility of healthcare services and products. Specific initiatives included building more hospitals, research centers and other healthcare facilities, enacting healthcare reforms, improving healthcare standards and increasing healthcare subsidies. As part of its proposed Twelfth Five-Year Plan for National Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十二個五年規劃綱要), the PRC government intends to make available more healthcare resources to the rural population and the suburban communities. In particular, it intends to improve the social medical insurance program, increase the amount of benefits under such program, continue to implement the essential drugs program, as well as increase the number of community healthcare centers and clinics. In 2009, the PRC government announced that it plans to invest RMB850.0 billion between 2009 and 2011 to implement a series of programs under the healthcare reform plan. These programs included the expansion of the social medical insurance, the adoption of the National List of Essential Drugs and the expansion of community healthcare centers and clinics. These programs were aimed at providing 100% insurance coverage to the Chinese population by 2011, reducing the cost of healthcare to the population and the government, reducing patient congestion at the hospitals and reducing the difficulties of obtaining healthcare service. The following chart sets forth the planned use of the RMB850.0 billion, as announced by the PRC government to implement the series of programs outlined in the healthcare reform plan:



Source: Implementation Plan for the Recent Priorities of the Healthcare System Reform (2009-2011)

Notes:

(1) Medical aid includes monetary aid and free medical services to indigent patients.

(2) Public health investment is investment by the PRC government to improve the awareness of health, to prevent the prevalence of diseases, and to improve the overall health of the PRC population.

Expansion of the Social Medical Insurance in the PRC

The social medical insurance programs run by the PRC government primarily consist of three programs: the Urban Worker Program, a mandatory scheme covering urban workers and their minor children; the Urban Resident Program, a voluntary program that covers the rest of the urban residents not covered by the Urban Worker Program, and the New Rural Co-Op Insurance, a scheme that provides medical coverage for the rural population. According to the NFS Report, as of the end of 2009, the social medical insurance programs collectively covered 94% of the PRC population; by 2011, these programs are expected to collectively cover 100% of the PRC population.

In order to maximize the effectiveness of the social medical insurance, the PRC government has expanded both the coverage and the benefits under the reformed social medical insurance. Under the new Urban Resident Program, the maximum amount of benefits to be paid will reach approximately RMB100,000 per person annually, according to the NFS Report. Under the New Rural Co-Op Insurance program, the PRC government subsidizes the medical spending of the rural population by paying a yearly subsidy amount into a personal healthcare account. The amount of this subsidy, on a per capita basis, has increased from RMB60 to RMB120 in 2010, and is expected to increase further in the future, according to the NFS Report.

Adoption of the National List of Essential Drugs

Historically, the PRC government has controlled the cost of drugs mainly through the National Medical Insurance Drugs Catalog program. The National Medical Insurance Drugs Catalog comprises a list of drugs that are reimbursable under the PRC social medical insurance. The PRC government sets a maximum retail price or fixed retail price for which a drug on the list can be sold. The list and prices are reviewed and adjusted from time to time. For example, in 2009, the PRC government added 260 additional drugs to the list. In order to further control the cost of drugs, the PRC government adopted the National List of Essential Drugs as part of its ongoing healthcare reform to regulate the drug price and to streamline the channels of distribution. Under the essential drugs program, the centralized tender and bidding process for all purchases of listed essential drugs by public hospitals, healthcare centers or clinics must be conducted at the provincial level. The winning pharmaceutical companies and distributors will then be responsible for supplying the public hospitals and healthcare facilities of the province with all their needs of listed essential drugs. Under the healthcare reform, in order to make the essential drugs more affordable to patients, a significant portion of the PRC government's investment under the ongoing healthcare reform plan is allocated to subsidize the essential drugs program. Together, these measures are expected to result in a significant increase in the usage and demand for essential drugs.

Expansion of the Community Healthcare Centers and Clinics

In order to increase the accessibility of healthcare facilities and services, the PRC government invested RMB11.1 billion in 2008 to construct community healthcare centers and clinics. From 2005 to 2009, the number of community healthcare centers and clinics increased from 17,128 to 27,308, representing a CAGR of 12.4%. The following table sets forth the number of community healthcare centers, clinics and hospitals for the periods indicated:

	2005	2009	CAGR from 2005 to 2009
Community healthcare centers	1,382	5,216	39.4%
Community health clinics	15,746	22,092	8.8
Hospitals	18,703	20,291	2.1
Total	37,836	49,608	7.0%

Source: China Health Statistics Yearbook 2010

Pharmaceutical Industry Value Chain

In the PRC, as in other major countries, there are generally five major stages across the pharmaceutical industry value chain: (i) research and development; (ii) intermediaries and active pharmaceutical ingredients; (iii) finished dosage form manufacturing, sales and promotion; (iv) distribution; and (v) retail sales. Research and development refers to drug discovery, drug development to commercial approval, drug formulation and manufacturing technology. Active pharmaceutical ingredient manufacturing is the production of intermediates and active pharmaceutical ingredients. Finished dosage form manufacturing is the production of pharmaceutical products in accordance with formulations using active pharmaceutical ingredients. Distribution covers warehousing and shipping of drugs from pharmaceutical companies to dispensers, such as hospitals and pharmacies. Retail sales refer to hospitals, clinics, pharmacies and other healthcare institutions that sell drugs to patients. Many PRC companies operate across one or more major value-chain stages, but only a few are integrated vertically across all major stages of the value chain.

THE PRC PHARMACEUTICAL PRODUCT MARKET

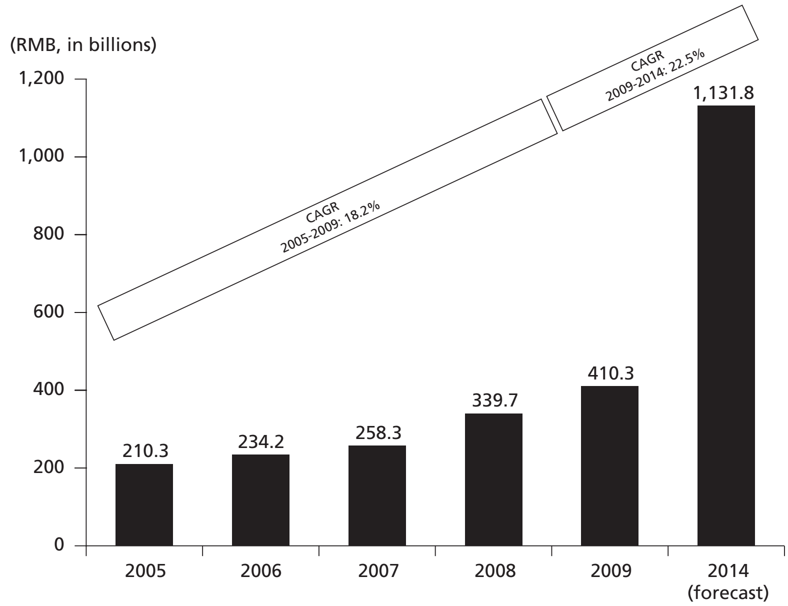
Overview

As an integral part of the PRC healthcare industry, the PRC pharmaceutical product market has had a rapid growth from RMB313.1 billion in 2005 to RMB619.4 billion in 2009, representing a CAGR of 18.6%, primarily driven by the same favorable socioeconomic factors that contributed to the growth of the entire PRC healthcare market. See "— The PRC Healthcare Industry — Primary Growth Drivers of the PRC Healthcare Industry." Supported by these factors, the PRC pharmaceutical product market is expected to further grow to RMB1.7 trillion by 2014, representing a CAGR of 22.4% from 2009 to 2014, according to the NFS Report.

The PRC Chemical and Biopharmaceutical Drugs Market

Chemical and biopharmaceutical drugs are drugs with active pharmaceutical ingredients composed of either chemical compounds or biological agents. The PRC chemical and biopharmaceutical drugs market has had a rapid growth in recent years from RMB210.3 billion in 2005 to RMB410.3 billion in 2009, representing a CAGR of 18.2%, and is projected to increase to RMB1,131.8 billion in 2014, representing a CAGR of 22.5% according to the NFS Report. According to the same report, a majority of chemical and biopharmaceutical drugs sold in the PRC were generic drugs. Generic drugs are manufactured or sold without any patent on their active pharmaceutical ingredients. In the PRC, generic drugs are generally separated into branded generics and commodity generics. Branded generics are generic drugs marketed under trade names in addition to their chemical names and they mainly compete on the basis of brand recognition. Unlike many multinational pharmaceutical companies, only a limited number of PRC pharmaceutical companies have the financial resources and the research and development capabilities to develop innovative chemical or biopharmaceutical drugs.

The PRC government is expected to commit more resources into building a more robust drug innovation platform. The following chart sets forth the historical and projected chemical and biopharmaceutical drug sales for the periods indicated:



Source: the NFS Report

The following table sets forth the therapeutic areas of the PRC chemical and biopharmaceutical drugs market ranked by sales in 2009:

Rank	**Therapeutic area**[(1)]	**% of total sales**
1	Antiinfectives for systemic use	23.9%
2	Antineoplastic and immunomodulating agents	17.7
3	Cardiovascular system	13.3
4	Alimentary tract and metabolism	12.7
5	Blood and blood forming organs	10.9
6	Nervous system	8.4
7	Various	3.2
8	Musculo-skeletal system	2.9
9	Respiratory system	2.5
10	Systemic hormonal preparations (excluding sex hormones)	1.9
	Others	2.6
	Total chemical and biopharmaceutical drug sales	100%

Source: the NFS Report

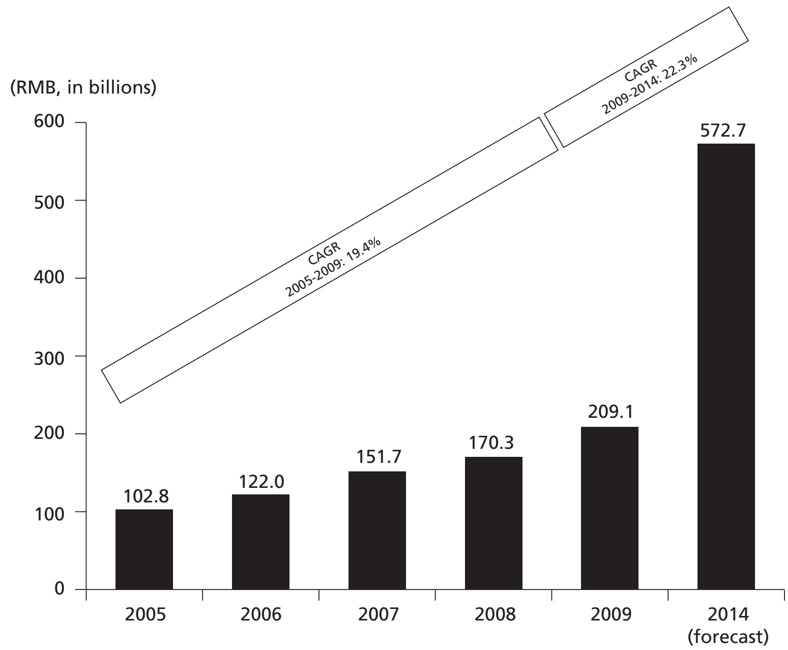
Note:

(1) Classified according to the ATC classification.

Modern Chinese Medicine Market in the PRC

Chinese medicine is a type of drug where the active ingredients come from or are derived from natural plants, animals or minerals. Modern Chinese medicine combines the theory of traditional Chinese medicine with modern manufacturing techniques, which involves the extracting and processing of natural raw materials, and the implementation of modern drug-delivery methods to create a new class of drugs. Modern Chinese medicine is produced in forms similar to chemical drugs, including tablets, oral liquids, hard capsules, granules, soft capsules and injectables.

The modern Chinese medicine market is one of the largest segments of the PRC pharmaceutical product market. According to the NFS Report, the modern Chinese medicine market in 2009 represented 33.8% of the entire PRC pharmaceutical product market. From 2005 to 2009, the Chinese medicine market has had a rapid growth from RMB102.8 billion in 2005 to RMB209.1 billion in 2009, representing a CAGR of 19.4%. From 2009 to 2014, the NFS expects the Chinese medicine market to grow even faster due to the greater support of the Chinese medicine market by the PRC government and the increases in price driven by the rapid rise in the cost of raw materials. The modern Chinese medicine market is projected to grow to RMB572.7 billion, representing a CAGR of 22.3% from 2009 to 2014, according to the NFS Report. The following chart shows the historical and projected sales of modern Chinese medicine for the periods indicated:



Source: the NFS Report

The following table sets forth the therapeutic areas of the modern Chinese medicine market in the PRC ranked by sales in 2009:

Rank	Therapeutic area[1]	% of total sales
1	Cardiovascular and cerebrovascular system	37.4%
2	Cancer	16.0
3	Respiratory system	11.5
4	Musculo-skeletal system	7.9
5	Digestive system	6.3
6	Gynecologicals	5.4
7	Urinary system	4.3
8	Nervous system	3.4
9	Sensory organs	2.4
10	Dermatologicals	1.8
	Others	3.6
	Total modern Chinese medicine sales	100%

Source: the NFS Report

Note:

(1) Classified according to the NFS Report.

Fragmentation of the PRC Pharmaceutical Product Market

The pharmaceutical product market is highly fragmented in the PRC. According to the NFS Report, in 2009, there were over 5,300 pharmaceutical companies in the PRC, among which over 3,500 were drug companies and over 1,100 were active pharmaceutical ingredients manufacturers, with no one commanding a market share of more than 2%.

The higher regulatory standards, such as those with respect to GMP and environmental protection, are expected to significantly increase the cost and difficulties of compliance and force many smaller pharmaceutical companies to seek larger economies of scale through consolidation in order to lower costs and remain competitive. The ongoing healthcare reform is expected to contribute to further consolidation in the PRC pharmaceutical product market. Various initiatives introduced under the healthcare reform plan, such as the promotion of essential drugs, are intended to reduce the costs of drugs to patients through lower pricing, resulting in downward pressure on companies' profitability. Large pharmaceutical companies are generally more likely to succeed than their smaller competitors in the government-run tender process for the essential drugs and other medicines under the healthcare reform plan. These large companies possess the economies of scale and stringent quality controls to ensure stable supplies of a wide array of high-quality drugs that are competitively priced and in large quantities. It is expected that large pharmaceutical companies with strong product lines, efficient distribution networks and effective strategies to innovate are in a better position to consolidate and become leaders in the PRC pharmaceutical product market.

Innovation Trend in the PRC Pharmaceutical Product Market

Innovation is one of the key value drivers in the pharmaceutical industry value chain. Therefore, major multinational pharmaceutical companies invest heavily in discovering new drugs. Between 2005 and 2009, the aggregate annual research and development expenditures by the global pharmaceutical industry grew at a CAGR of 6.5%. In particular, the United States pharmaceutical industry invested in new drug discovery a total of US$51.8 billion in 2005 and US$65.3 billion in 2009, representing a CAGR of 5.9%, according to the NFS Report. Compared to the United States, PRC's investment in pharmaceutical innovation is low.

First-to-market generics generally have been the focus of the PRC pharmaceutical companies' research and development efforts. First-to-market generics are generic drugs that first receive approval to be marketed in the PRC. Innovative drugs and first-to-market generic drugs generally enjoy administrative protections in the form of "monitoring period" and other favorable treatments in the PRC. Under the PRC law, the SFDA may designate a monitoring period for a first-to-market generic drug for up to three or four years, depending on the types of drugs, beginning from the earliest approval on the commencement of production of the same drug. During such period the SFDA shall not approve the production or import of the same drug by any other party, effectively precluding or limiting competition for such drug in that period. Innovative drugs generally enjoy a monitoring period of up to five years. Other favorable treatments by the PRC government include the ability to set a higher retail price, receive preferential treatments under the government's medical insurance program and receive favorable treatments in hospitals' prescription practice. As a result, first-to-market generics and innovative drugs can typically command a higher margin than other generics based on the same active pharmaceutical ingredient.

Impact of Healthcare Reform on the PRC Pharmaceutical Product Market

The recent healthcare reform plan has had, and is expected to continue to have, a significant impact on the overall PRC pharmaceutical product market and on the landscape of the competitive environment for the pharmaceutical companies in the PRC. According to the NFS Report, the healthcare reform plan will require additional mandatory contributions from individuals as well as increased subsidies from the PRC government. This infusion of funds is expected to contribute at least RMB579.5 billion to the PRC's total healthcare spending. According to the NFS Report, in 2008, drug-related expenditures accounted for 46.9% of the total healthcare spending. Based on that, the NFS expects the additional individual contributions and government subsidies will account for an increase of RMB201.1 billion in future drug-related expenditures.

As a way to further reduce the cost of key healthcare expenditures, the healthcare reform plan requires centralized purchasing and distribution of all the essential drugs on a provincial level. Large PRC pharmaceutical companies with strong distribution networks are likely to benefit the most from the healthcare reform plan with their manufacturing capabilities to satisfy the regional needs of essential drugs and with enough economies of scale to effectively distribute those drugs to the different levels of hospitals and community healthcare centers and clinics. Smaller PRC pharmaceutical companies may, as a result, lose their market share.

THE PRC PHARMACEUTICAL DISTRIBUTION MARKET

Overview

Distributors connect pharmaceutical companies with drug dispensers, including hospitals, other medical institutions, retail pharmacies and other drugs sales outlets. Typically, distributors enter into agreements to purchase pharmaceutical products from pharmaceutical companies. In many cases, distributors also seek from pharmaceutical companies the right to be an exclusive distributor of a particular medicine or groups of medicines. Distributors generate revenue by reselling these pharmaceutical products downstream and providing relevant services to customers in the retail market. In the pharmaceutical distribution market, distributors seek to create value by leveraging their economies of scale and operational expertise to purchase, store, resell and transport pharmaceutical products. Distributors can help pharmaceutical companies increase their operational efficiencies by providing expertise in product delivery to and payment collection from the retail outlets. As resellers of pharmaceutical products, distributors can also reduce transaction costs and improve efficiencies for retailers, by allowing retailers to keep less inventory on hand and ensuring that inventory will be replenished in time.

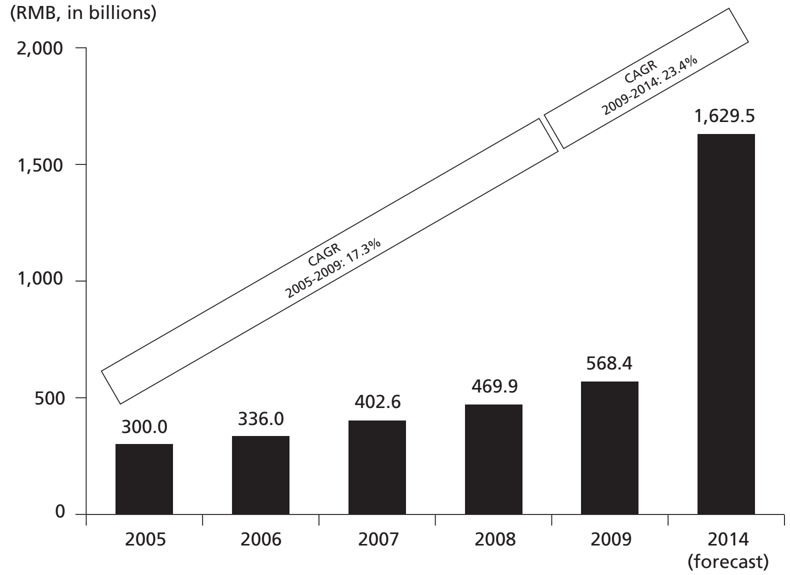
Distributors sell pharmaceutical products to both drug dispensers as well as other distributors. Sales to drug dispensers, particularly direct sales to hospitals and other medical institutions, such as community healthcare centers and clinics, typically generate higher margins compared with sales to other distributors, because in the latter case, the other distributors will share part of the profits in the distribution value chain.

Large distributors in the PRC typically offer complementary logistics and value-added services to both the pharmaceutical companies and dispensers, mainly including electronic purchase order confirmation, custom packaging, repackaging and reprocessing, product insurance brokerage, payment collection for the pharmaceutical companies, delivery of special pharmaceutical products, technical support and assistance, import assistance, customs clearance and free trade zone warehousing. The capacity and quality of these services in the PRC are highly valued and are increasingly demanded by many of the larger dispensers, such as hospitals. Consequently, large distributors who provide these value-added services possess clear competitive advantage over other distributors.

The PRC pharmaceutical distribution market has evolved over the past three decades from a multi-tiered system operated under a planned economy where distributors were subject to strict governmental control to a competitive and increasingly market-driven industry.

Market Size and Growth of the PRC Pharmaceutical Distribution Market

According to the CAPC, the PRC pharmaceutical distribution market has experienced a rapid growth in recent years from RMB300.0 billion in 2005 to RMB568.4 billion in 2009, representing a CAGR of 17.3%. Supported by the favorable socioeconomic factors that also have driven PRC's overall healthcare industry, the PRC pharmaceutical distribution market is expected to further grow to RMB1,629.5 billion by 2014, representing a CAGR of 23.4% from 2009 to 2014, based on the NFS Report. The following chart sets forth the historical and projected growth in the PRC pharmaceutical distribution market for the periods indicated:



Source: the CAPC; forecast by the NFS

Fragmentation of the Pharmaceutical Distribution Market and the Trend Towards Consolidation

The PRC pharmaceutical distribution market is fragmented. In 2009, there were over 13,400 distributors in the PRC and the aggregate revenue of the three largest distributors, namely Sinopharm Group Co., Ltd., Shanghai Pharmaceuticals and Jointown Pharmaceutical Group., Ltd., accounted only for 20.9% of the total pharmaceutical distribution market, whereas the three largest U.S. distributors accounted for 97.0% of the U.S. distribution market in the same period. The following table sets forth the market shares of the five largest distributors in China in 2009:

Rank	Distributor	Market share
1	China National Pharmaceutical Group Corporation	12.4%
2	**Shanghai Pharmaceuticals Holding Co., Ltd.**	**4.6%**
3	Jointown Pharmaceutical Group Co., Ltd.	3.9%
4	Guangzhou Pharmaceuticals Corporation	3.2%
5	Nanjing Pharmaceutical Co., Ltd.	2.6%

According to the CAPC, the Eastern China Region, the largest regional pharmaceutical distribution market of the seven geographical regions of the PRC, accounted for 39.1% of the PRC pharmaceutical distribution market in 2009. The following table sets forth the PRC pharmaceutical distribution market by geographical regions in 2009:

	Market share
Eastern China Region	39.1%
Northern China Region	15.7
Central China Region	12.4
Southern China Region	12.1
Southwestern China Region	10.7
Northeastern China Region	5.3
Northwestern China Region	4.6
Total	100.0%

Source: the CAPC, the MOH and the NFS Report

Compared to distributors from the other regions or new market entrants, an established distributor in a region tends to enjoy certain competitive advantages, such as its long-term relationships with regional manufacturers and retail outlets (e.g. hospitals). In the Eastern China Region, the five largest distributors accounted for 30.7% of the market share as illustrated below in 2009:

Rank	Company	Market share
1	**Shanghai Pharmaceuticals Holding Co., Ltd.**	**11.0%**
2	Nanjing Pharmaceutical Co., Ltd.	7.0%
3	Sinopharm Holding Shanghai Co., Ltd.	6.4%
4	Anhui Huayuan Pharmaceutical Co., Ltd.	4.1%
5	Huadong Medicine Co., Ltd.	2.2%

Source: the CAPC and the annual reports of the relevant listed companies

The fragmentation of the pharmaceutical distribution market limited the size and reach of each distributor in the market, prevented the implementation of more advanced logistic services and limited distributors' ability to reduce cost on a greater economies of scale. According to the NFS Report, pharmaceutical distribution cost in the PRC generally exceeds 10% of the total drug cost; whereas the U.S. counterpart accounted for only 2.6% of the total drug cost in 2009. The fragmentation also prevented distributors from implementing more advanced logistics technologies as such implementations generally are only cost effective for distributors of a certain size.

Fragmentation in the PRC pharmaceutical distribution market also created intense competition among the distributors. The distributors must be able to grow their customer base while maintaining their profitability in order to succeed in this fragmented market. To increase efficiency and profitability, distributors must increase their scale of operation and deploy modern supply chain management technologies. In order to grow their customer base, distributors must offer a broad range of products, provide logistics support and other value-added services at a competitive price. A distributor with strong financial position, proven track records, and the ability to penetrate new markets will have greater competitive advantages. The distributor that meets all the above criteria will benefit the most from the growing PRC pharmaceutical distribution market.

In recent years, there have been efforts towards consolidation of the PRC pharmaceutical distribution industry by the market participants and the governmental authorities. The government's efforts include the introduction of GSP requirements and other increased regulatory requirements, as well as the centralization of tender and bidding processes imposed by the healthcare reform plan. In addition, the competitive pressures caused by the fragmented market further contributed to the consolidation efforts. Supported by the trend toward consolidation, the NFS expects the three largest pharmaceutical distributors in the PRC will increase their aggregate market share from 20.9% in 2009 to 36.8% in 2014, representing a CAGR of 38.2% in terms of their aggregate revenue over the same period.

THE PRC RETAIL PHARMACY SALES MARKET

Retail pharmacy sales is an important part of pharmaceutical retail sales in the PRC, in addition to retail sales by hospitals and other medical institutions such as community healthcare centers and clinics. The PRC retail pharmaceutical sales market experienced a steady growth between 2005 and 2009, from RMB79.0 billion to RMB148.7 billion, representing a CAGR of 17.1%, and is expected to increase to RMB325.0 billion in 2014, representing a CAGR of 16.9%, according to the NFS Report.

In the PRC, both prescription and over-the-counter drugs can be purchased from drug retailers. Drug retailers include retail pharmacy chains, independent pharmacies and over-the-counter drug counters. From 2006 to 2009, the number of the PRC pharmaceutical retail outlets grew from 319,655 in 2006 to 387,870 in 2009, representing a CAGR of 6.7%. The PRC pharmaceutical retail market is highly fragmented, the aggregate revenue of the three retail pharmacy chains accounted for only 5.6% of the overall pharmacy sales. While there exists a few nationwide retail pharmaceutical drugstore chains, the majority of drug retailers are still independent or regionally-based. The following table sets forth a breakdown of the PRC pharmaceutical retail market by geographical regions in 2009:

Rank	Region	Market share
1	Eastern China Region	35.5%
2	Southern China Region	14.2
3	Northern China Region	14.2
4	Central China Region	12.6
5	Northeastern China Region	9.9
6	Southwestern China Region	8.8
7	Northwestern China Region	4.8
	Total	100.0%

Source: the NFS Report

The following table sets forth a breakdown of the market shares of major retail pharmacy chains in the Eastern China Region, the largest regional pharmaceutical retail market by sales in the PRC:

Rank	Retail pharmacy chain	Market share
1	**Huashi Pharmacy**	**3.6%**
2	Anhui Baixing Yuan Dayaofang Liansuo Co., Ltd.	2.1%
3	Nanjing Medicines Pharmaceutical Co., Ltd.	1.8%
4	Zhejiang Daily Health Drugstore	1.7%
5	Jiangxi Nanhua	1.0%

Source: the NFS Report and China Drug Store Magazine Company

Although supported by the favorable socioeconomic factors that have driven the PRC's overall healthcare industry, the PRC retail pharmacy sales market faces a number of challenges. With the introduction of the National List of Essential Drugs, pharmaceutical retailers are expected to experience a significant downward pressure on the pricing of the essential drugs sold by them, resulting in lower, or even negative profit margins. As such, pharmaceutical retailers will need to seek other high margined pharmaceutical products or healthcare products to stay profitable. Given the intensity of the competition and the adoption of the healthcare reform plan, pharmaceutical retailers without an effective regional or national presence or a strong brand name are most likely to be forced out of the market.

SOURCE OF INFORMATION

The NFS, an experienced consultant in the PRC healthcare industry, has been engaged to provide the NFS Report for use in whole or in part in this Prospectus. The NFS prepared its report based on data released by government institutions such as the National Bureau of Statistics and the NDRC, as well as data gathered by the NFS and analysis performed by the NFS based on the available data. Where necessary, the NFS visits companies operating in the industry to gather and synthesize information about the market and other relevant information. The information derived from the NFS Report and contained herein has been obtained from sources believed by the NFS to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Forecasts and assumptions included in the NFS Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, risks inherent in the pharmaceutical industry, financing risks, labor risks, supply risks, regulatory risks and environmental concerns.

This Prospectus contains information extracted from the NFS Report in sections such as "Industry Overview" and "Business." We paid the NFS a fee of no more than RMB1.0 million for the preparation and update of its industry report.

HISTORY AND DEVELOPMENT

Shanghai No.4 Pharmaceutical Co., Ltd. (上海四藥股份有限公司) ("Shanghai No.4 Pharmaceutical") is the predecessor of the Company. Following the examination and approval of the Shanghai Securities Management Office (上海市證券管理辦公室) by Hu Zheng Ban (1993) Document No. 119 (滬證辦 (1993)119號文) in October 1993, Shanghai Pharmaceutical (Group) Corporation (上海醫藥(集團)總公司), the predecessor of Shanghai Pharmaceutical (Group), was the sole promoter and with the issuance of 15,000,000 ordinary shares to the public, Shanghai No.4 Pharmaceutical was established by way of subscription on January 18, 1994.

On March 24, 1994, following the examination and approval of the Shanghai Stock Exchange by Shang Zheng Shang (94) Document No. 2045 (上證上(94)字第2045號文), shares of Shanghai No.4 Pharmaceutical were listed and traded on the Shanghai Stock Exchange under the stock code 600849.

In March 1997, following the receipt of shareholders' approval and approval of the CSRC by Zheng Jian Shang Zi [1997] Document No. 2 (證監上字[1997]2號文), and the approval of the Shanghai Securities and Future Regulatory Office (上海市證券期貨監督管理辦公室) by Hu Zheng Ban Zi [1996] Document No. 238 (滬證辦字[1996]238號文), Shanghai No.4 Pharmaceutical placed shares to all its shareholders on the basis of three shares for every ten shares. The total share capital of Shanghai No.4 Pharmaceutical was thereby increased to 75,356,580 shares.

In 1998, following the approval of the CSRC by Zheng Jian Fa Zi [1998] Document No. 220 (證監發字[1998]220號文) and No. 221 ([1998]221號文), and the approval of the Shanghai Securities and Futures Regulatory Office by Hu Zheng Fa (1998) Document No. 024 (滬證發 (1998)024號文), Shanghai Pharmaceutical (Group) Corporation conducted an asset restructuring involving a follow-on offering by Shanghai No.4 Pharmaceutical. Under such asset restructuring, Shanghai Pharmaceutical (Group) Corporation exchanged on an equal basis the prime operating assets of three enterprises, namely, Shanghai Municipal Pharmaceutical Company Limited (上海市醫藥有限公司), Shanghai Pharmaceutical Industry and Sales Co., Ltd. (上海醫藥工業銷售有限公司) and Shanghai Tianping Pharmaceutical Factory (上海天平製藥廠), evaluated at RMB265,670,800 (Hu Ping Shen (1998) Document No. 328 (滬評審 (1998)第 328號)), for the net assets of Shanghai No.4 Pharmaceutical evaluated at RMB267,909,300 (Hu Ping Shen (1998) No. 327 (滬評審(1998)第327號)). The difference was made up by Shanghai Pharmaceutical (Group) Corporation in cash. Upon completion of the asset restructuring, Shanghai No.4 Pharmaceutical was renamed Shanghai Pharmaceutical Co., Ltd. (上海市醫藥股份有限公司). Concurrent with the restructuring, the Company issued an additional 40,000,000 public Shares at RMB1.00 per Share, which resulted in an increase of the total share capital of the Company to 153,034,870 Shares.

In December 2000, pursuant to the Notice Concerning Arrangements for Listing by Phases and in Tranches of the Transfer Right Shares of Listed Companies (關於安排上市公司轉配股分期、分批上市的通知) issued by the CSRC and upon the approval of the Shanghai Stock Exchange, 21,524,427 transfer right shares in respect of the state-owned Shares were listed and traded. Upon listing of such transfer right shares, the shareholding structure of the Company comprised 104,152,878 state-owned Shares and 125,399,427 public Shares.

In March 2001, following the approval of the Shanghai Securities Regulatory Office (上海證券監管辦公室) of the CSRC by Hu Zheng Si [2000] Document No. 150 (滬證司[2000]150號文) and the approval of the CSRC by Zheng Jian Gong Si Zi [2001] Document No. 20 (證監公司字[2001]20號文), and after approval at the first extraordinary shareholders' general meeting of the Company held in 2000, the Company placed three Shares for every ten Shares at a placing price of RMB16 per Share based on the total share capital of 229,552,305 Shares as of the end of 1999. The total number of Shares involved in that share placement was 40,744,414, of which, upon the approval of Shanghai SASAC by Hu Guo Zi Yu (2000) Document No. 292 (滬國資預 (2000)292號文), Shanghai Pharmaceutical (Group), the holder of the state-owned Shares and a company organized on the restructuring of Shanghai Pharmaceutical (Group) Corporation, subscribed with in-kind and cash consideration 10% of such Shares made available to it under the share placing, i.e. 3,124,586 Shares, and relinquished the rest of its Share entitlement under the share placing. The remaining 37,619,828 Shares were made available under the share placing to holders of public Shares.

At the end of 2001 and in June 2003, on shareholders' approval, the Company created two Shares for every ten Shares and five Shares for every ten Shares, respectively. Upon completion of the capitalizations, the total share capital of the Company was 474,310,737 Shares.

In May 2003, Shanghai Industrial Holdings and SIIC Medical Science and Technology, jointly announced a proposed privatisation of SIIC Medical Science and Technology, which was then listed on GEM (previous GEM stock code: 8018). Shanghai Industrial Holdings proposed that all shares of SIIC Medical Science and Technology not owned by Shanghai Industrial Holdings and its subsidiaries be cancelled in exchange for HK$2.15 in cash per share. The proposed privatization scheme was approved at a court meeting and extraordinary general meeting held on August 11, 2003 and the listing status of SIIC Medical Science and Technology on GEM was withdrawn on September 17, 2003. As part of the 2009 Restructuring, Shanghai Industrial Holdings has since transferred all of the pharmaceutical business of SIIC Medical Science and Technology, except for a dormant company, E-COM Technology Co., Ltd., to the Company.

On July 5, 2006, the Company convened a shareholders' general meeting at which the share reform plan of the Company was approved. Shanghai Pharmaceutical (Group) granted, without compensation, to all holders of tradable Shares ten put rights for every ten Shares. In other words, holders of tradable Shares not subject to selling restriction whose names appeared on the share register on the third last trading day of the tenth complete month from the date of implementation of the share reform were entitled to sell their tradable Shares to Shanghai Pharmaceutical (Group) at the exercise price of RMB5.1 per Share on the last trading day of that month. In addition, Shanghai Pharmaceutical (Group) paid to all holders of tradable Shares whose shareholdings were registered on the share register RMB1 in cash for every ten Shares. After the implementation of the share reform, the shareholding structure was as follows:

Pre-share reform			Post-share reform		
Type of shares	No. of shares	% of the total share capital	Type of shares	No. of shares	% of the total share capital
I. Unlisted Shares	188,248,134	39.69%	I. Tradable Shares subject to selling restriction(1)	188,248,134	39.69%
II. Tradable Shares(2)	286,062,603	60.31	II. Tradable Shares not subject to selling restriction	286,062,603	60.31
III. Total	474,310,737	100.00%	III. Total	474,310,737	100.00%

Notes:

(1) All of which are state-owned Shares.

(2) All of which are A Shares.

In June 2007, upon adoption by resolution at the 2006 annual shareholders' general meeting of the Company, the Company created two Shares for every ten Shares by way of capitalization of the capital reserve fund for all its shareholders based on the total share capital of 474,310,737 Shares as of the end of 2006, and the total number of Shares created under the above capitalization amounted to 94,862,147 Shares. Upon completion of the capitalization, the total share capital of the Company was increased to 569,172,884 Shares.

In 2010, pursuant to the approval granted by the CSRC under the Approval Reply Concerning the Approval of Shanghai Pharmaceutical Co., Ltd. to Issue Shares to and Acquire Assets from Shanghai Pharmaceutical (Group) Co., Ltd. etc. and to Merge with Shanghai Industrial Pharmaceutical Investment Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd. by Absorption (關於核准上海市醫藥股份有限公司向上海醫藥 (集團)有限公司等發行股份購買資產及吸收合併上海實業醫藥投資股份有限公司和上海中西藥業股份有限公司的批覆) (Zheng Jian Xu Ke [2010] Document No. 132 (證監許可[2010]132號)), the Company merged with Shanghai Industrial Pharma and Zhongxi Pharmaceutical by absorption, issued shares to Shanghai Pharmaceutical (Group) to acquire the pharmaceutical assets, issued shares to Shanghai Shangshi to raise funds and used such funds to acquire the pharmaceutical assets from Shanghai Industrial Holdings. After the above material asset restructuring, the total number of shares of the Company increased to 1,992,643,338 shares.

In March 2010, Shanghai Pharmaceutical Co., Ltd. was renamed "Shanghai Pharmaceuticals Holding Co., Ltd." and the stock code of the Company was changed from 600849 to 601607.

On April 9, 2010, the Company completed formalities in connection with the change of registration with, and obtained the business licence from, the Shanghai SAIC for the material asset restructuring as set forth above.

The Restructuring

The 2009 Restructuring and the subsequent acquisition of the Antibiotics Business were undertaken with the aim of consolidating the Controlling Shareholders' pharmaceutical businesses and injecting such businesses into the Company to create a vertically-integrated company with a leading position in the PRC pharmaceutical industry.

The 2009 Restructuring

From late 2009 to early 2010, the Company and the Controlling Shareholders underwent the 2009 Restructuring. The 2009 Restructuring primarily consisted of three transactions:

1. On October 14, 2009, the Company entered into a share issuance and asset purchase agreement with one of our Controlling Shareholders, Shanghai Pharmaceutical (Group), under which we agreed to purchase the following pharmaceutical businesses from Shanghai Pharmaceutical (Group) in exchange for 455,289,547 Shares of the Company:

    - 100% equity interest in Sine Pharmaceutical
    - 100% equity interest in Shanghai No.1 Biochemical
    - 100% equity interest in Shanghai Sunve Co.
    - 100% equity interest in Shanghai Pharmaceutical Material Supply and Marketing Co.
    - 100% equity interest in SPIE
    - 100% equity interest in Shanghai Traditional Chinese Medicine Co.
    - 100% equity interest in Zhonghua Pharmaceutical
    - 63.93% equity interest in Qingdao Growful
    - 48% equity interest in Sunve Pharmaceutical
    - 41.43% equity interest in Sine Tianyi
    - 38% equity interest in Shanghai Ajinomoto
    - 36% equity interest in Sine Yellow River
    - 30% equity interest in Shanghai Squibb
    - Certain other assets, including equipment, intangible assets and real property

2. On October 15, 2009, we entered into a share swap and amalgamation agreement with Shanghai Industrial Pharma and Zhongxi Pharmaceutical, pursuant to which we acquired Shanghai Industrial Pharma and Zhongxi Pharmaceutical. Under the agreement we issued 1.61 Shares of our Company for each outstanding share of Shanghai Industrial Pharma and 0.96 Shares of our Company for each outstanding share of Zhongxi Pharmaceutical, with the exchange ratios being based on the average trading prices of the Shares of the Company, shares of Shanghai Industrial

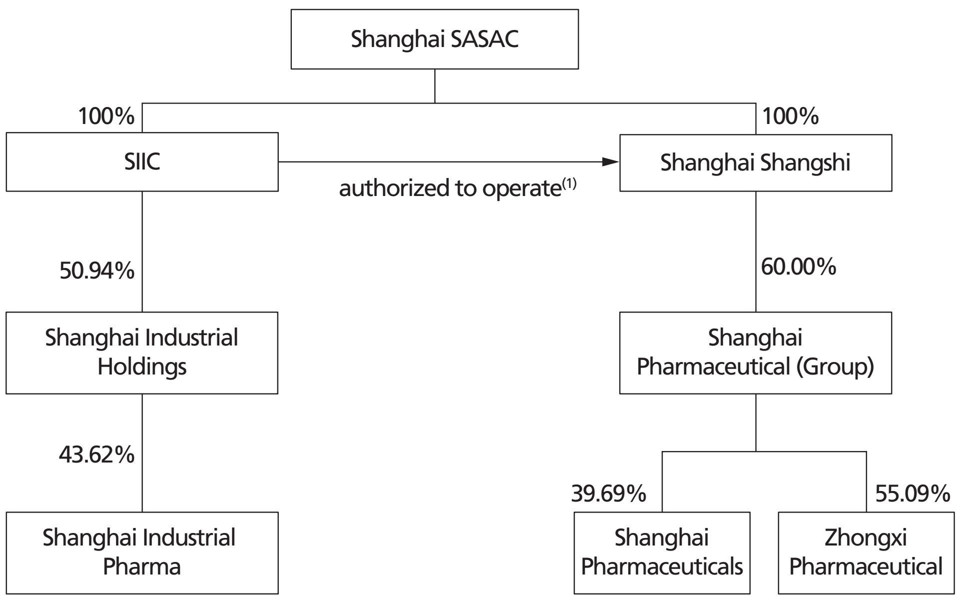
Pharma and shares of Zhongxi Pharmaceutical for the 20 consecutive trading days ended on October 16, 2009. 592,181,860 shares were created as a result of the share swap and the merger of Shanghai Industrial Pharma by absorption and 206,970,842 shares were created as a result of the share swap and the merger of Zhongxi Pharmaceutical by absorption.

3. On October 15, 2009, we entered into a share issuance and asset purchase agreement with Shanghai Shangshi and Shanghai Industrial Holdings, pursuant to which we agreed to issue 169,028,205 Shares of our Company to Shanghai Shangshi at the price of RMB11.83 per Share, and using the aggregate proceeds thereof (RMB1,999,603,673.24) to purchase the following pharmaceutical businesses held indirectly by Shanghai Industrial Holdings:

- 100% equity interest in SIIC Medical Science and Technology
- 70.14% equity interest in Mergen
- 9.28% equity interest in Fudan-Zhangjiang

The 2009 Restructuring was completed in April 2010, after which our share capital increased to 1,992,643,338 Shares. Through our acquisition of the above-mentioned equity interests under the three agreements, we also indirectly acquired the equity interests (including any joint ventures) and assets held by such entities listed above.

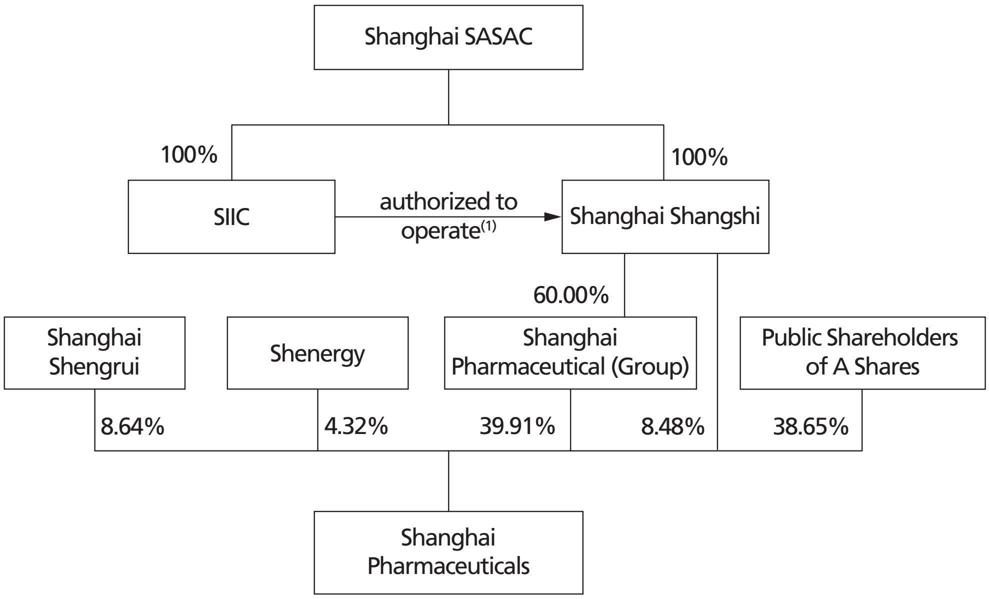
The Company's simplified shareholding structure immediately before the 2009 Restructuring was as follows:



Note:

(1) According to the Decision on Authorizing Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate Shanghai Overseas Companies, its Major Overseas Companies and the State-owned Assets under Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] Document No.6) issued by the Shanghai SASAC in 1998, SIIC was authorized to be the de facto controller of Shanghai Shangshi.

The Company's simplified shareholding structure immediately following the 2009 Restructuring is as follows:



Note:

(1) According to the Decision on Authorizing Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate Shanghai Overseas Companies, its Major Overseas Companies and the State-owned Assets under Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] Document No.6) issued by the Shanghai SASAC in 1998, SIIC was authorized to be the de facto controller of Shanghai Shangshi.

Following the completion of the 2009 Restructuring, the Company was included as one of the constituents in the SSE180 Index and Shanghai Shenzhen 300 Index which the Company believes demonstrates the success of its 2009 Restructuring.

Acquisition of Antibiotics Business

In December 2010, our Company entered into an agreement to acquire from Shanghai Pharmaceutical (Group) 96.9% of the equity interest of Shanghai New Asiatic and 100% of the equity interest of Shanghai Huakang for an aggregate cash consideration of approximately RMB1.49 billion (subject to the final approvals by the relevant PRC regulatory authorities). Shanghai New Asiatic is primarily engaged in the business of manufacturing, selling and packaging chemicals and antibiotics.

The consideration for the above acquisitions was determined on an arm's-length basis. This transaction is expected to be completed by the end of June 2011, subject to obtaining all the necessary governmental and regulatory approvals.

The Company will hold its equity interest in Shanghai New Asiatic directly. The remaining 3.1% of Shanghai New Asiatic is held by Shanghai Pudong New District Caolu Investment Management Co., Ltd.

As the Antibiotics Business and the Company are under common control, according to the principles set forth in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" (the "AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), when the acquisition is completed, the consolidated financial statements of the Group would include the financial positions, results and cash flows of the Antibiotics Business as if the acquisition had been completed prior to the beginning of the periods covered by the financial statements. Based on the above and the current expectation that the acquisition of the Antibiotics Business will be completed in 2011, the consolidated financial statements of the Group for 2011 will include the financial positions, results and cash flows of the Antibiotics Business and the comparative figures for 2010 will be restated to reflect the common control combination pursuant to AG5.

Strategic Acquisitions and Investment by the Company

The strategic acquisitions and investment by the Company were made in furtherance of the Company's growth strategy.

Acquisition/Investment	Vendors/ counterparties	Consideration	Principal business of target	Aim of the acquisition/ investment
From November 2010 to February 2011, the Company entered into definitive agreements to acquire the entire issued share capital of CHS. This acquisition was completed in April 2011.	Northern Light Venture Capital II, Ltd, BioVeda China Fund II, L.P, Lilly Asian Ventures, Eli Lilly and Company, NEA Ventures 2008, Limited Partnership, Biomedical Sciences Investment Fund Pte Ltd, Sagamore Bioventures, LLC, Fountain Vest Partners, Warburg Pincus Investment Consulting Company Ltd. and Qiming Venture Partners	Aggregate cash consideration of approximately RMB3.57 billion	CHS is a holding company, whose main asset is its wholly-owned subsidiary CITIC Pharma, a company registered in the Hainan Province of the PRC. CITIC Pharma is primarily engaged in the sale and distribution of pharmaceutical products in the Beijing market. According to CAPC, in 2009, it ranked number 18 among PRC pharmaceutical distribution enterprises (2009年度中國醫藥商業企業).	The Company believes that the acquisition of CHS will enhance the Group's market share in the distribution of pharmaceutical products in the Northern China Region, in particular Beijing, thereby entrenching the Group's overall market position in the PRC market.

Acquisition/Investment	Vendors/ counterparties	Consideration	Principal business of target	Aim of the acquisition/ investment
In August 2010, we acquired a 16.29% equity interest in Guangzhou Z.S.Y for an aggregate consideration of approximately RMB26.35 million. Following this acquisition, the Company further increased its equity interest to 51% by way of capital injection of approximately RMB114.64 million in Guangzhou Z.S.Y. This acquisition is completed.	Tan Lining, Zhang Yuan, Zhang Ze and Guangzhou Zhongda Industrial Group Co., Ltd. (廣州中大產業集團有限公司)	RMB141.03 million	Pharmaceutical product distribution	The acquisition was made with the aim of strengthening our pharmaceutical distribution network in the Southern China Region.
In November 2010, we acquired a 21.50% equity interest in Beijing Aixin Weiye through a capital injection of RMB90.00 million. Following this acquisition, the Company further increased its equity interest in Beijing Aixin Weiye to 52.24% by way of share acquisitions for an aggregate cash consideration of approximately RMB128.70 million. This acquisition is completed.	Wu Gang, Lin Peng and Dong Quchen	RMB218.70 million	Pharmaceutical product distribution	The acquisition was made with the aim of strengthening our pharmaceutical distribution network in the Northern China Region.

Acquisition/Investment	Vendors/ counterparties	Consideration	Principal business of target	Aim of the acquisition/ investment
In July 2010, we formed a joint venture, Fujian Pharmaceutical, with Fujian Province Overseas Chinese Industrial Group Co., Ltd. (福建省華僑實業集團有限責任公司) and Fujian Medical Material Co., Ltd. (福建省藥材公司). We, Fujian Province Overseas Chinese Industrial Group Co., Ltd. and Fujian Medical Material Co., Ltd. hold 49%, 48% and 3% equity interest, respectively. This transaction is completed.	Fujian Province Overseas Chinese Industrial Group Co., Ltd. (福建省華僑實業集團有限責任公司) and Fujian Medical Material Co., Ltd. (福建省藥材公司)	RMB78.46 million	Pharmaceutical product distribution	This investment was made with the aim of strengthening our pharmaceutical distribution network in the Eastern China Region.
In December 2010, we acquired a 53% equity interest in Taizhou Pharmaceutical Co., Ltd. (台州醫藥有限公司) for a cash consideration of RMB150 million. Following this acquisition, the Company further increased its equity interest to 60% by way of capital injection of RMB50 million. This acquisition is completed. After the acquisition and capital injection, Taizhou Pharmaceutical Co., Ltd. was renamed Taizhou SPH Pharmaceutical Co., Ltd. (台州上藥醫藥有限公司).	Wang Haiping, Xiang Xiutian, Qiu Yanggui, Lin Hong, Shen Xiankang, Zhang Jianguo, Xu Daohua, Zheng Guoding	RMB200 million	Pharmaceutical product distribution	The acquisition was made with the aim of strengthening our pharmaceutical distribution network in the Zhejiang Province and thereby further consolidating our market share in the pharmaceutical distribution network in the Eastern China Region.

Acquisition/Investment	Vendors/ counterparties	Consideration	Principal business of target	Aim of the acquisition/ investment
In December 2010, we acquired a 37.87% equity interest in Shanghai Yutiancheng Pharmaceutical Co., Ltd (上海余天成醫藥有限公司) for a cash consideration of RMB40.90 million. Following this acquisition, the Company further increased its equity interest to 51% by way of capital injection of approximately RMB28.95 million. This acquisition is completed.	44 individuals	RMB69.84 million	Pharmaceutical product distribution	The acquisition was made with the aim of strengthening our pharmaceutical network in the Shanghai market and enabling our Group to benefit from the strong brand name of "Yutiancheng."
In December 2010, we contracted to acquire 96.9% of the equity interest in Shanghai New Asiatic and 100% of the equity interest in Shanghai Huakang for an aggregate cash consideration of approximately RMB1.49 billion. Subject to the final approval of the relevant PRC regulatory authorities, this acquisition is expected to be completed by the end of June 2011.	Shanghai Pharmaceutical (Group)	RMB1.49 billion	Manufacturing, sales and packaging of chemicals and antibiotics	The acquisition was made with the aim of strengthening our antibiotics manufacturing and sales capacity.

Other than the acquisition of Shanghai New Asiatic and Shanghai Huakang, which is also referred to as the Antibiotics Business acquisition in this Prospectus, as disclosed above, these transactions were not entered into with any Connected Person. The consideration for each transaction was determined on an arm's-length basis. As of the Latest Practicable Date, the Company is not aware of any legal impediments to obtaining the relevant governmental and regulatory approvals for the pending acquisitions and investments.

Acquisition of CHS

Under such acquisition, the Company accepts the transfer of the equity interest of CHS through SIIC Medical Science and Technology (Group) Limited, a wholly-owned subsidiary of the Company incorporated in the BVI. The acquisition has been completed. Regarding the acquisition, the Company has submitted a formal antitrust notification to the Anti-Monopoly Bureau of the Ministry of Commerce and has received the Application Acceptance Note (申辦事項受理單) issued by the Administrative Management Service Centre of the Ministry of Commerce (商務部行政事務服務中心) on February 23, 2011.

The Acquisition of Guangzhou Z.S.Y.

This acquisition has been completed. Guangzhou Z.S.Y. has completed the formalities relating to the change of industry and commerce registration and has obtained a replacement for the Enterprise Legal Person Business Licence. The requisite approval procedure has been carried out in this acquisition.

The Acquisition of Beijing Aixin Weiye

This acquisition has been completed. Beijing Aixin Weiye has completed the formalities relating to the change of industry and commerce registration and has obtained a replacement for the Enterprise Legal Person Business Licence. The requisite approval procedure has been carried out in this acquisition.

The Acquisition of Fujian Pharmaceutical

This acquisition has been completed. Fujian Pharmaceutical has completed the formalities relating to the change of industry and commerce registration and has obtained a replacement for the Enterprise Legal Person Business Licence. The requisite approval procedure has been carried out in this acquisition.

The Acquisition of Taizhou Pharmaceutical Co., Ltd.

This acquisition has been completed. Taizhou Pharmaceutical Co., Ltd. has completed the formalities relating to the change of industry and commerce registration and has obtained a replacement for the Enterprise Legal Person Business Licence. The requisite approval procedure has been carried out in this acquisition.

The Acquisition of Shanghai Yutiancheng Pharmaceutical Co., Ltd.

This acquisition has been completed. Shanghai Yutiancheng Pharmaceutical Co., Ltd. has completed the formalities relating to the change of industry and commerce registration and has obtained a replacement for the Enterprise Legal Person Business Licence. The requisite approval procedure has been carried out in this acquisition.

The Company believes that its senior management team is experienced and skilled and is able to oversee and manage its expansion as a result of the acquisitions by successfully integrating the operations of such acquisitions with the existing operations of the Company.

Share Ownership Structure Post-restructuring

After the completion of the 2009 Restructuring, the acquisition of the Antibiotics Business and the strategic acquisitions as set forth above and immediately prior to the completion of the Global Offering, the share ownership structure of the Company is as follows:

Name of Shareholder	Number of Shares Held	% of shareholding
SIIC[1]	967,345,426	48.55%
Shanghai Shangshi[2]	967,345,426	48.55
Shanghai Pharmaceutical (Group)	795,212,497	39.91
China Huayuan Group Ltd.[3]	795,212,497	39.91
Shanghai Shengrui	172,206,550	8.64
Shanghai Guosheng Group Co., Ltd.[4]	172,206,550	8.64
Shenergy[5]	86,103,275	4.32
A Share Public Shareholders	766,988,087	38.49
NSSF	—	—
Total	1,992,643,338	100.00%

Notes:

(1) SIIC is a wholly-owned subsidiary of the Shanghai SASAC. According to the Decision on Authorizing Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate Shanghai Overseas Companies, its Major Overseas Companies and the State-owned Assets under Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] Document No.6) issued by the Shanghai SASAC in 1998, SIIC was authorized to be the de facto controller of Shanghai Shangshi and is therefore deemed to hold state-owned equity interests in the Company through Shanghai Shangshi.

(2) Shanghai Shangshi is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shangshi holds 60% equity interests in Shanghai Pharmaceutical (Group) and is therefore deemed to hold state-owned equity interests in the Company through Shanghai Pharmaceutical (Group). Out of 967,345,426 state-owned Shares in the Company held by Shanghai Shangshi, 172,132,929 Shares are held directly by Shanghai Shangshi, and 795,212,497 Shares are held indirectly by Shanghai Shangshi through Shanghai Pharmaceutical (Group).

(3) China Huayuan Group Ltd. ("Huayuan Group") is a state-owned shareholding group directly under the SASAC and holds 40% equity interests in Shanghai Pharmaceutical (Group). Due to disputes regarding certain loan contracts among Huayuan Group, Shanghai Pudong Development Bank Co., Ltd, Bank of Shanghai and Shanghai Bund Branch of China Merchants Bank Co., Ltd. ("Huayuan Disputes"), the 40% equity interest in Shanghai Pharmaceutical (Group) held by Huayuan Group has been frozen since September 2005 in the property preservation procedure executed by Shanghai Second Intermediate People's Court. According to the Notice to Assist in Enforcement issued by Shanghai Second Intermediate People's Court to Shanghai Pharmaceutical (Group) dated January 20, 2011, the renewed freezing period is from January 20, 2011 to January 19, 2012. The Company has been advised by its PRC legal adviser, Grandall Legal Group, that the freezing of the equity interest does not change the legal status and voting rights of Huayuan Group as a shareholder of Shanghai Pharmaceutical (Group). The Directors and the PRC legal advisers to the Company, Grandall Legal Group, are of the view that the Huayuan Disputes should not have a material adverse effect on the Company on the basis that Huayuan Group is a passive indirect shareholder of the Company. Huayuan Group is a conglomerate involved in a wide portfolio of business which includes pharmaceutical, textile, real estate and import and export. Save as disclosed, there is no significant business relationship between Huayuan Group and the Company. The Company is not aware of the intentions of SASAC with respect to the Huayuan Group including whether or not SASAC will buy back the 40% interest of Shanghai Pharmaceutical (Group) if such interest is transferred to the banks.

(4) Shanghai Guosheng Group is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shengrui is a wholly owned subsidiary of Shanghai Guosheng Group, and Shanghai Guosheng Group is therefore deemed to hold state-owned equity interests in the Company through Shanghai Shengrui.

(5) Shenergy is a wholly owned subsidiary of the Shanghai SASAC.

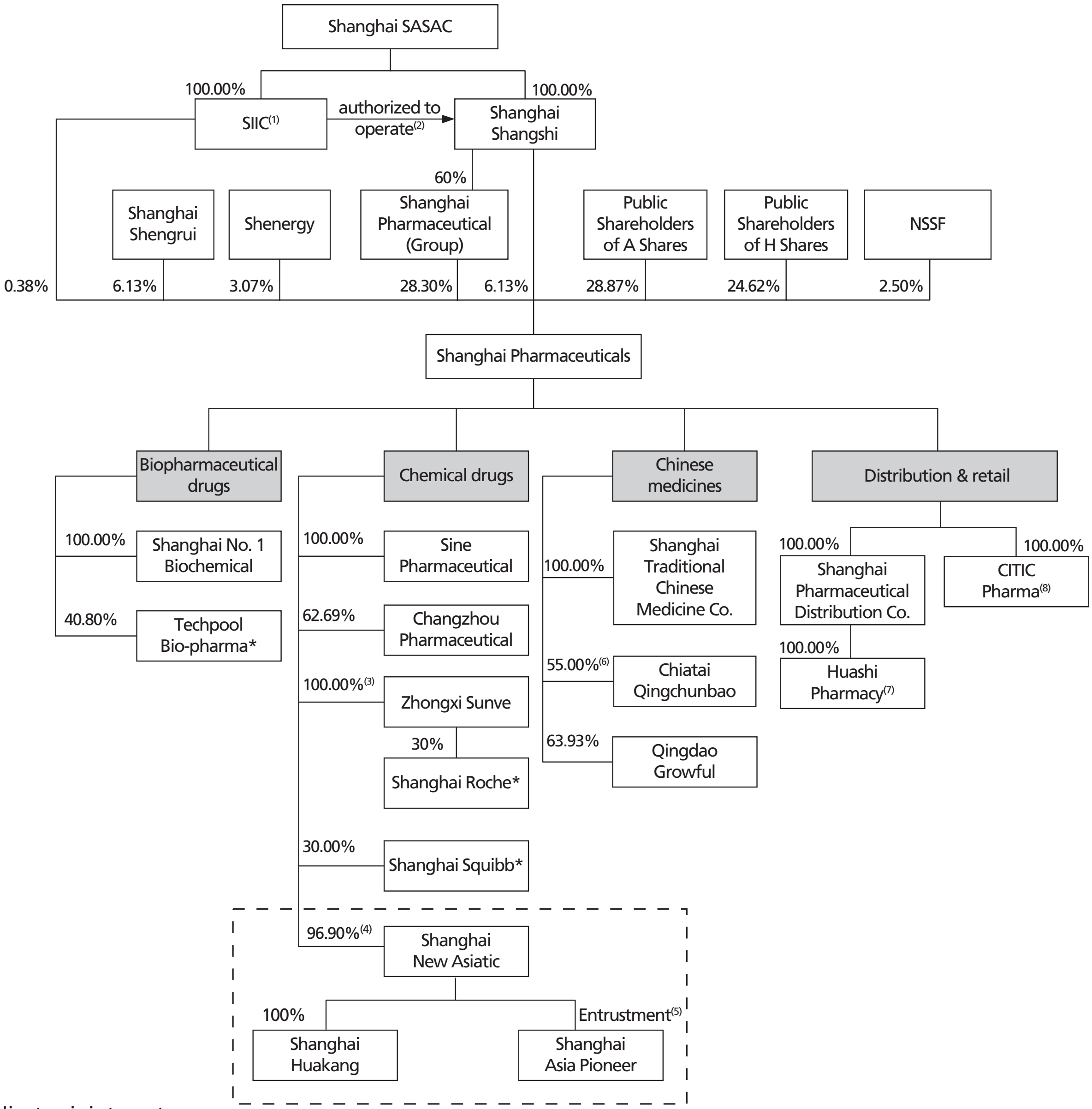
Immediately after the completion of the Global Offering, the share ownership structure of the Company is expected to be as follows:

	Assuming no exercise of the Over-Allotment Option		Assuming full exercise of the Over-Allotment Option	
Name of Shareholder	Number of Shares	% of shareholding	Number of Shares	% of shareholding
SIIC	924,958,047	34.81%	917,099,940	33.27%
Shanghai Shangshi	914,958,047	34.43	907,099,940	32.91
Shanghai Pharmaceutical (Group)	752,008,452	28.30	745,527,845	27.05
Huayuan Group	752,008,452	28.30	745,527,845	27.05
Shanghai Shengrui	162,850,536	6.13	161,447,134	5.86
Shanghai Guosheng Group Co., Ltd.	162,850,536	6.13	161,447,134	5.86
Shenergy	81,425,268	3.07	80,723,567	2.93
A Share Public Shareholders	766,988,087	28.87	766,988,087	27.82
H Share Public Shareholders	654,214,000	24.62	753,846,100	27.35
NSSF	66,421,400	2.50	76,384,610	2.77
Total	2,656,857,338	100.00%	2,756,489,438	100.00%

Shanghai Pharmaceutical (Group), Shanghai Shangshi and SIIC will continue to be the Controlling Shareholders of the Company immediately after the completion of the Global Offering. See the sections headed "Share Capital" and "Relationship with the Controlling Shareholders and Directors."

CORPORATE STRUCTURE

The following diagram sets out all the significant subsidiaries and joint ventures of the Company immediately after the Global Offering (assuming the Over-Allotment Option is not exercised):



* Indicates joint ventures

Notes:

(1) To reinstate the portion of its existing shareholding in the Company that is mandatorily transferred to NSSF, SIIC will subscribe for 10,000,000 H Shares through its Hong Kong incorporated subsidiary at the Offer Price in the International Offering, representing 0.38% of the total issued share capital of the Company immediately after the Global Offering (assuming the Over-Allotment Option is not exercised).

(2) According to the Decision on Authorizing Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate Shanghai Overseas Companies, its Major Overseas Companies and the State-owned Assets under Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] Document No.6) issued by the Shanghai SASAC in 1998, SIIC was authorized to be the de facto controller of Shanghai Shangshi.

(3) Shanghai Pharmaceuticals directly holds 65.13% equity interest in Zhongxi Sunve and, through Shanghai Sunve Co. and SPIE, indirectly holds 32.86% and 2.01% equity interest in Zhongxi Sunve, respectively.

(4) This acquisition is pending completion.

(5) Pursuant to the Entrustment Agreement, Shanghai Pharmaceutical (Group) has entrusted to Shanghai New Asiatic all its equity interest in, and all the assets and business of, Shanghai Asia Pioneer. Furthermore, under the Entrustment Agreement, products manufactured by Shanghai Asia Pioneer shall not be sold directly by Shanghai Asia Pioneer but through Shanghai New Asiatic or its subsidiaries.

(6) Shanghai Pharmaceuticals holds 55% of the equity interest of Chiatai Qingchunbao through World Honest Investments Limited (運誠投資有限公司).

(7) Shanghai Pharmaceutical Distribution Co. directly holds 90.96% of the shares of Huashi Pharmacy, and indirectly holds 9.04% of the equity interest of Huashi Pharmacy through its subsidiary Shanghai Huashi Asset Management Co., Ltd. (上海華氏資產經營有限公司).

(8) Shanghai Pharmaceuticals holds 100% equity interest in CITIC Pharma through its wholly-owned subsidiary SIIC Medical Science and Technology (Group) Limited, which is the 100% holding company of CHS, the 100% holding company of CITIC Pharma.

OVERVIEW

As a national pharmaceutical group headquartered in Shanghai, we are the only integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical product and distribution markets. Our vertically integrated business model enables us to benefit from major stages of the pharmaceutical industry value chain, as well as enjoy the potential synergies arising from our coordinated efforts across business segments. We believe our market leadership will enhance our ability to increase market share through both organic growth and acquisitions, as well as provide us with sufficient resources to continue developing new products and distribution services to drive our future growth and profitability.

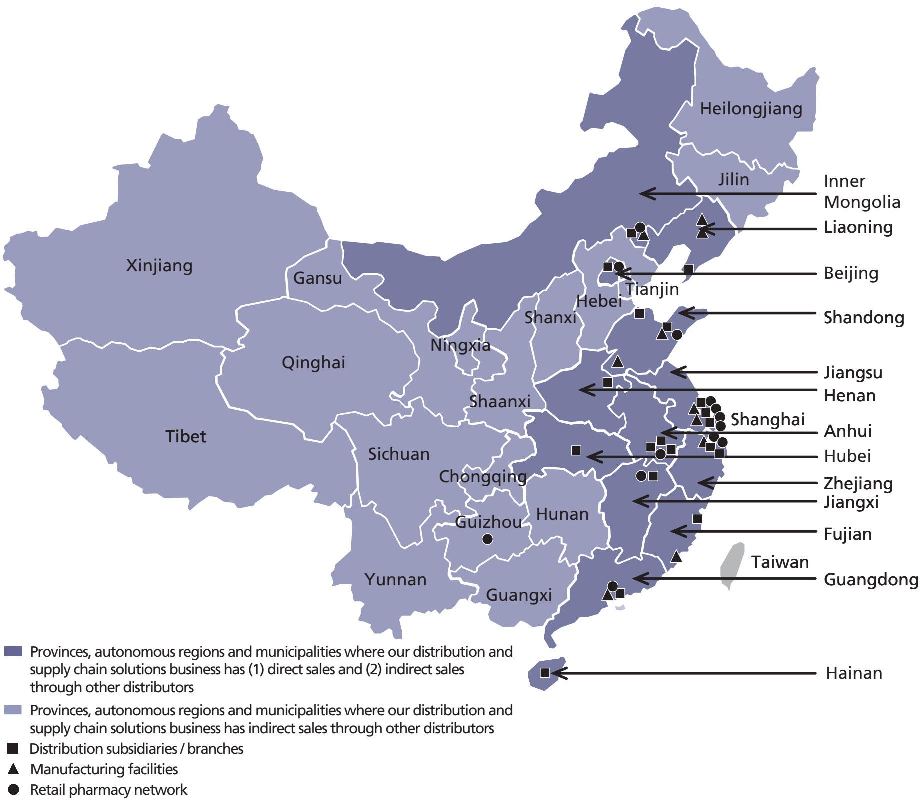
We primarily operate in the following three business segments in the PRC:

- *Pharmaceutical business*. We are engaged in the research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products.

- *Pharmaceutical distribution and supply chain solutions*. We provide distribution, warehousing, logistics and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies.

- *Pharmaceutical retail*. We operate and franchise a network of retail pharmacies across nine provinces, municipalities and autonomous regions.

The following map illustrates the geographic location or coverage of our manufacturing facilities, distribution network and pharmaceutical retail network as of the Latest Practicable Date:



We have experienced significant revenue growth in recent years. In particular, our revenue increased from RMB27,440.8 million in 2008 to RMB31,228.2 million in 2009, and to RMB37,381.6 million in 2010. Our net profit, defined as after-tax profit attributable to our equity holders, increased from RMB697.0 million in 2008 to RMB1,296.8 million in 2009, and to RMB1,368.3 million in 2010. The increase in net profit in 2009 partly reflected a one-time pre-tax gain of RMB536.4 million on the disposal of our equity interest in Lianhua Supermarket in 2009. In 2010, segment revenue of our pharmaceutical business, pharmaceutical distribution and supply chain solutions business and pharmaceutical retail business was RMB8,075.2 million, RMB29,149.9 million and RMB1,725.5 million, respectively, representing 21.6%, 78.0% and 4.6% of our revenue, respectively.

Pharmaceutical Business

We were the third largest pharmaceutical company in the PRC in terms of revenue of pharmaceutical business in 2009, according to the NFS Report. We manufacture and market a broad range of pharmaceutical products, spanning chemical drugs, modern Chinese medicines, biopharmaceutical products and other pharmaceutical products, including approximately 70.0% of the drugs on the National List of Essential Drugs. The majority of our pharmaceutical products are prescription drugs. We manufacture many products in therapeutic areas with significant current market demand or future market potential, such as cardiovascular system, alimentary tract and metabolism, central nervous system, antiinfectives for systemic use and antineoplastic and immunomodulating agents. According to the NFS Report, in terms of 2009 sales, drugs that fall within the top five therapeutic areas of the PRC chemical and biopharmaceutical drugs market represented 78.5% of the total sales of chemical and biopharmaceutical drugs in the PRC, and drugs that fall within the top five therapeutic areas of the PRC modern Chinese medicine market represented 79.1% of the total sales of modern Chinese medicines in the PRC. As of December 31, 2010, over 400 of our pharmaceutical products fall within these therapeutic areas.

As of December 31, 2010, we had 53 major products (including two products of Techpool Bio-Pharma), which, in aggregate, accounted for 52.4% of the segment revenue of our pharmaceutical business in 2010. Our portfolio of major products will expand to include six additional products upon the completion of our pending acquisitions of the Antibiotics Business. We examine and adjust our product portfolio and manufacturing and marketing resources from time to time to adapt to changing customer demand, as well as to focus on products that have higher profit margin, greater market potential and demand, and higher barriers-to-entry.

We manufacture our products according to stringent quality standards and have obtained necessary PRC GMP certifications for all of our active pharmaceutical production facilities, certain of which have also been certified pursuant to the cGMP standards of the United States or the GMP standards of the European Union. In addition, our quality and safety standards include many features not required or specified in the PRC GMP standards, such as a quality control manual that sets forth requirements for management commitments to quality control targets and a comprehensive quality control system with procedures for quality inspection and audit. We market and sell many of our products under widely recognized brand names, including Well-Known Trademarks recognized by the PRC trademark authority, such as "Sine (信誼)," "Leishi (雷氏)," "Longhu (龍虎)," "Qingchunbao (青春寶)," "Huqingyutang (胡慶餘堂)" and "Cangsong (蒼松)." The strength of our brands, together with the quality of our products, enable us to market our products effectively.

Our pharmaceutical business has been supported by our strong research and development team through a robust pipeline of commercially viable new products. Our research and development capabilities are well-recognized in the industry and by the government as demonstrated by our participation in, or undertaking of, numerous government-sponsored drug research and development programs. We target to develop and commercialize first-to-market generic drugs and innovative drugs to address unmet medical needs in the PRC, which we believe will provide high margins and offer substantial growth opportunities.

Pharmaceutical Distribution and Supply Chain Solutions

We were the second largest distributor of pharmaceutical products in the PRC in terms of revenue in 2009, according to the NFS Report. As of December 31, 2010, we operated a national distribution network comprising 41 subsidiaries and branches, as well as 32 logistics centers and warehouses located strategically across the Eastern China Region, the Northern China Region and the Southern China Region. These three regional markets, in aggregate, accounted for 67.0% of the entire PRC pharmaceutical distribution market in terms of sales in 2009, according to the NFS Report. The Eastern China Region, the most affluent, in terms of per capita GDP, and the most populated region in the PRC, alone, represented 39.1% of the PRC pharmaceutical distribution market in terms of sales in 2009, according to the NFS Report. We had a market share of 11.0% in the Eastern China Region in 2009. We continue to expand our distribution network in the PRC. In April 2011, we acquired CHS, whose main asset is its wholly-owned subsidiary CITIC Pharma, a leading pharmaceutical distributor in Beijing in terms of revenue in 2009. The addition of CITIC Pharma will significantly expand our operations and market share in the Northern China Region.

In 2010, we derived 58.8% of the external revenue of our pharmaceutical distribution and supply chain solutions business from sales of imported medicines and those manufactured by subsidiaries of international pharmaceutical companies in the PRC. In addition, we specialize in distributing products directly to hospitals and other medical institutions, including community healthcare centers and clinics, which generally has higher margins than sales to other distributors. We directly sell our products to over 7,600 hospitals and other medical institutions in the PRC, including 229, or 63.8% of, Class III hospitals and 879, or 55.7% of, Class II hospitals in the Eastern China Region. In 2010, our direct sales accounted for 61.9% of the external revenue of our pharmaceutical distribution and supply chain solutions business. We extend our reach to other customers throughout the PRC through sales to other distributors. We manage our distribution logistics operations with the goal of facilitating smooth and efficient movement of products and minimizing our inventory holding costs.

We distinguish ourselves as a pharmaceutical product distributor in part through the value-added services we provide to both our suppliers and customers, such as inventory tracking and management system, access to valuable market data and information and vendor managed inventory systems. Our value-added services help our customers to increase operational efficiency and reduce inventory and fulfillment costs and other operational expenses, and at the same time, enhance our ability to retain customers. Our value-added services can also benefit our suppliers by helping them manage their businesses more efficiently, as well as by tailoring their marketing activities to target customers.

Pharmaceutical Retail

We operate a retail pharmacy network in nine provinces, municipalities and autonomous regions in the PRC. As of December 31, 2010, our retail pharmacy network consisted of 1,682 retail pharmacies, among which 1,187 were directly operated retail pharmacies (including 363 retail pharmacies we operated through our jointly controlled entity, Jiangxi Nanhua) and 495 were franchise pharmacies. We were the largest pharmacy chain in the Eastern China Region in terms of revenue in 2009, according to the NFS Report. Our retail pharmacies operate under nationally or regionally well-known brand names, such as "Huashi (華氏)" and "Leiyunshang (雷允上)." Our retail pharmacies regularly carry over 10,000 types of products, including prescription pharmaceutical products, over-the-counter drugs and personal healthcare products. We seek out new products, services and business models to meet our customers' changing demands, such as offering traditional Chinese medicine diagnoses and prescription services at some of our Chinese medicine pharmacies.

Integration and Synergy

Our pharmaceutical business and our pharmaceutical distribution and supply chain solutions business work closely together to expand the sales of our products. In doing so, our pharmaceutical business benefits from additional sales of our products through our national distribution network, as well as the strong government and hospital relationships of our pharmaceutical distribution and supply chain solutions business. Our pharmaceutical distribution and supply chain solutions business, on the other hand, benefits by gaining access to a vast portfolio of high-quality pharmaceutical products manufactured by us and from increases in revenue from distributing such products.

Compared with third party manufacturers and distributors, our manufacturing business and distribution business enjoy greater flexibility in making coordinated sales efforts, allowing us to price our products and services more competitively or offer other benefits to customers, including increased supplier stability and efficiency. The ability to leverage the resources of and coordination between business segments enables us to generate additional business and revenue as well as increase market share. In 2010, 13.2% of our pharmaceutical business segment revenue was derived from products sold through our pharmaceutical distribution and supply chain solutions, and we expect this percentage to increase over time.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

Leading Position in the High-Growth PRC Pharmaceutical Industry

As the only leader with integrated business across both the pharmaceutical product and distribution markets in the PRC, we are well positioned to benefit from the rapid growth across the PRC pharmaceutical industry. The PRC is one of the world's largest and fastest-growing economies, and the PRC healthcare industry is one of the largest sectors of its GDP. Total healthcare spending in the PRC grew from RMB866.0 billion in 2005 to RMB1,720.5 billion in 2009, and is projected to grow to RMB3,265.1 billion by 2014, according to the NFS Report. The PRC government's continuous support in recent years, including favorable policies and investments in the PRC healthcare industry, has further fueled the growth in total healthcare spending in the PRC. As part of the PRC healthcare industry, the PRC pharmaceutical products and distribution markets are expected to grow at CAGRs of 22.4% and 23.4%, respectively, between 2009 and 2014.

According to the NFS Report, we were the third largest pharmaceutical company and the second largest pharmaceutical distributor in the PRC in terms of revenue in 2009. Our pharmaceutical business manufactures and markets a broad range of pharmaceutical and healthcare products, including products in therapeutic areas with significant unmet needs, such as cardiovascular system, alimentary tract and metabolism, central nervous system, antiinfectives for systemic use and antineoplastic and immunomodulating agents. We are a nationally leading distributor of pharmaceutical and healthcare products in the PRC, with a longstanding leadership position in the Eastern China Region, which is the most affluent, in terms of per capita GDP, and the most populated region in the PRC, and which accounted for 39.1% of the PRC pharmaceutical distribution market in 2009. In addition, we have expanded the geographic reach of our pharmaceutical distribution network to the Northern China Region and the Southern China Region through our recent acquisitions of Beijing Aixin Weiye and Guangzhou Z.S.Y., respectively. Furthermore, our recent acquisition of CHS will not only expand our operations and market share in the Northern China Region, but also further enhance our national leadership position.

We believe our market leadership will enhance our ability to increase our market share through both organic growth and acquisitions, as well as provide us with sufficient resources to continue developing new products and distribution services to drive our future growth.

A Leading Pharmaceutical Company with a Wide Range of High-Quality Products and Strong Brand Recognition

We are widely recognized as a leading pharmaceutical company in the PRC that offers a wide range of high-quality, effective and safe products. As of December 31, 2010, we had 53 major products (including two products of Techpool Bio-Pharma), covering eight of the top ten therapeutic areas in terms of sales in the PRC, which in aggregate accounted for 52.4% of the segment revenue of our pharmaceutical business in 2010. A significant number of our products are leading drugs in their respective markets, such as Peifeikang (培菲康) and Sulfotanshinone Sodium Injection (丹參酮IIA磺酸鈉注射液). Our portfolio of major products will expand to include six additional products upon the completion of our pending acquisitions of the Antibiotics Business. We examine and adjust our product portfolio and manufacturing and marketing resources from time to time to adapt to changing customer demand, as well as to focus on products with higher profit margin, greater market potential and demand, and higher barriers-to-entry (such as administrative protection in the form of a "monitoring period" afforded to innovative drugs and first-to-market generic drugs, and high start-up or entry costs). In addition, we have product approvals for a majority of drugs on the National List of Essential Drugs. Leveraging on our cost advantages from economies of scale, stringent quality control, coordinated efforts across our business and our strategy to selectively outsource manufacturing to lower cost, we expect to benefit from the significant increase in demand of these essential drugs with the implementation of government initiatives to promote the use of these essential drugs as part of the ongoing healthcare reform in the PRC.

We follow stringent quality control standards and procedures, and have obtained necessary PRC GMP certifications for all of our active manufacturing facilities, certain of which have also been certified pursuant to the cGMP standards of the United States or the GMP standards of the European Union. Our quality and safety standards include many features not required or specified in the PRC GMP standards, such as a quality control manual that sets forth requirements for management commitments to quality control targets and a comprehensive quality control system with procedures for quality inspection and audit. Global pharmaceutical companies have recognized our pharmaceutical manufacturing capability and have chosen us as an active pharmaceutical ingredients supplier for their major products. In 2005, we became the first company in the PRC to obtain the license to manufacture both the active pharmaceutical ingredient and the product form of Tamiflu® from Hoffmann-La Roche Ltd.

We market our products under many longstanding and well-recognized brands, such as "Sine (信誼)," "Leishi (雷氏)," "Longhu (龍虎)," "Qingchunbao (青春寶)," "Huqingyutang (胡慶餘堂)" and "Cangsong (蒼松)." The strength of our brands, together with the high-quality and effectiveness of our products, enable us to market our products effectively. In addition, we have established strong in-house sales and marketing capabilities with a wide network of our employee sales representatives located in all major markets where we sell our products. Over the years, we have successfully leveraged those capabilities to effectively promote our prescription products to hospitals and their physicians, and to continue to build upon our well-recognized brands. For example, the sales of Zhenju Jiangya Tablets, a hypertension drug marketed under the "Leishi" brand, have benefited from our continuing efforts to enhance brand recognition among physicians. We have also been able to market our quality products, such as Shenmai Injections, at a premium to same or similar products manufactured by others.

In addition to our manufacturing capacities in and around Shanghai, where we have benefited from greater access to talent, technology and capital, we also have manufacturing facilities located strategically in other cities in the PRC, such as Changzhou, Hangzhou, Guangzhou, Qingdao and Xiamen, which enable us to penetrate the relevant regional markets and optimize our manufacturing resources based on the comparative advantages of different regions.

Strong Research and Development Capabilities with a Proven Track Record and a Robust Product Pipeline

We have strong research and development capabilities. We differentiate ourselves from our competitors by investing in the research and development of a broad spectrum of innovative drugs as well as first-to-market generic drugs. We significantly benefited from our proven track record of developing commercially viable products by employing a market-driven approach in identifying product development opportunities. We primarily focus our research efforts on therapeutic areas of significant potential market demand, such as cardio-cerebral vascular diseases, cancer and rheumatic autoimmune diseases, infectious diseases, gastrointestinal and metabolic diseases and psychotropic and nervous system diseases. Since 2004, we have successfully developed 54 new products for which we have obtained Certificates of New Medicine, including four innovative drugs, three first-to-market generic drugs and eight second- or third-to-market generic drugs. We have also established a pipeline of product candidates to ensure a steady stream of new product launches, as well as sustainable future growth. As of December 31, 2010, we had 33 drug candidates pending approval for commercial production, 27 drug candidates in various stages of clinical trials and six drug candidates pending approval to enter clinical trials.

We have built a highly productive research and development team, which we believe is one of the largest among the PRC pharmaceutical companies. Our research and development team has over 550 research and development personnel, over 20.0% of whom have master's or higher degrees in medical, pharmaceutical and other related fields. Mr. JIANG Yuanying, our Vice President in charge of research and development, has over 20 years of pharmaceutical research and development experience and is also a professor of pharmacology at the Second Military Medical University. Our research and development team's capabilities are well recognized in the industry and by the government, as demonstrated by our participation in or undertaking of numerous government-sponsored drug research and development programs. In 2008, 2009 and 2010, we were awarded grants under such programs in the aggregate amount of RMB4.1 million, RMB26.8 million and RMB76.1 million (including RMB34.5 million of grants that were awarded but not yet received by us as of December 31, 2010), respectively.

National Distribution Network with a Focus on Direct Sales to Hospitals

As of December 31, 2010, we operated a national distribution network comprising 41 subsidiaries and branches, as well as 32 logistic centers and warehouses located strategically across the Eastern China Region, the Northern China Region and the Southern China Region, which three regional markets, in aggregate, accounted for 67.0% of the entire PRC pharmaceutical distribution market in terms of sales in 2009. Our recent acquisition of CHS will significantly expand our reach and coverage in the Northern China Region.

In 2010, we derived 58.8% of the external revenue of our pharmaceutical distribution and supply chain solutions from sales of imported medicines and those manufactured by subsidiaries of international pharmaceutical companies in the PRC. Largely due to their high price-to-volume ratio, better marketing and significant demand, high-end pharmaceutical products enable us to achieve a greater level of operational efficiency. In addition, we specialize in distributing products directly to hospitals and other medical institutions, especially Class II and III hospitals, which generally have higher margin than sales made to other distributors. We directly sell products to over 7,600 hospitals and other medical institutions, including 229, or 63.8% of, Class III hospitals and 879, or 55.7% of, Class II hospitals in the Eastern China Region. In 2010, revenue from direct sales accounted for 61.9% of the external revenue of our pharmaceutical distribution and supply chain solutions.

We maintain good relationships with our hospital customers, in part, by providing advanced value-added services. For example, we helped many hospitals in Shanghai and Qingdao integrate their inventory tracking systems with our barcode system, which enabled these hospitals to manage their inventories more accurately, efficiently and cost effectively and enabled us to track end-user market data and inventory levels of pharmaceutical products at these hospitals. We believe our ability to integrate hospitals' inventory tracking system with our barcode system serves as a technological barriers-to-entry for other distributors at these hospitals. Hospital inventory level information not only enables us to better plan our distribution operations and serve our hospital customers more efficiently, but also provides us with an additional advantage in capturing potential new sales opportunities. We also provide end-user market data to our suppliers which helps strengthen our relationship with them. As of December 31, 2010, our suppliers included 33 of the top 50 international pharmaceutical companies and 92 of the top 100 domestic pharmaceutical companies in terms of revenue in 2009. Furthermore, we have access to a wide array of pharmaceutical products from our pharmaceutical business. We believe our services and sourcing abilities contribute to our success in attracting hospital customers.

Vertically Integrated Business Model Creating Substantial Synergies across Business Segments

Our vertically integrated business model enables us to benefit from all major stages of the pharmaceutical industry value chain — from research and development to product manufacturing as well as distribution and retail sales — and enjoy the synergies arising from our coordinated efforts across business segments. In particular, our research and development teams work closely with our sales and marketing team to develop commercially viable products, while our pharmaceutical business and our pharmaceutical distribution and supply chain solutions business work closely together to expand the sales of our products.

Leveraging on its extensive network of direct sales customers, our pharmaceutical distribution and supply chain solutions business regularly assists our pharmaceutical business in promoting our products to hospitals and other medical institutions through an academic, physician-oriented approach. It also helps our pharmaceutical business during the statutory hospital tender process by advising on tender strategies and facilitating access to local markets and other services. As a result, our pharmaceutical business has benefited in the increased sales to its existing hospital base and the expansion of hospital base of its products.

In addition, in our major distribution markets, such as Shanghai, Beijing and Guangzhou, our pharmaceutical distribution and supply chain solutions business seeks to penetrate smaller or lower level healthcare institutions through partnerships with or acquisitions of downstream distributors that specialize in the distribution of pharmaceutical products to those customers. This potentially provides additional sales opportunities to our pharmaceutical business and allows us to better track the destination of the shipped products for our future planning and other purposes. On the other hand, our pharmaceutical distribution and supply chain solutions business also boosts its own revenue from distributing the products of our pharmaceutical business. In 2010, 13.2% of our pharmaceutical business segment revenue was derived from products sold through our pharmaceutical distribution and supply chain solutions business, and we expect this percentage to increase over time.

Compared with third party manufacturers and distributors, our manufacturing business and distribution business enjoy greater flexibility in making coordinated sales efforts, allowing us to price our products or services more competitively and offer other benefits to customers, including increased supplier stability and efficiency. To illustrate this, we have developed the Songjiang Model, whereby we secured agreements with a number of local health departments in Shanghai which entitle us to be a designated manufacturer and the sole distributor to supply essential drugs purchased by local community healthcare centers and clinics.

In addition, our pharmaceutical distribution and supply chain solutions business employs advanced information systems that collect valuable market data relating to the products we distribute, which helps our pharmaceutical business to better understand market demand and plan its manufacturing and marketing activities.

Dedicated International Initiatives Offering Significant Benefits

In 1982, we established Shanghai Squibb, one of the first Sino-foreign joint venture pharmaceutical companies in the PRC. We also subsequently formed a number of other pharmaceutical joint ventures with leading international pharmaceutical companies such as Shanghai Roche. In addition to the significant financial return from those investments, we have gained valuable experience and knowledge in international pharmaceutical industry practices through our participation in their management, which can be applied to further improve our own pharmaceutical operations. We also proactively engage in research and development collaboration with international pharmaceutical companies to increase our access to cutting-edge pharmaceutical technologies and drug research and developments. Our other international initiatives include international certification of our manufacturing facilities in support of the export of our active pharmaceutical ingredients products, an important source of our revenue. We believe these dedicated international efforts will continue to provide us with additional advantages over many of our domestic competitors and increase our competitiveness in the PRC pharmaceutical industry.

Experienced and Professional Management Team

Our management team combines extensive experience at every level of the pharmaceutical industry value chain — from research and development to manufacturing to sales, marketing and distribution — with a proven track record of successfully operating a vertically integrated pharmaceutical company. In particular, our Chairman and Executive Director, Mr. LU Mingfang, has over 33 years of experience in managing companies in the pharmaceutical industry. In addition, Mr. Lu is the vice chairman of the China Pharmaceutical Industry Association. Mr. XU Guoxiong, our President, has over 15 years of management experience in large PRC enterprises, including eight years in the pharmaceutical industry. Mr. JIANG Yuanying, our Vice President in charge of research and development, has over 20 years of pharmaceutical research and development experience and is also a professor of pharmacology at the Second Military Medical University. Mr. REN Jian, our Vice President in charge of manufacturing and quality control, has extensive experience in managing pharmaceutical companies in the PRC. Mr. GE Jianqiu, our Vice President in charge of investments, acquisitions, legal and compliance, has significant corporate finance and legal expertise. Mr. LI Yongzhong, our Vice President in charge of marketing and sales, has gained significant experience from managing our pharmaceutical distribution and supply chain solutions. Mr. SHEN Bo, our Chief Financial Officer, has extensive financial management experience in the PRC. Ms. HAN Min, our Secretary of the Board, is experienced in corporate finance and commercial banking. All members of our senior management team hold advanced degrees from nationally and internationally reputable academic institutions, and have extensive knowledge and professional experience in areas such as business administration, medical science, corporate finance, accountancy or law.

We believe that with their industry expertise, professional management skills and strong execution capability, our management team will continue to successfully implement our strategies for growth in the fast growing PRC pharmaceutical industry.

OUR STRATEGIES

Our goal is to continue strengthening our position as a nationally-leading, vertically integrated pharmaceutical company and to become a consolidator of the fragmented PRC pharmaceutical industry by adhering to the principles of maximizing shareholder value and being socially responsible. To accomplish this goal, we plan to implement the following strategies:

Continue to Optimize Our Product Portfolio, Consolidate Our Manufacturing Resources and Raise Our Manufacturing Standards

We regularly manufacture a broad range of pharmaceutical products. As of December 31, 2010, we had 53 major products (including two products of Techpool Bio-Pharma) selected based on a comprehensive evaluation of market demand, growth potential and government policy. Our portfolio of major products will expand to include six additional products upon the completion of our pending acquisition of the Antibiotics Business. We will continue to evaluate our product portfolio from time to time and adjust our manufacturing, sales and marketing priorities to focus on products with higher profit margins, greater market demand and potential, and higher barriers-to-entry, which we believe will be a key driver of the revenue and profitability of our pharmaceutical business. We are building a product portfolio with major products in key therapeutic areas, including cardiovascular system, alimentary tract and metabolism, central nervous system, antiinfectives for systemic use and antineoplastic and immunomodulating agents. In addition, we will evaluate opportunities for producing over-the-counter medicines and healthcare products with high profit margins and great demand. We believe that our evaluation and adjustment to our product portfolio will enable us to optimize our resource allocation and sustain or increase the overall profitability of our pharmaceutical business despite the downward pressure on product pricing from the ongoing healthcare reform in the PRC.

We also plan to consolidate our manufacturing operations through allocation of resources, relocation of manufacturing facilities and divestiture of non-core businesses. We plan to consolidate the manufacture of products that have similar production processes to facilities best fitted for their production to avoid overlap and increase operational efficiency. We are in the process of consolidating our manufacturing operations in Shanghai into three production bases located in the suburbs of Shanghai, which we will use for the manufacturing of high margin products, including innovative drugs and first-to-market generic drugs that we plan to develop in the future. We plan to outsource or relocate the manufacturing of our low margin, high volume products, such as essential drugs, to areas with lower labor and operational costs. We will also divest our unprofitable business operations to focus resources on more desirable products. We believe that such consolidation of our manufacturing operations will enable us to upgrade our manufacturing capabilities, further optimize our product portfolio, lower costs and increase efficiency. It will also facilitate our efforts to become a major supplier of essential drugs.

While maintaining required PRC GMP certification for our active manufacturing facilities, we plan to increase our overseas sales of selected products by manufacturing these products at facilities certified under the more stringent international standards. We also believe that higher manufacturing standards and quality of these products will provide us with additional competitive advantages against competing products manufactured under domestic standards.

Continue to Enhance Our Research and Development Capabilities

We intend to continue enhancing our pharmaceutical research and development capabilities and developing a strong pipeline of commercially viable new products, primarily by integrating our research and development resources and applying our market-driven approach in identifying product development opportunities. Specifically, we commenced a research and development collaboration initiative in 2010 to further increase both the frequency and depth of collaborations among our Central Research Institute, the research and technology centers and our production sites. We will continue to employ our market-driven approach in identifying product development opportunities, and primarily focus our research efforts on therapeutic areas with significant potential market demand, such as cardiovascular system, alimentary tract and metabolism, central nervous system, antiinfectives for systemic use and antineoplastic and immunomodulating agents. We will also continue to focus our efforts on the development of first-to-market generics and innovative drugs for the treatment of chronic and major diseases, through which we may gain access to products with high margins and substantial growth opportunities.

To supplement our internal research and development efforts, we will continue to collaborate with external research partners, including educational institutions and research-based pharmaceutical and biotechnology companies. We plan to seek out investments in external research and technologies that hold promise with respect to complementing and strengthening our own research efforts. These investments may take many forms, including licensing arrangements, co-development and co-marketing agreements, co-promotion arrangements, joint ventures and acquisitions.

We plan to further increase our annual research and development budget in the next five years, both in absolute terms and as a percentage of the segment revenue of our pharmaceutical business. We will continue to upgrade our research facilities and purchase advanced equipment. In addition, we will continue to seek research grants from the PRC government to fund our research programs. We believe investment in research and development is critical to our goal of maintaining a strong product portfolio, which will provide us with a significant competitive advantage.

Continue to Enhance Our Leading Position in Pharmaceutical Distribution and Supply Chain Solutions

Leveraging on our leading position in the PRC pharmaceutical distribution market and strength in the Eastern China Region, we are in the process of significantly expanding our distribution network nationally. We initially plan to focus on the Northern China Region and the Southern China Region, the second and fourth largest PRC regional pharmaceutical distribution markets in terms of revenue in 2009, primarily through recently completed or pending acquisitions, aiming to become a leading distributor in those two regions. We also plan to expand our sales channels through partnerships or alliances with local distributors and other logistics service providers, such as China Post Logistics Co., Ltd. (中郵物流有限責任公司), in other selected regions in the PRC. While we are extending the geographic reach of our network, we will also strive to increase our market share in those three regional markets. Specifically, we will continue to expand our direct sales to hospitals and other medical institutions. In addition, we plan to take advantage of the PRC government's initiatives to promote the use of essential drugs to explore opportunities to penetrate the smaller or lower-level hospital distribution markets through novel distribution arrangements, such as the Songjiang Model. We intend to replicate the successful coordinated efforts of our pharmaceutical and distribution businesses in the Eastern China Region in other markets.

Furthermore, we will continue to enhance our strength in distributing high-end pharmaceutical products, which differentiates us from our major competitors. We also plan to increase the distribution of vaccines, medical consumables and medical devices. We believe that these products will continue to be in high demand in the future and plan to secure the rights to distribute more of these products in the PRC.

We also intend to further differentiate our pharmaceutical distribution and supply chain business from our competitors by developing additional value-added services and exploring new business models. We envision our pharmaceutical distribution and supply chain solutions business as a comprehensive provider for services and solutions for pharmaceutical manufacturers, hospitals and patients. For example, for manufacturer solutions, we plan to develop marketing, promotion and sales services for their products, which may include market intelligence and competitive landscape analysis, as well as to help international pharmaceutical companies to secure registration of their products for sale in the PRC. For hospital solutions, we intend to continue focusing on providing value-added services, such as inventory tracking and management and patient utilization pattern, to hospitals. For patient solutions, we plan to expand our patient-oriented services, such as the distribution of high-value prescription medicines that are not carried by hospitals or other healthcare institutions through delivery to selected retail pharmacies upon specific order. We believe that successful development of additional value-added services and new business models will provide us with additional sources of revenue and profits as well as increase the overall competitiveness of our pharmaceutical distribution and supply chain solutions business.

Continue to Enhance Cross-Segment and Operational Integration

Cross-Segment Integration

We plan to further integrate our business segments to maximize the synergies embedded in our vertically integrated business model. Specifically, we will continue to have more of our products distributed by our distribution and supply chain solutions business in areas within the coverage of its direct sales network. Our pharmaceutical distribution and supply chain solutions will continue to assist the pharmaceutical business in expanding sales to its existing hospital base and generating sales from other hospitals by promoting our products to hospitals and other medical institutions through an academic, physician-oriented approach, as well as advising on the statutory hospital tender strategies and facilitating access to local markets and other services. We plan to increase these collaborations to further increase the market acceptance of our products and enhance the likelihood of successful bids by our pharmaceutical business. We also plan to capitalize on our product approvals to manufacture and sell a majority of the drugs on the National List of Essential Drugs. We plan to duplicate this successful model in other cities and provinces.

In addition, we plan to create additional synergies among our business segments by increasing sales of our over-the-counter pharmaceutical and healthcare products in our retail pharmacies and obtaining licenses to manufacture imported pharmaceutical products that we distribute. Our retail pharmacies may also support our development of new business areas, such as serving as the delivery point for the patient-oriented services. Through increasing the sharing of the logistics facilities of the pharmaceutical distribution and supply chain solutions business with our pharmaceutical retail business, we expect to achieve greater cost savings. Our pharmaceutical distribution and supply chain solutions business employs advanced information systems that collects valuable market data regarding the pharmaceutical products that we distribute. We plan to improve these information systems to enable our pharmaceutical business to increase access to such data.

Operational Integration

In light of the rapid expansion of our operation resulting from the 2009 Restructuring and recent acquisitions, we intend to create four unified management platforms to manage common resources across our subsidiaries, which are expected to increase operational efficiency, lower costs and expenses, and enhance our risk management. We are in the process of consolidating the following key functions of our businesses:

- *Pharmaceutical distribution and supply chain solutions*. We plan to set up a platform to directly manage and coordinate the distribution businesses currently operated by certain of our manufacturing subsidiaries with our main pharmaceutical distribution and supply chain solutions business.

- *Raw material procurement*. Our manufacturing subsidiaries purchase large amounts of raw materials that may be subject to significant price fluctuations and variations in quality. We plan to centralize the purchasing of Chinese herbs most commonly used in our modern Chinese medicines, through which we expect to gain additional bargaining power in the procurement process and lower our raw material costs, as well as maintain company-wide quality control standards for raw materials.

- *Pharmaceutical sales and marketing*. Some products may be manufactured and marketed by more than one of our manufacturing subsidiaries. We plan to centralize and better coordinate the sales and marketing efforts for these pharmaceutical products, and we expect to lower our sales and marketing costs accordingly. In addition, we plan to leverage our manufacturing subsidiaries' distinctive knowledge and experience within their respective local markets to market our products manufactured elsewhere, through which we expect to optimize the use of our marketing resources.

- *Government affairs*. We have established a designated team to coordinate our efforts in submitting and securing bids in the statutory hospital tender process. We will continue to use this team to coordinate and better utilize the resources of our subsidiaries in dealing with their respective local governments in the PRC, particularly in the statutory hospital tender process, to enhance the likelihood of successful bids by our pharmaceutical business.

In addition, we plan to improve our existing information systems to facilitate communication within our organization. We plan to upgrade or replace information systems currently used by our business operations, and aim to create an integrated system to facilitate information sharing and management, including building a central data center. We believe that efficient information sharing will enable us to fully realize the intended benefits of our unified management platforms.

Expand Our Business through Selective Strategic Acquisitions, Investments or Partnerships

The fragmented PRC pharmaceutical industry offers significant consolidation opportunities for industry leaders like our Company. We believe that acquisitions will provide a faster way for us to significantly extend the coverage and reach of our distribution network and establish leadership in new markets, such as the Northern China Region and the Southern China Region. We seek to acquire regionally leading pharmaceutical distributors that focus on direct distribution to hospitals and other medical institutions. We may also acquire, invest in or partner with distributors with niche market focuses or innovative business models to gain access to complementary products, services, sales channels or new business areas of substantial growth potential. For example, we may consider the acquisition of pharmaceutical marketing companies to implement our strategy to develop marketing services for pharmaceutical manufacturers, or distributors specializing in the distribution of over-the-counter drugs. By leveraging our management and operational resources and experience, we intend to effectively integrate acquired businesses into our business and maximize synergies and other benefits from the acquisitions.

Furthermore, we plan to evaluate the possibilities of acquiring other domestic and international pharmaceutical companies that have desirable product portfolios, pipelines or research and development capabilities. Such acquisitions are intended to facilitate our ongoing efforts to optimize our product portfolio and pipeline to ensure the sustainable growth and desired profit level of our pharmaceutical business. We also plan to acquire or partner with well-managed domestic pharmaceutical companies in selected areas of low labor and operational costs to facilitate the consolidation and optimization of our manufacturing resources. We plan to use their manufacturing capabilities for the production of low margin, high volume products such as drugs on the National List of Essential Drugs. We also believe our presence in these areas will help our products penetrate the local markets. We will carefully evaluate each potential acquisition target, investment or alliance and pursue those that are aligned with and create incremental value for our core business.

Continue to Enhance Our International Initiatives

We intend to continue our existing cooperation with international pharmaceutical companies with respect to joint venture operations and drug research and development programs to continue accumulating knowledge and experience in the areas of latest pharmaceutical technologies, industry practices, management know-how and research trends. We plan to increase our efforts in the international certification of our manufacturing facilities in order to have a larger U.S. or European Union standards-compliant capacity available for potential expansion of our export operations. In addition, we plan to explore international initiatives in other areas to support our business growth. For example, we may acquire or in-license drug candidates developed by foreign companies that are complementary to our product portfolio. We may also acquire foreign companies with strong research and development capability or promising product candidates to enhance our own development efforts or drug pipeline and use as a platform for access to international markets. We may also seek to offer marketing, promotion and sales services for imported products in the PRC. Most recently, we entered into a non-binding memorandum of understanding with Pfizer, Inc. in April 2011 for potential collaborations in a number of areas in the PRC. See "— Proposed Collaborations with Pfizer."

OUR BUSINESS SEGMENTS

We are a nationally-leading, vertically integrated pharmaceutical company in the PRC with operations encompassing all major stages of the pharmaceutical industry value chain. We primarily operate in the following three segments:

- *Pharmaceutical business*. We are engaged in the research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products.

- *Pharmaceutical distribution and supply chain solutions*. We provide distribution, warehousing, logistics, and other pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies.

- *Pharmaceutical retail*. We operate and franchise a network of retail pharmacies across nine provinces, municipalities and autonomous regions.

We also derive revenue from certain other operations. The table below sets forth segment revenue for the periods indicated:

	Year ended December 31,								
	2008			2009			2010		
	External revenue	Inter-segment revenue	Segment revenue	External revenue	Inter-segment revenue	Segment revenue	External revenue	Inter-segment revenue	Segment revenue
	(in thousands of RMB)								
Segments:									
Pharmaceutical business	6,014,432	832,288	6,846,720	6,369,666	952,961	7,322,627	7,011,995	1,063,169	8,075,164
Pharmaceutical distribution and supply chain solutions	19,683,695	530,522	20,214,217	23,117,630	650,884	23,768,514	28,348,117	801,810	29,149,927
Pharmaceutical retail	1,413,818	—	1,413,818	1,521,524	—	1,521,524	1,725,546	—	1,725,546
Other business operations	328,816	67,979	396,795	219,343	62,017	281,360	295,910	38,975	334,885
Total	27,440,761	1,430,789		31,228,163	1,665,862		37,381,568	1,903,954	

PHARMACEUTICAL BUSINESS

We were the third largest pharmaceutical company in the PRC in 2009 in terms of revenue of pharmaceutical business. We are primarily engaged in the research and development, manufacturing and sale of pharmaceutical products, including chemical drugs, modern Chinese medicines, biopharmaceutical products and other pharmaceutical products. Our products include approximately 70.0% of the drugs on the National List of Essential Drugs, which collectively generated over 20.0% of our pharmaceutical business segment revenue in 2010. In 2008, 2009 and 2010, external revenue from our pharmaceutical business was RMB6,014.4 million, RMB6,369.7 million and RMB7,012.0 million, respectively; while segment revenue was RMB6,846.7 million, RMB7,322.6 million and RMB8,075.2 million, respectively. As of December 31, 2010, we manufactured and marketed over 950 pharmaceutical products, including 492 chemical drugs, 313 modern Chinese medicines and 24 biopharmaceutical products, of which 601 were prescription drugs, 505 were included in the National Medical Insurance Drugs Catalog and 215 were included in the National List of Essential Drugs. We also manufacture active pharmaceutical ingredients, which are the substances in drugs that are pharmaceutically active, Chinese herbal medicines and other healthcare products. A significant number of our pharmaceutical products are leading drugs in their respective markets, such as Peifeikang (培菲康) and Sulfotanshinone Sodium Injection (丹參酮IIA磺酸鈉注射液).

We focus on producing quality products by adhering to stringent quality assurance standards. As of December 31, 2010, we had obtained and maintained PRC GMP certifications for all of our active production lines for pharmaceutical products. As of December 31, 2010, we had not had any reports of fatalities or serious incidents of adverse drug reactions caused by the use of our major products. Many of our products are marketed under trademarks that have long been widely recognized in the industry for high-quality and effectiveness. For example, we own a number of Well-Known Trademarks including "Sine (信誼)," "Leishi (雷氏)," "Longhu (龍虎)," "Huqingyutang (胡慶餘堂)" and "Cangsong (蒼松)." The strength of our brands, together with the high-quality of our products, enable us to market our products effectively.

Innovation and continued enhancement of existing products by our research and development operations are important to our pharmaceutical business. Our research activities are conducted both in-house and through collaborations with external research partners, such as research institutes, universities and other pharmaceutical companies. As of December 31, 2010, we had 33 drug candidates pending approval for production, 27 drug candidates in various stages of clinical trials and six drug candidates pending approval to enter clinical trials.

Product Portfolio

As of December 31, 2010, we manufactured and marketed 492 chemical drugs, 313 modern Chinese medicines and 24 biopharmaceutical products. We also manufacture active pharmaceutical ingredients, Chinese herbal medicines and other healthcare products. Due to its diverse product portfolio, our pharmaceutical business, as a whole, is generally not affected by the seasonality of individual products. We have valid manufacturing permits for all of our currently manufactured pharmaceutical products. Under applicable PRC law, each drug manufacturing permit is valid for a term of five years upon issuance and may be renewed within six months prior to its expiration. We intend to arrange for the timely renewal of all of our drug manufacturing permits in accordance with applicable PRC laws, rules and regulations, and are not aware of any legal impediment to the renewal of these drug manufacturing permits.

The pharmaceutical market in the PRC continues to evolve. We examine and adjust our product portfolio and manufacturing and marketing resources from time to time to adapt to changing customer demand, as well as to focus on products with higher profit margins, greater market potential and demand, and higher barriers-to-entry (such as administrative protection in the form of "monitoring period" afforded to innovative drugs and first-to-market generic drugs, and higher start-up or entry costs). As of December 31, 2010, we had 53 major products (including two products of Techpool Bio-Pharma), substantially the majority of which are prescription drugs. In 2008, 2009 and 2010, revenue generated by our major products totaled 46.5%, 49.7% and 52.4%, respectively, of our pharmaceutical business segment revenue. Our portfolio of major products will expand to include six additional products upon the completion of our pending acquisition of the Antibiotics Business.

The following table sets forth a breakdown of the revenue from our pharmaceutical business by product category for the periods indicated.

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Pharmaceutical Products						
Chemical drugs	2,089.6	30.5%	2,422.0	33.1%	2,740.9	33.9%
Modern Chinese drugs	2,513.4	36.7	2,621.3	35.8	2,664.4	33.0
Biopharmaceutical drugs	626.4	9.2	819.0	11.2	1,076.9	13.3
Other pharmaceutical products	673.2	9.8	560.8	7.7	683.1	8.5
Subtotal	5,902.6	86.2	6,423.1	87.8	7,165.3	88.7
Non-Pharmaceutical Products[(1)]	944.1	13.8	899.5	12.2	909.9	11.3
Total	6,846.7	100.0%	7,322.6	100.0%	8,075.2	100.0%

Note:

(1) Non-pharmaceutical products include healthy living products, medical devices and other products.

Chemical Drugs

We characterize chemical drugs as medical drugs whose active ingredients are manufactured from chemical compounds rather than derived from plants, animals or minerals. Revenue from our chemical drug products was RMB2,089.6 million, RMB2,422.0 million and RMB2,740.9 million, respectively, in 2008, 2009 and 2010, representing 30.5%, 33.1% and 33.9%, respectively, of our pharmaceutical business segment revenue in the same periods. The following table sets forth the details of our major chemical drug products and those of the Antibiotics Business as of December 31, 2010:

Product name	Major usage	Developed by the Group	Jointly developed with external research partners	Obtained through acquisition	Patent protection and expiration	Administrative protection and expiration	Prescription drugs	Over-the-counter drugs	National Medical Insurance Drugs Catalog	National List of Essential Drugs
Compound Dihydralazine Sulfate tablet	Cardiovascular system	Yes	—	—	—	—	Yes	—	No	No
Compound Reserpine tablet	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	Yes
Captopril tablet[(1)]	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	Yes
Amiodarone	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	Yes
Lisinopril	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	No
Calcii Dibutyry-ladenosini Cyclophosphas injection	Cardiovascular system	Yes	—	—	—	—	Yes	—	No	No
Compound Captopril tablet	Cardiovascular system	Yes	—	—	—	—	Yes	—	No	No
Telmisartan	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	No
Simvastatin tablet	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	Yes
Sulfotanshinone Sodium Injection[(1)]	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	No
Benazepril Hydrochloride tablet[(2)]	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	No
Sulfasalazine tablet	Alimentary tract and metabolism	Yes	—	—	—	—	Yes	—	Yes	No
Rabeprazole Sodium	Alimentary tract and metabolism	Yes	—	—	—	—	Yes	—	Yes	No
Metformin Hydrochloride Sustained Release Tablet	Alimentary tract and metabolism	Yes	—	—	—	—	Yes	—	Yes	Yes
Pyridostigmine Bromide	Central nervous system	Yes	—	—	—	—	Yes	—	Yes	No
Aripiprazole	Central nervous system	—	Yes	—	May 2027[(3)]	April 2012	Yes	—	Yes	No

Product name	Major usage	Developed by the Group	Jointly developed with external research partners	Obtained through acquisition	Patent protection and expiration	Administrative protection and expiration	Prescription drugs	Over-the-counter drugs	National Medical Insurance Drugs Catalog	National List of Essential Drugs
Duloxetine	Central nervous system	—	Yes	—	October 2024(3)	February 2014	Yes	—	Yes	No
Ribavirin aerosol	Antiinfectives for systemic use	Yes	—	—	February 2016	—	Yes	—	Yes	No
Ceftriaxone Sodium for Injection(1)(2)	Antiinfectives for systemic use	Yes	—	—	—	—	Yes	—	Yes	Yes
Cefotaxime Sodium for injection(1)(2)	Antiinfectives for systemic use	Yes	—	—	—	—	Yes	—	Yes	No
Diphosphate for injection(2)	Antiinfectives for systemic use	Yes	—	—	—	—	Yes	—	Yes	No
Ceftazidime for injection(2)	Antiinfectives for systemic use	Yes	—	—	—	—	Yes	—	Yes	No
Cefixime(2)	Antiinfectives for systemic use	Yes	—	—	—	—	Yes	—	Yes	No
Thalidomide tablet	Antineoplastic and immunomodulating agents	Yes	—	—	—	—	Yes	—	Yes	No
Methotrexate	Antineoplastic and immunomodulating agents	Yes	—	—	—	—	Yes	—	No	No
Polyferose capsule	Blood and blood forming organs	—	Yes	—	—	—	—	Yes	No	No
Warfarin Sodium tablet	Blood and blood forming organs	Yes	—	—	—	—	Yes	—	No	No
Hydroxychloroquine Sulfate(1)	Musculo-skeletal system	Yes	—	—	—	—	Yes	—	Yes	No
Tobramycin eye drop	Sensory organs	Yes	—	—	March 2023	—	Yes	—	Yes	No
Raceanisodamide eye drop	Sensory organs	Yes	—	—	—	—	Yes	—	No	No
Levonorgestrel tablet	Genito-urinary system and sex Hormones	Yes	—	—	—	—	—	Yes	No	No
Isotretinoin soft capsule	Dermatologicals	Yes	—	—	—	—	Yes	—	Yes	No

Notes:

(1) Indicates the products that each generated revenue of over RMB100.0 million in 2010.

(2) Indicates the products of the Antibiotics Business.

(3) Indicates exclusive licenses granted by third party.

Modern Chinese Medicine

We characterize modern Chinese medicines as medicinal drugs based on traditional Chinese medicine formulae and manufactured in modern dispensing forms, such as injections, capsules and tablets. Revenue from sales of our modern Chinese medicine products was RMB2,513.4 million, RMB2,621.3 million and RMB2,664.4 million, respectively, in 2008, 2009 and 2010, representing 36.7%, 35.8% and 33.0%, respectively, of our pharmaceutical business segment revenue in the same periods. As of December 31, 2010, we had 18 State Protected Chinese Medicine products, such as Kugan Chongji (苦甘沖劑),

Shenxiangsuhewan (神香蘇合丸) and Shengmai capsule (生脈膠囊), and eight State Confidential Chinese Medicine products, such as Liushenwan (六神丸), Xinhuang tablet (新癀片) and Babaodan (八寶丹). See "Regulation — Other Related Regulations in the Pharmaceutical Industry — Chinese Medicine Protection." In addition, we are the only manufacturer of 115 modern Chinese medicine products in the PRC. The following table sets forth the details of our major modern Chinese medicine products as of December 31, 2010:

Product name	Major usage	Developed by the Group	Jointly developed with external research partners	Obtained through acquisition	Patent protection and expiration	Administrative protection and expiration	Prescription drugs	Over-the-counter drugs	National Medical Insurance Drugs Catalog	National List of Essential Drugs
Yangxinshi tablet(1)	Cardiovascular system	Yes	—	—	June 2025	—	Yes	—	Yes	No
Danshen tablet	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	No
Xingling series	Cardiovascular system	Yes	—	—	September 2015	—	—	—	Yes	No
Zhenju Jiangya tablet(1)	Cardiovascular system	Yes	—	—	—	—	Yes	—	Yes	No
Shenmai injection(1)	Cardiovascular system	Yes	—	—	November 2027	—	Yes	—	Yes	Yes
Danxiang Guanxin Injection(1)	Cardiovascular system	Yes	—	—	—	—	Yes	—	No	No
Danshen injection(1)	Cardiovascular system	Yes	—	—	December 2026	—	Yes	—	Yes	Yes
Gualoupi	Cardiovascular system	Yes	—	—	—	—	Yes	—	No	No
Weifuchun tablet(1)	Alimentary tract and metabolism	Yes	—	—	September 2026	—	Yes	—	Yes	No
Kuaiwei tablet	Alimentary tract and metabolism	Yes	—	—	August 2025	—	—	Yes	Yes	No
Babaodan	Alimentary tract and metabolism	Yes	—	—	—	May 2014 and March 2014	Yes	—	Yes	No
Chenxiang Huaqi capsule	Alimentary tract and metabolism	Yes	—	—	—	—	—	Yes	Yes	No
Qiangli Pipalu	Respiratory system	Yes	—	—	—	—	—	Yes	Yes	No
Wangbi tablet	Musculo-skeletal system	—	—	Yes	—	—	Yes	—	Yes	Yes
Rupixiao(1)	Gynecologicals	—	Yes	—	—	—	Yes	—	Yes	Yes
Xinhuang tablet(1)	Heat-clearing and detoxifying	Yes	—	—	—	—	Yes	—	Yes	No
Liushen Wan	Heat-clearing and detoxifying	Yes	—	—	—	April 2013	Yes	—	Yes	No
Kangshuailao tablet(1)	Others	Yes	—	—	—	—	—	Yes	No	No
Qingliang series(1)	Others	Yes	—	—	August 2019 and June 2020	—	—	Yes	No	No

Note:

(1) Indicates the products that each generated revenue of over RMB100.0 million in 2010.

Biopharmaceutical Products

We characterize biopharmaceutical products as medicinal drugs manufactured using biotechnology means or biological processes. Revenue from our biopharmaceutical products was RMB626.4 million, RMB819.0 million and RMB1,076.9 million, respectively, in 2008, 2009 and 2010, representing 9.2%, 11.2% and 13.3%, respectively, of our pharmaceutical business segment revenue in the same periods. As of December 31, 2010, we had 24 biopharmaceutical products in production. The table below sets forth the details of our major biopharmaceutical products as of December 31, 2010:

Product name	Major usage	Developed by the Group	Jointly developed with external research partners	Obtained through acquisition	Patent protection and expiration	Administrative protection and expiration	Prescription drugs	Over-the-counter drugs	National Medical Insurance Drugs Catalog	National List of Essential Drugs
Ulinastatin for Injection(1)(2)	Blood and blood forming organs	Yes	—	—	May 2023	—	Yes	—	Yes	No
Peifeikang (Live Combined Bifidobacterium, Lactobacillus and Enterococcus Capsules, Oral)(1)	Alimentary tract and metabolism	Yes	—	—	January 2018	—	—	Yes	Yes	No
Urinary Kallidinogenase for Injection(2)	Blood and blood forming organs	Yes	—	—	November 2024	—	Yes	—	No	No
Chymotrypsin for Injection(1)	Others	Yes	—	—	—	—	Yes	—	No	No

Notes:

(1) Indicates the products that each generated revenue of over RMB100.0 million in 2010.

(2) Indicates the products of Techpool Bio-Pharma which we have accounted for as an associate using the equity method of accounting since January 1, 2011.

Other Pharmaceutical Products

Our other pharmaceutical products include Chinese herbal medicines and active pharmaceutical ingredients. Revenue from our other pharmaceutical products was RMB673.2 million, RMB560.8 million and RMB683.1 million, respectively, in 2008, 2009 and 2010, representing 9.8%, 7.7% and 8.5%, respectively, of our pharmaceutical business segment revenue in the same periods.

Research and Development

Research and development is critical to the sustainable growth of our pharmaceutical business. Our pharmaceutical business has significantly benefited from our strong track record in research and development. Our research and development efforts focus on the following:

- *Innovative drug research*. We seek to discover innovative drugs that address major unmet medical needs through independent research efforts and collaboration with external research partners, such as research institutes, universities and other pharmaceutical companies;

- *Generic drug development*. We seek to develop first-to-market generic drugs in major therapeutic areas, such as cardiovascular system, alimentary tract and metabolism, central nervous system, antiinfectives for systemic use and antineoplastic and immunomodulating agents;

- *Product improvement*. We seek to improve quality standard, discover new uses and refine production processes for our existing products; and

- *International registration*. We seek to increase the value of our products by ensuring that our product quality meets the required international standards and by conducting required clinical trials and testing.

We carefully select our research and development programs based on market analysis and our scientific expertise. We generally focus our research and development efforts on therapeutic areas with significant unmet medical needs in the PRC, such as cardiovascular system, alimentary tract and metabolism, central nervous system, antiinfectives for systemic use and antineoplastic and immunomodulating agents. Our research activities are conducted both in-house and through collaborations with external research partners, such as research institutes, universities and other pharmaceutical companies. As of December 31, 2010, we had 205 research programs, including 24 innovative drug research programs, 118 generic drug development programs, 53 product improvement programs and ten international registration programs. Our research programs included 45 programs on cardiovascular system, 23 programs on antineoplastic and immunomodulating agents, 17 programs on antiinfectives for systemic use, 11 programs on alimentary tract and metabolism and 23 programs on central nervous system. As of December 31, 2010, we had 319 patents.

Since 2004, we have successfully developed 54 new products for which we have obtained Certificates of New Medicine, including four innovative drugs, three first-to-market generic drugs and eight second- or third-to-market generic drugs, of which eight were developed since 2008. Under applicable PRC laws, rules and regulations, innovative drugs and first-to-market generic drugs generally enjoy administrative protection in the form of a "monitoring period" of up to three to five years, depending on the types of drugs, beginning from the earliest approval on the commencement of production of the same drug. See "Regulation — Manufacture — Approval and Registration — Registration of New Pharmaceutical Products." In recognition of our proven research and development capability, various levels of the PRC government have awarded us with grants to fund our research and development programs. In 2008, 2009 and 2010, we had been awarded grants under such programs in the aggregate amount of RMB4.1 million, RMB26.8 million and RMB76.1 million (including RMB34.5 million of grants that had been awarded but not yet received by us as of December 31, 2010), respectively.

We conduct our research activities both in-house and through collaborations with external research partners, such as research institutes, universities and other pharmaceutical companies. In 2008, 2009 and 2010, we had research and development-related expenses of RMB228.8 million, RMB259.2 million and RMB285.7 million, respectively.

In-House Research and Development

We conduct our research and development activities through (i) our Central Research Institute, (ii) research and technology centers managed by our manufacturing subsidiaries and (iii) production site laboratories and pilot plants. Our research and development facilities include National Engineering and Research Center for TCM and Shanghai Institute of Chinese Materia Medica, our two nationally certified enterprise technical centers, and 13 provincially or municipally certified enterprise technical centers. As of December 31, 2010, our research and development teams had over 550 research and development personnel, over 20.0% of whom hold master's or higher degrees in medical, pharmaceutical and other related areas. As of December 31, 2010, over 40 members of our research and development team had senior engineering or higher qualifications, and most of them had more than 10 years of experience in the relevant areas.

Our three tiers of research and development teams have distinct research and development focuses and serve different purposes within our pharmaceutical business. Our Central Research Institute, located in Shanghai Zhangjiang Hi-Tech Park, primarily conducts innovative drug research and generic drug development. Our team at the Central Research Institute is divided into multiple teams, each of which is specialized in a particular area involved in pharmaceutical research and development, such as medicinal chemistry, biological assays, pharmacology, toxicology, chemical synthesis and scale-up and clinical trials.

Our research and technology centers focus primarily on generic drug development and product improvement programs. In addition, our production site laboratories and pilot plants develop production processes for the commercialization of new products.

Our research and development teams frequently work together in the project initiation process to avoid overlapping of efforts. We commenced a research and development collaboration initiative in 2010 to further increase both the frequency and depth of collaborations among our research and development teams at our Central Research Institute, the research and technology centers and our production sites. As a result, our research and development teams at our research and technical centers and production sites can readily access the expertise and knowledge of our Central Research Institute on specific technical issues. We plan to further integrate our research and development platform by putting the subsidiary level research and technology centers under the direct leadership of our Central Research Institute, which is expected to promote inter-team collaboration and increase efficiency in our research and development operations.

Collaboration with External Research Partners

We regularly maintain collaborative relationships with national and international research partners to jointly develop new products. Our research partners in the PRC include institutions and universities such as Shanghai Institute of Materia Medica, Shanghai Jiao Tong University, Zhejiang University, Jilin University, China Pharmaceutical University and Shenyang Pharmaceutical University. We have been collaborating with Mitsubishi Tanabe

Pharma Corporation, our international research partner, in innovative drug discovery and development since 2004. In February 2011, we agreed to collaborate with Fudan-Zhangjiang on four drug research and development projects.

The types of collaboration arrangements vary from specific technical services and consultancy to longer-term cooperation in drug discovery. Depending on the subject matter of the collaboration and commercial negotiation, terms of these arrangements may vary. Based on project needs and our internal research capacity, we regularly engage external research institutions to provide specific project related technical services, such as pharmacology, toxicology and clinical studies. In addition, we normally consult with relevant external experts to obtain their evaluation and advice on potential research projects. We also engage physicians for their advice on clinical study plans before the commencement of clinical trials. Moreover, as of December 31, 2010, we had long-term collaboration arrangements with eight external research partners, conducting research for potential pharmaceutical products in therapeutic areas such as cardiovascular system, cancer, metabolism, nerve system and immunomodulating agents. Under some of these arrangements, our research partners may provide us with research facilities, instruments, information support, personnel and other services in exchange for a fee. In other arrangements, we may cooperate with our research partners in developing new products and share the revenue generated by these products. In addition, we may acquire technologies developed by third parties by entering into technology transfer agreements. We typically obtain joint ownership of the intellectual property rights acquired or developed through collaboration with third parties.

Products under Development

As of December 31, 2010, we had 33 drug candidates pending approval for production, 27 drug candidates in various stages of clinical trials and six drug candidates pending approval to enter clinical trials. Examples of our key drug candidates under development are set forth below.

High Affinity Etanercept

High Affinity Etanercept is a biopharmaceutical product candidate for the treatment of rheumatoid arthritis and ankylosing spondylitis. It is an artificially engineered protein and a modified version of Etanercept, an existing drug that treats the same illness. Research has shown that High Affinity Etanercept is more potent than Etanercept. It is an innovative drug candidate discovered by researchers at Fudan-Zhangjiang.

We are collaborating with Fudan-Zhangjiang in the development of High Affinity Etanercept by funding the research program, and will share half of the future sales of this product in the PRC. Fudan-Zhangjiang has filed two PRC patent applications for this product candidate. High Affinity Etanercept is completing pre-clinical studies.

rhLTα28-171

rhLTα28-171, or LT, is a biopharmaceutical product candidate for the treatment of cancer. It is a genetic engineering product candidate developed by Fudan-Zhangjiang. Research has shown that LT is an effective anti-cancer agent when used alone, and is more efficacious when used in combination with chemotherapy.

We are collaborating with Fudan-Zhangjiang in the development of LT by funding the research program, and will share half of the future sales of LT. Fudan-Zhangjiang has obtained a PRC patent relating to LT's manufacturing process, which will expire in 2020, and is in the process of applying for other patents. This product candidate is in phase II clinical trial.

Deuteporfin

Deuteporfin is a photodynamic therapy drug candidate for the treatment of cancers. Compared to conventional cancer treatments, photodynamic therapy generally has less side effects, can be used repeatedly and does not require surgery. Deuteporfin is an innovative chemical drug discovered by Fudan-Zhangjiang.

We are collaborating with Fudan-Zhangjiang in the development of Deuteporfin by funding the research program, and will share half of the future sales of Deuteporfin. Fudan-Zhangjiang has filed a PRC patent application for Deuteporfin. Deuteporfin has been approved for clinical trials.

Liposomal Vincristine

Liposomal Vincristine, or LVCR, is a formulation of vincristine, a generic chemotherapy agent. LVCR uses liposome to deliver the drug to the site of action. Compared to vincristine, LVCR is more effective and less toxic. We are collaborating with Fudan-Zhangjiang in the development of LVCR by funding the research program, and will share half of the future sales of LVCR. LVCR has been approved for clinical trials.

LLTD-8 (雷藤舒)

LLTD-8 is a product candidate for the treatment of rheumatoid arthritis. LLTD-8 is a structurally modified version of triptolide, a chemical found in common threewingnut roots. Triptolide is known to be highly effective against rheumatoid arthritis as well as highly toxic. Our research has shown that LLTD-8 maintains triptolide's efficacy while significantly reducing toxicity.

We have developed LLTD-8 in collaboration with Shanghai Institute of Materia Medica and we have obtained an invention patent for LLTD-8 which grants us exclusive rights to manufacture and market LLTD-8 for the treatment of rheumatoid arthritis in the PRC until 2023. LLTD-8 is currently under phase I clinical trial, and we currently expect to obtain SFDA approval for the manufacture and sale of LLTD-8 in 2016.

Huaiguojian for injection (槐果鹼注射液)

Huaiguojian is a potential modern Chinese medicine for the treatment of viral myocarditis caused by coxsackievirus B. Viral myocarditis is inflammation of heart muscle caused by viruses such as coxsackievirus B. Severe viral myocarditis may cause acute heart failure, cardiogenic shock or sudden death from fatal abnormal heart rhythm. Currently, there lacks effective medicine for the treatment of viral myocarditis.

We have developed Huaiguojian in collaboration with Shanghai Renji Hospital, who obtained several invention patents for Huaiguojian Shanghai Renji Hospital which assigned us the exclusive rights to manufacture and market Huaiguojian for the treatment of viral myocarditis in the PRC until 2024. Huaiguojian is currently under phase II clinical trial, and we currently expect to obtain SFDA approval for the manufacture and sale of Huaiguojian in 2018.

Thalidomide

Thalidomide is an existing product used for the treatment of chronic inflammations and autoimmune skin diseases, and is under research for potential new treatments of multiple myeloma and ankylosing spondylitis. Multiple myeloma, also known as Kahler's disease, is a cancer of plasma cells, a type of white blood cell normally responsible for the production of antibodies. Ankylosing spondylitis, also known as Bekhterev syndrome, is a chronic, inflammatory arthritis that can cause eventual fusion of the spine.

Thalidomide is currently under phase I clinical trials for treatment of ankylosing spondylitis and has been approved for clinical trials for treatment of multiple myeloma. We currently expect to obtain SFDA approval for the manufacture and sale of Thalidomide for treatment of multiple myeloma and ankylosing spondylitis in 2013 and 2014, respectively.

Zhengganqinhuang tablet (正肝清黃片)

This product candidate is a potential modern Chinese medicine for the treatment of hepatitis. It has demonstrated the ability to treat hepatitis without significant adverse effects. We have developed the manufacturing process of this product candidate employing new extraction and separation technologies, which are suitable for mass production.

This product candidate is currently completing its phase III clinical trial, and we currently expect to obtain SFDA approval for the manufacture and sale of this product candidate in 2013.

Manufacturing

We manufacture our pharmaceutical products in various dosages and forms, such as tablets, capsules, granules, powder for injection and liquid for injection. As of December 31, 2010, we operated manufacturing facilities occupying over 2,220,000 square meters of land and a total gross floor area of over 770,000 square meters of buildings and units. Our production facilities are primarily located in the Eastern China Region. As of December 31, 2010, we had obtained all necessary licenses, registrations and permits to manufacture our pharmaceutical products, including PRC GMP certifications for all our active pharmaceutical production facilities. Each PRC GMP certificate is valid for a term of five years upon issuance, and may be renewed within six months prior to its expiration.

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

	Year ended December 31,					
	2008		2009		2010	
Product form	Annual design capacity(1)	Utilization rate(2)	Annual design capacity(1)	Utilization rate(2)	Annual design capacity(1)	Utilization rate(2)
Tablets	41.0	76.8%	41.0	70.6%	41.0	70.0%
Capsules	3.6	63.8%	3.6	64.8%	3.6	65.5%
Injections	1.7	90.2%	1.7	100.4%	1.7	100.3%
Powder Injections	1.1	59.7%	1.1	67.4%	1.1	67.5%
Active pharmaceutical ingredients	2,800.0	50.7%	2,800.0	49.5%	2,860.0	49.5%

Notes:

(1) In billions of units, or in the case of active pharmaceutical ingredients, in tons.

(2) Calculated as the percentage of actual production volume over the design production capacity for the periods indicated.

In 2008, 2009 and 2010, the utilization rate of our active pharmaceutical ingredients production capacity were lower than the utilization rates of our other production capacities, primarily due to lower market demand for certain of our active pharmaceutical ingredient products. Unlike the production facilities and equipment for drugs, the production facilities and equipment for a particular active pharmaceutical ingredient generally cannot be readily converted or modified for use in the production of other active pharmaceutical ingredients.

We constantly seek to optimize our pharmaceutical manufacturing operations. For example, we are in the process of consolidating our manufacturing operations in the Shanghai area into the following three industrial bases with different functionalities:

- *Xinghuo Active Pharmaceutical Ingredients Industrial Base*. This industrial base is located in Fengxian district and occupies over 131,700 square meters of land. We plan to develop Xinghuo Active Pharmaceutical Ingredients Industrial Base as our production center for high-end active pharmaceutical ingredients to support our pharmaceutical business as well as sell to external customers. As of December 31, 2010, we had built manufacturing facilities with a total gross floor area of over 22,000 square meters and have acquired necessary permits and licenses and commenced production of two active pharmaceutical ingredient products at the industrial base.

- *Fengpu Chinese Medicine Industrial Base*. This industrial base is also located in Fengxian District and occupies approximately 117,000 square meters of land. The industrial base has a total gross manufacturing facility floor area of over 51,000 square meters, including the manufacturing facilities of Leiyunshang Pharmaceutical.

- *Biological and Pharmaceutical Industrial Base*. We plan to establish our multifunctional pharmaceutical industrial center in the SIMZ Bio Business Park in Pudong New District covering over 1,581,500 square meters of land. Our plan for this industrial base includes production facilities, logistics centers, research and development centers and training facilities. As of December 31, 2010, we had entered into the planning stages of our pharmaceutical industrial center and had been actively working with the local government authorities on related approvals.

We believe that the consolidation of our manufacturing operations will enable us to lower our management costs, improve our management efficiency, upgrade our manufacturing facilities and optimize our product portfolio.

Raw Material Procurement

The principal raw materials used for our chemical drugs are active pharmaceutical ingredients and chemicals used to produce active pharmaceutical ingredients. Chinese herbs are the primary raw materials for our modern Chinese medicines. The primary raw materials for our biopharmaceutical products are biological materials collected from various sources. Our pharmaceutical business also uses supplemental materials and packaging materials. We source raw materials, supplemental materials and packaging materials mostly from third party suppliers. As a general matter, our manufacturing subsidiaries are responsible for the planning and purchasing of materials used in their operations, while following policies and procedures adopted by our head office. In addition, we perform periodical audits to monitor purchases made by our subsidiaries.

As part of our strategic initiatives to build a centralized platform for purchase by our subsidiaries, we plan to establish a Chinese herb purchasing platform to centralize the purchase of 13 types of Chinese herbs most commonly used in our modern Chinese medicines. We believe this approach will reduce our management and administrative expenses related to the purchasing of raw materials, as well as increase our bargaining power during procurement and purchase negotiations.

We carefully screen the suppliers for our pharmaceutical business. In particular, we require that our suppliers provide us with evidence that they have all licenses and permits necessary to conduct their operations, which may include business licenses, pharmaceutical production manufacturing permits, import registration certificates, PRC GMP certifications or other relevant licenses.

We historically have not experienced any shortages in raw materials that significantly affected our manufacturing operations. We maintain at least two suppliers for most of our raw materials and typically do not enter into supply arrangements for more than one year in line with market practice.

Sales, Marketing and Distribution

As is common in the PRC pharmaceutical industry, our in-house sales and marketing teams directly market and promote our pharmaceutical products to hospitals, other medical institutions and retail pharmacies while sales to them are typically made through third party distributors which purchase products from us and then resell to them. We also sell products to distributors for resale to customers or in markets not covered by our sales and marketing teams. In general, each of our manufacturing subsidiaries manages its own sales and marketing team to promote and sell its products. We are in the process of establishing a group-wide sales and marketing platform to coordinate the sales of our major products, through which we expect to reduce overlapping efforts, optimize resource allocation and increase sales and marketing costs-efficiency.

Branding

We own a number of trademarks that are recognized as Well-Known Trademarks, including "Sine (信誼)," "Leishi (雷氏)," "Longhu (龍虎)," "Huqingyutang (胡慶餘堂)" and "Cangsong (蒼松)." We also own various other famous trademarks. We believe that the sales and marketing of our relevant products have significantly benefited from the strong brand awareness and customer loyalty associated with those trademarks.

In addition, we recognize that customer loyalty to our products must be supported by the quality of our products and customer services. As a result, we exercise stringent quality control in the manufacturing and handling of our products. See "— Quality Control."

Structure and Management of Sales, Marketing and Distribution Network

We have established an extensive sales and marketing network comprising sales representatives located in all major markets where our products are sold. Our marketing and sales teams actively seek to strengthen the market recognition of our products among physicians through various academic, physician-oriented marketing and promotional activities. Our sales representatives are primarily responsible for promoting our products to target hospitals and other medical institutions. Most of our sales representatives are our employees. These sales representatives regularly visit our existing customers with updated product information. They also seek to develop new customers by attending trade shows, organizing academic training and information sessions for medical professionals, coordinating publication of articles by industry experts and distributing promotional materials about our products. Furthermore, we continually strengthen the quality of our sales force by training them to improve their product knowledge and sales skills. Although each of our manufacturing subsidiaries generally markets and sells its own products, we are in the process of centralizing the marketing and sales operations for our major products.

As a general matter, our pharmaceutical products are sold first to distributors, who then resell these products based on our sales and marketing teams' efforts or through their own sales and distribution networks. In either case, we consider distributors our direct customers. Sales to other customers, primarily of certain active pharmaceutical ingredients and non-pharmaceutical products, are relatively insignificant for our pharmaceutical business. We select our distributors based on a number of criteria, including their credit record, financial strength, customer portfolio, distribution network and market position. We also verify that our distributors have obtained the necessary permits, licenses and certifications for the distribution of medical products, including drug operation permits and GSP certifications. In recent years, pharmaceutical products have become more affordable to the people in the PRC, particularly in small cities and rural areas, primarily as a result of the healthcare reform. We continue to add new distributors and to expand our sales network to these markets. In addition, we have terminated relationships with distributors that are no longer able to help us compete effectively in the changing market. For example, the recent implementation of a more centralized statutory tender process has changed how hospitals in the PRC purchase pharmaceutical products and reduced the number of distributors that can participate in procurement by hospitals. We may also choose not to continue distribution relationships with distributors that fail to meet performance targets. Although we have experienced a higher turnover rate among our smaller distributors in recent years as a result of the changing market, our relationships with our major distributors have remained stable.

The following table sets forth the changes in the number of our distributors for the periods indicated:

	Year ended December 31,		
	2008	2009	2010
As of the beginning of the period	3,555	3,623	3,550
Additions of new distributors	769	1,053	1,025
Termination of existing distributors	701	1,126	1,221
Net increase (decrease) in distributors	68	(73)	(196)
As of the end of period	3,623	3,550	3,354

We generally enter into annual distribution agreements with our distributors. These distribution agreements normally set the quantity and price of our products as well as monthly, quarterly and/or yearly sales volume targets. We typically offer incentives to, or impose penalties upon, our distributors depending on whether they exceed or fail to meet the sales volume targets. As a general matter, the distribution agreements also provide guidelines for the sale and distribution of our products, such as restrictions on geographical areas and the type of customers to which the products can be sold. We actively monitor the performance of our distributors, and our distributors are generally required to provide us with market information related to our products that they distribute, such as market activities, inventory levels and sales volumes. In most cases, the distribution agreements do not prohibit the distributors from distributing competing products. Under certain distribution agreements, we have granted the relevant distributors exclusive distribution rights in certain geographic areas. The distributors are liable for breaches of the relevant distribution agreements and are responsible for indemnifying us for damages as a result of such breaches. Certain distribution agreements entitle us to terminate the distribution right of our distributors if it is discovered that the distributor sells beyond its designated geographic areas. In 2008, 2009 and 2010, we were not aware of any material breaches of distribution agreements by any distributor. The distribution agreements may be renewed by mutual agreement among the parties. We also enter into sales agreements with some of our distributors, which only set forth the sales price, quantity and logistics details for the delivery of our products and do not have sales targets.

We generally collect payment from our distributors before delivering goods to them. However, for our distributors with whom we have long-term relationships, we typically extend short-term credit ranging between 30 and 120 days. We generally only accept sales returns for defective products. In 2008, 2009 and 2010, we did not encounter any material sales returns. Our sales representatives also regularly communicate with target hospitals as part of our efforts to assess the performance of our distributors. Our distributors generally have strong credit records and steady cash flow, and we have not experienced any material delays of payment by our distributors.

We also distribute our products through our own pharmaceutical distribution and supply chain solutions. In 2008, 2009 and 2010, sales of our product by our own pharmaceutical distribution and supply chain solutions accounted for 12.2%, 13.0% and 13.2%, respectively, of our pharmaceutical business segment revenue in the same periods. We are in the process of further integrating our pharmaceutical business and our pharmaceutical distribution and supply chain solutions.

Product Pricing

A substantial portion of our pharmaceutical products are included in the National Medical Insurance Drugs Catalog and are subject to retail price controls imposed by the PRC government in the form of fixed retail prices or maximum retail prices. In addition, a product included in a Provincial Medical Insurance Drugs Catalog is also subject to government price controls in the relevant province. These controls indirectly affect the price at which we sell our products to distributors. The rest of our products are generally not subject to retail price controls. We set the prices of products that are not subject to price controls with reference to a number of factors, including market trends, changes in the levels of supply and demand, our cost of production and the prices of competing products. In 2008, 2009 and 2010, we were able to pass on increases in our cost of production to our distributors to the extent permitted by price controls and market competition.

Controls over and adjustments to the retail price of a pharmaceutical product, if significant, could have a corresponding impact on the price at which we sell our products, which may have an adverse impact on our revenue and profitability. We seek to mitigate this impact by focusing on products with higher profit margin, greater market demand and potential, and higher barriers-to-entry. We continue to enhance our strong pharmaceutical research and development capabilities to develop our pipeline of new products that supports sustainable growth and helps us meet our ongoing and future targets of profitability.

In July 2010, the NDRC issued a notice with regard to a survey of the wholesale prices of approximately 900 pharmaceutical products and the operations of the relevant pharmaceutical product manufacturers. The purpose of this survey was to understand the cost structure of the selected pharmaceutical products. The result of this survey, which has not been published publicly, may lead to further downward adjustments in the maximum retail prices of these pharmaceutical products. Twenty-two of our products were included in the scope of this survey, which collectively accounted for 10.8% of the segment revenue of our pharmaceutical business in 2010. Furthermore, in March 2011, the NDRC lowered the maximum retail prices of certain pharmaceutical products, affecting 35 of our products, including two major products, which collectively accounted for 2.1%, 2.4% and 2.6% of the segment revenue of our pharmaceutical business in 2008, 2009 and 2010, respectively. See "Risk Factors — Risks Relating to Our Business Operations — A substantial portion of the pharmaceutical products manufactured by us are subject to government price controls in the PRC." Except for the March 2011 adjustments, the NDRC has not lowered the maximum retail price of our major products since January 1, 2008.

Substantially all procurement of pharmaceutical products by public hospitals and medical institutions is subject to the statutory tender process that involves bidding by manufacturers of these products. A duly organized bid-evaluation committee, which is composed of pharmaceutical experts and clinical medical experts who will be randomly selected from a database of experts established by the relevant government authority, is responsible for bid evaluations. The selection is based on a number of factors, including bid price, quality, clinical effectiveness, and manufacturer's reputation and service quality. See "Regulation — Distribution — Statutory Tender Process Requirements for Hospital Purchase of Medicines." We participate in such statutory tender process regularly, and the successful bidding prices are the hospital procurement prices at which distributors sell the products to the hospitals. We work with our distributors during the statutory tender process and seek to improve our overall bidding position and number of successful bids by utilizing our industry expertise, market intelligence and product quality. After the tender 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 prices at which we sell to our distributors are determined in part by the successful bidding prices.

Inventory Management

Inventory for our pharmaceutical business primarily includes raw materials, work-in-progress and finished products. We employ advanced information systems to track inventory levels as well as ensure adequate levels of raw materials and finished products. In 2008, 2009 and 2010, the average inventory turnover days of our pharmaceutical business were 109.4, 110.5 and 104.9 days, respectively. Our pharmaceutical products generally have a shelf life ranging from two to three years. We have an inventory provisioning method to value our inventories and to write off inventories when they become obsolete or damaged, or when their market value is below their carrying costs. We did not have significant write offs for obsolete inventories in 2008, 2009 and 2010.

Joint Ventures

We have established a number of pharmaceutical joint ventures with leading international pharmaceutical companies and other joint venture partners. In 2008, 2009 and 2010, we derived 23.9%, 14.5% and 13.0%, respectively, of our profit before income tax from these jointly controlled entities and associates. Our significant joint ventures are set forth below.

Shanghai Squibb

Shanghai Squibb is a joint venture among Bristol-Myers Squibb (China) Investment Co. Ltd., China National Pharmaceutical Foreign Trade Corp. and our Company, with a registered capital of US$18.4 million. Each of Bristol-Myers Squibb (China) Investment Co. Ltd., China National Pharmaceutical Foreign Trade Corp. and us contributed 60.0%, 10.0% and 30.0% of the registered capital in cash, respectively. The joint venture was formed in 1982 with an initial term of 50 years, and we hold 30.0% of its equity interest. Under the joint venture agreement and the articles of association of Shanghai Squibb, we have the right to appoint two of the seven directors of Shanghai Squibb, and are entitled to 30.0% of any distribution of dividend made by Shanghai Squibb. We and China National Pharmaceutical Foreign Trade Corp. are responsible for facilitating the business operations of the joint venture in the PRC, while the other joint venture partner is responsible for coordinating the joint venture's overseas operation. The joint venture agreement may be terminated by any joint venture partner under circumstances such as material breaches of the agreement by another party, or bankruptcy of Shanghai Squibb or another party.

Shanghai Squibb regularly manufactures over 30 pharmaceutical products, all primarily for sale in the PRC. The major products of Shanghai Squibb include Baraclude™, Glucophage, Theragran, Bufferin Cold, Monopril®, Maxipime®, Captopril®, Velosef® and Pravachol®. In 2008, 2009 and 2010, Shanghai Squibb's net profit attributable to us was RMB77.6 million, RMB105.2 million and RMB89.6 million, respectively.

Shanghai Roche

Shanghai Roche is a joint venture between Roche Finance Ltd., Roche (China) Holding Co., Ltd. and Sunve Pharmaceutical, a subsidiary of our Company, with a registered capital of US$62.4 million. Each of Roche Finance Ltd., Roche (China) Holding Co., Ltd. and Sunve Pharmaceutical contributed 21.9%, 48.1% and 30.0% of the registered capital in cash, respectively. The joint venture was formed in 1994 with an initial term of 50 years, and we hold 30.0% of its equity interest. Under the joint venture agreement and the articles of association of Shanghai Roche, we have the right to appoint three of the nine directors of Shanghai Roche, and are entitled to 30.0% of any distribution of dividend made by Shanghai Roche. We are responsible for facilitating the joint venture's business operations in the PRC, such as securing licenses and approvals from the local authorities, and liaison with the local banks and other service providers. Our joint venture partners are responsible for supporting the business of the joint venture, for example, by securing equipment and materials from overseas. The joint venture agreement may be terminated by any joint venture partner under circumstances such as material breaches of the agreement by another party or bankruptcy of Shanghai Roche or another party.

Shanghai Roche's major products include MabThera®, Xeloda®, Herceptin® and CellCept®. In 2008, 2009 and 2010. Shanghai Roche's net profit attributable to us was RMB96.9 million, RMB101.7 million and RMB120.4 million, respectively.

Techpool Bio-Pharma

Techpool Bio-Pharma, founded in 1993, is a foreign-invested company limited by shares specialized in research, development, manufacturing and marketing of biopharmaceutical products. It has a registered capital of RMB100.0 million. We acquired an aggregate of 51.0% of equity interests in Techpool Bio-Pharma in 2004, which was diluted to 40.8% in June 2009 due to investments in Techpool Bio-Pharma by a new shareholder. As of December 31, 2010, Nycomed S.C.A. SICAR, a Swiss pharmaceutical company, held an aggregate of 51.3% equity interests in Techpool Bio-Pharma. Under its articles of association, we have the right to nominate three of the seven directors of Techpool Bio-Pharma, subject to its shareholders' election. By virtue of our majority ownership prior to June 2009 and agreements to act in concert with other shareholders of Techpool Bio-Pharma, or control agreements, thereafter, we had control over the financial and operating policies of Techpool Bio-Pharma in 2008, 2009 and 2010, and accounted for Techpool Bio-Pharma as a consolidated subsidiary in these periods. Because of the expiration of the relevant control agreement, we have accounted for Techpool Bio-Pharma as an associate and our investment in Techpool Bio-Pharma using the equity method of accounting since January 1, 2011, and there will be no contribution from Techpool Bio-Pharma in our revenue and gross profit going forward.

As of December 31, 2010, our 53 major products included two products of Techpool Bio-Pharma, Ulinastatin for injection and Urinary Kallidinogenase for injection. In 2008, 2009 and 2010, Techpool Bio-Pharma's net assets attributable to its equity holders were RMB211.5 million, RMB352.3 million and RMB491.5 million, respectively, its consolidated revenue was RMB352.2 million, RMB480.0 million and RMB632.0 million, respectively, and its consolidated gross profit was RMB267.6 million, RMB367.2 million and RMB512.0 million, respectively.

PHARMACEUTICAL DISTRIBUTION AND SUPPLY CHAIN SOLUTIONS

We were the second largest distributor of pharmaceutical products in the PRC in terms of revenue in 2009, according to the NFS Report. As of December 31, 2010, we operated a national distribution network comprising 41 subsidiaries and branches, as well as 32 logistic centers and warehouses located strategically across the Eastern China Region, the Northern China Region and the Southern China Region. These three regional markets, in the aggregate, accounted for 67.0% of the entire PRC pharmaceutical distribution market in terms of sales in 2009, according to the NFS Report. The Eastern China Region, one of the most economically developed and populated regions in the PRC, accounted for 39.1% of the PRC's pharmaceutical distribution market in terms of revenue in 2009, according to the NFS Report. We had a market share of 11.0% in the Eastern China Region in 2009. We conduct our pharmaceutical distribution and supply chain solutions primarily through Shanghai Pharmaceutical Distribution Co., one of our wholly-owned subsidiaries, as well as through our other direct or indirect subsidiaries, except in Jiangxi Province, where we operate through our jointly controlled entity, Jiangxi Nanhua. In 2008, 2009 and 2010, external revenue from our pharmaceutical distribution and supply chain solutions was RMB19,683.7 million, RMB23,117.6 million and RMB28,348.1 million, respectively, while segment revenue was RMB20,214.2 million, RMB23,768.5 million and RMB29,149.9 million, respectively.

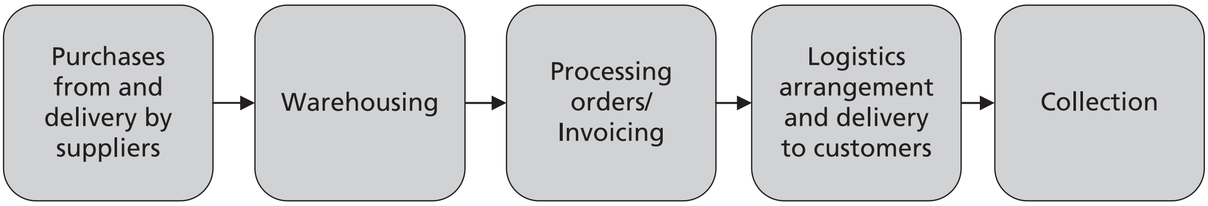
We distribute over 18,600 types of prescription and over-the-counter pharmaceutical products, as well as healthcare products and medical supplies in the PRC, with a focus on high-end pharmaceutical products, primarily comprising imported medicines and those manufactured by subsidiaries of international pharmaceutical companies in the PRC. Leveraging on our strength in high-end pharmaceutical products, we specialize in directly distributing products to hospitals and other medical institutions, especially Class III and Class II hospitals, which generally has higher margins than sales made to other distributors. In 2010, our direct sales accounted for 61.9% of external revenue from our pharmaceutical distribution and supply chain solutions. Through 41 subsidiaries and branches and 32 logistic centers and warehouses in the PRC, we directly sold products to over 7,600 hospitals and other medical institutions primarily located in the Eastern, Northern and Southern China Regions, including 229, or 63.8% of, Class III hospitals in the Eastern China Region and 879, or 55.7% of, Class II hospitals in the Eastern China Region as of December 31, 2010. We are also able to extend our reach to other customers throughout the PRC through sales to other distributors. We also distribute pharmaceutical and healthcare products to pharmacies and other retail outlets. We continue to grow our core direct sales business in the Eastern, Northern and Southern China Regions. In April 2011, we acquired CHS, whose main asset is its wholly-owned subsidiary CITIC Pharma, a leading pharmaceutical distributor in Beijing in terms of revenue in 2009. The addition of CITIC Pharma will significantly expand our operations and market share in the Northern China Region.

The following table sets forth a breakdown of external revenue from our pharmaceutical distribution and supply chain solutions by type of customer for the periods indicated:

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of external revenue	Amount	% of external revenue	Amount	% of external revenue
	(in millions of RMB, except percentages)					
External revenue:						
Hospitals and other medical institutions	12,366.4	62.8%	14,778.9	63.9%	17,553.6	61.9%
Other distributors, third party retail pharmacies and other customers	7,317.3	37.2	8,338.7	36.1	10,794.5	38.1
Total	19,683.7	100.0%	23,117.6	100.0%	28,348.1	100.0%
Inter-segment revenue:	530.5	2.7	650.9	2.8	801.8	2.8
Total segment revenue	20,214.2	102.7%	23,768.5	102.8%	29,149.9	102.8%

Operating Process

The following diagram illustrates the core operating process of our pharmaceutical distribution and supply chain solutions as of the date of this Prospectus:



Our pharmaceutical distribution and supply chain solutions involve several integrated stages that allow for enhanced efficiency and quality control of our products at every stage of our operations from procurement to delivery to our customers. We purchase products from domestic or foreign suppliers and submit these products to a quality control inspection and assist in clearing any customs and tax matters, if relevant. We warehouse our products in a climate-controlled environment until the receipt of customer orders, which will then be processed and an invoice of which will be created; then we arrange for logistics services and the timely delivery of our products. The operating process concludes with payment collection from our customers.

Distribution Network

As of December 31, 2010, we operated our pharmaceutical distribution and supply chain solutions business through 41 subsidiaries and branches and 32 logistic centers and warehouses in the Eastern China Region, the Northern China Region and the Southern China Region in the PRC, covering over 7,600 direct sales customers located in 12 provinces, autonomous regions and municipalities. We operate this business primarily through our subsidiaries, except in Jiangxi Province, where we operate through our jointly controlled entity, Jiangxi Nanhua. We also sell to other distributors, through which we distribute pharmaceutical and healthcare products nationwide in the PRC.

The continued growth and success of our pharmaceutical distribution and supply chain solutions will depend on our ability to improve and expand our distribution network. We intend to pursue selective acquisition opportunities focused on leading regional distributors in order to enhance our leadership and market share in the Eastern China Region and consolidate our competitive position nationally. For example, in July 2010, we acquired a 49.0% equity interest in Fujian Pharmaceutical, a pharmaceutical distribution company with its networks across Fujian Province. In August 2010, we acquired an ownership interest of 51.0% in Guangzhou Z.S.Y., a leading pharmaceutical distributor in Guangzhou. In November 2010, we acquired Beijing Aixin Weiye, a pharmaceutical distributor in Beijing. We believe these acquisitions will provide us with a strategic foothold in these regions and help us further expand our distribution networks in the Eastern China Region and the Northern China Region and into the Southern China Region. Our recent acquisition of CHS will significantly expand our network and increase our market share in the Northern China Region.

Sales and Marketing

We conduct our pharmaceutical distribution and supply chain solutions business primarily in the PRC. Historically, we have conducted our pharmaceutical distribution sales primarily in the Eastern China Region, but have extended our reach to the Northern China Region and the Southern China Region in recent years. The following table sets forth a geographical breakdown of external revenue from our pharmaceutical distribution and supply chain solutions business for the periods indicated:

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of external revenue	Amount	% of external revenue	Amount	% of external revenue
	(in millions of RMB, except percentages)					
Eastern China Region	18,277.3	92.9%	21,481.7	92.9%	25,058.8	88.4%
Northern China Region	268.7	1.4	330.0	1.4	467.0	1.6
Southern China Region	136.4	0.7	210.1	0.9	884.8	3.1
Other regions	1,001.3	5.0	1,095.8	4.8	1,937.5	6.9
Total external revenue	19,683.7	100.0%	23,117.6	100.0%	28,348.1	100.0%

As of December 31, 2010, our customers included over 7,600 hospitals and other medical institutions, over 2,300 distributors and over 2,200 retailers. We coordinate marketing and promotional plans for our distribution subsidiaries, such as setting sales and market share targets. We also have management responsibility over the distribution subsidiaries on matters such as budget control and standardized internal control procedures to minimize operational risks. In addition, they may provide guidance to the distribution subsidiaries with respect to market trends, product strategies, government policies and value-added services.

The sales and marketing representatives located at our distribution subsidiaries are primarily responsible for undertaking regional sales, marketing and customer support activities directly to customers. Our distribution subsidiaries are located strategically close to their customers in the relevant regions, and the sales and marketing representatives are able to respond promptly to customer needs in an effective manner. We typically conduct a review process to screen customers before engaging in sales and marketing efforts.

We have established highly specialized sales and marketing teams based on the particular type of customer, sales methods and product categories, including: (i) a direct sales team that primarily sells prescription medicines to hospitals; (ii) a direct sales team that primarily sells prescription medicines to community healthcare centers and clinics; (iii) a sales team that primarily sells pharmaceutical and healthcare products to other distributors; (iv) a sales team that primarily sells pharmaceutical and healthcare products to retail pharmacies and other end-users; and (v) sales teams that specialize in the distribution of particular types of medicines, such as anesthetics, gynecological medicines, pediatrics medicines, medicines that treat diseases of the elderly and psychotropic medicines. We believe that this division of specialties and responsibilities among our sales force enables us to better customize our services to effectively target different customers.

Sales and Distribution Arrangements

We have a broad customer base that includes hospitals and other medical institutions, retail pharmacies and other pharmaceutical product distributors. Hospitals include general and specialty hospitals at the national, regional and municipal levels. Other medical institutions include community healthcare centers, clinics and other healthcare institutions. Retail pharmacies include national and regional retail pharmaceutical chain stores and independent pharmacies. Other pharmaceutical product distributors include regional wholesalers or distributors at the provincial or municipal level, which distribute pharmaceutical and healthcare products to hospitals, other medical institutions and retail pharmacies. In addition, we offer a broad range of logistics and value-added services designed to enhance the operational efficiency and competitive positions of our customers, thereby allowing them to improve the safety and effectiveness of healthcare services for their patients and consumers. We seek to maintain long-term relationships with our customers, although we do not generally enter into any long-term contracts.

Hospital and Other Medical Institution Customers

Typically, a pharmaceutical manufacturer that seeks to sell its products to government-owned or -controlled hospitals and other medical institutions, or public hospitals, in the PRC may only do so through the statutory hospital tender process, pursuant to which manufacturers of pharmaceutical products are invited to submit their bids to the local government or its designated institution that runs the tender process. The tender process is conducted once every year in the relevant province or city in the PRC. As a general matter, multiple manufacturers will be selected to supply any particular type of medicine. Our pharmaceutical distribution and supply chain solutions business participates in the tender process as an advisor to the manufacturers by providing industry expertise, market intelligence, pricing suggestions, documentation support and other administrative services. We typically advise and assist multiple manufacturers in the same tender process, including our own pharmaceutical business. A bid evaluation committee of the local government or its designated institution that is typically comprised of pharmaceutical experts and clinical medical experts selects the winning bids, and the hospitals select one or more winning manufacturers to supply the medicine by placing orders with the relevant pharmaceutical product distributors. After the tender process, we distribute products of the selected manufacturers based on purchase orders provided to us from the hospital, which will specify the brand, volume and types of pharmaceutical products. The pricing of these products will be determined in accordance with the bidding process. In 2008, 2009 and 2010, we did not experience any material conflicts from advising both our subsidiaries as well as other third party pharmaceutical manufacturers in the same tender process.

Sales of pharmaceutical products, healthcare products and medical supplies to our hospital and other medical institutions customers in 2008, 2009 and 2010 were RMB12,366.4 million, RMB14,778.9 million and RMB17,553.6 million, respectively, representing 62.8%, 63.9% and 61.9%, respectively, of external revenue from our pharmaceutical distribution and supply chain solutions business during the same periods.

Distributor and Retail Pharmacy Customers

We also distribute pharmaceutical products through other distributors to reach hospitals, other medical institutions and retail pharmacies outside of our customer base. We may enter into written three-party agreements with the manufacturers and our distribution customers. These agreements generally specify the suggested price at which our distributor customers may resell the pharmaceutical products, the qualification of distributor customers, any exclusivity, the term period or geographic restriction for the resale of such products by our distributor customers, as well as order, delivery and payment arrangements between us and the distributor customers. Our distributor customers order products from us, and we are responsible for the supply and delivery of such products. In certain three-party agreements, our distributor customers are required to periodically submit sales and inventory reports to us, which we will forward to the manufacturers for review. The majority of our three-party agreements are for a term of one year and may be renewed upon mutual agreement.

We select our distributor customers based on a variety of criteria, including their credit record, customer portfolio, distribution network and status in relevant markets, except certain manufacturers of premium products may directly appoint the downstream distributors. As of December 31, 2008, 2009 and 2010, we had over 1,800, 2,350 and 2,300 distributor customers, respectively.

We also make sales to retail pharmacies, such as retail pharmacy chains and independent pharmacies. The majority of our product sales to these customers are based on repeating customer purchase orders.

Sales to our distributor and retail pharmacy customers in 2008, 2009 and 2010 were RMB7,317.3 million, RMB8,338.7 million and RMB10,794.5 million, respectively, representing 37.2%, 36.1% and 38.1%, respectively, of external revenue from our pharmaceutical distribution and supply chain solutions business during the same periods.

Songjiang Model

We also explore alternative sales and distribution arrangements in light of the evolving market and regulatory environment. For example, we have developed the Songjiang Model. Typically, hospitals in the PRC support their operations in part by profits generated from medicine sales to patients. However, under current regulations, hospitals are no longer allowed to profit from their sale of drugs on the National List of Essential Drugs. Local governments, such as the Songjiang District government in Shanghai, have explored various ways to mitigate the loss of profit experienced by the hospitals, including by subsidizing these drugs. We entered into an agreement with the Songjiang District Health Department in February 2009, followed by agreements with certain other districts in Shanghai, to become the sole distributor for drugs on the National List of Essential Drugs to be purchased by community hospitals in these districts. In return, we agreed to share a portion of the district governments' financial burden either in the form of discounts on these drugs sold to these community hospitals or by sponsoring healthcare-related programs in the districts, such as training of physicians. We sourced a majority of these drugs internally from our pharmaceutical business and the remainder from third party manufacturers. We benefit from this arrangement by gaining distribution market share in community hospitals, as well as generating revenue and profits for our pharmaceutical business. The district governments, on the other hand, benefit from this arrangement by securing a reliable source of high-quality and low-cost essential drugs and alleviating part of their financial burden. We seek to replicate the success of the Songjiang Model to other districts in Shanghai and beyond. Revenue from distributing products under the Songjiang Model were RMB21.8 million and RMB201.7 million in 2009 and 2010, respectively. Our PRC legal counsel, Grandall Legal Group, has advised us that the Songjiang Model and the related agreements between us and applicable district health departments comply with applicable PRC laws, rules and regulations.

Pricing

We typically sell pharmaceutical products to hospitals and other medical institutions at the prices determined through the statutory hospital tender process. The prices of other products we distribute are generally determined through negotiations with our suppliers and customers. These negotiations may take into account various factors, including our procurement costs and gross margin levels, our distribution capability and bargaining power, government policies and regulations, competition, customer preferences and market conditions.

Payment

Our customers are generally invoiced at the time of the processing of their order, with credit terms generally ranging from 30 to 120 days for hospital customers and up to 60 days for other customers. Our extension of credit terms depends, in part, on the creditworthiness of customers, the location of customers and the products being sold.

Sales Returns

Our customers generally may return products that are damaged, have incomplete packages, unclear labels or missing contents or are inconsistent with the specifications on the purchase orders for replacement. In addition, our customers may return the products that are past or close to being past their shelf life at the time of delivery. For certain products, we are required to obtain the prior approval of the manufacturers before accepting sales returns from our customers. In 2008, 2009 and 2010, we have not encountered any material sales returns.

Supplier Arrangements

We regularly distribute the products of over 2,600 international and domestic pharmaceutical companies. Our suppliers include 33 of the top 50 international pharmaceutical companies and 92 of the top 100 domestic pharmaceutical companies. We also distribute products of our pharmaceutical business. We believe that we have strong relationships with our suppliers, as we are the exclusive national distributor for 66 pharmaceutical products and the exclusive distributor in the Eastern China Region for 88 pharmaceutical products, as of the Latest Practicable Date. We have dedicated teams that work closely with our top suppliers to strengthen our relationships with them. We generally enter into annual agreements with our suppliers to distribute their products, which may be renewed upon mutual agreement before their expiration. In 2008, 2009 and 2010, we did not experience any difficulty in renewing our agreements with suppliers.

Our agreements with suppliers typically set out the specifications and prices for the products they would be supplying to us, payment methods and guidelines for the sale and distribution of their products, including restrictions on the regions in which the products may be sold, if any, as well as the total purchase quantity. In addition, the suppliers are generally responsible for the timely delivery and the quality of their products. We are responsible for timely payments to the suppliers as well as compliance with guidelines set by our suppliers. Suppliers may also engage our assistance in the statutory hospital tender process and in their sales and promotion activities. In addition, some suppliers may provide us with volume discounts and/or rebates for early payments. Our agreements with suppliers generally do not restrict us from manufacturing and sale of competing products.

We select our suppliers based on, among others things, the prices of their products, market reputation, production and/or distribution capacity, the market potential of their products and whether the supplier has all necessary licenses, permits and certifications, including GSP and/or GMP certifications. We also revalidate the qualifications of our suppliers periodically to ensure that they operate their business in compliance with applicable laws, rules and regulations.

Product Portfolio

As of December 31, 2010, we distributed over 18,600 pharmaceutical and healthcare products, encompassing prescription medicines, over-the-counter medicines, personal care products and medical supplies. Due to its diverse product portfolio, our pharmaceutical distribution and supply chain solutions business, as a whole, is generally not affected by the seasonality of individual products. We focus on high-end pharmaceutical products, primarily comprising imported medicines and those manufactured by subsidiaries of international pharmaceutical companies in the PRC, which enables us to achieve greater operational efficiency largely due to such products, high price-to-volume ratio, better marketing and large demand. We source our products from over 2,600 international and domestic pharmaceutical companies. We also distribute products of our pharmaceutical business. We are in the process of further integrating our pharmaceutical business and our pharmaceutical distribution and supply chain solutions business.

The table below sets forth the major therapeutic areas of prescription and over-the-counter pharmaceutical products we distribute, the number of products for each therapeutic area and the major products in each category as of December 31, 2010:

Product category	Approximate number of products	Major products
Antiinfectives for systemic use	2,600	Benzathine Benzylpenicillin for injection, Levofloxacin Hydrochloride capsule, Isoniazid tablet, Capsulae Aciclovirum, Cefuroxime Sodium for injection, Compound Sulfamethoxazole Dispersible tablet, Tabellae Nysfungini, Lamivudine tablet, Erythromycin enteric-coated capsule, Levofloxacin Mesylate tablet, Ketoconazole tablet, Ribavirin oral solution, Azithromycin enteric-coated tablet, Metronidazde tablet, Rifampicin capsule, Oseltamivir Phosphate capsule

Product category	Approximate number of products	Major products
Alimentary tract and metabolism	2,000	Multivitamin Formula with Minerals tablet, ω-3 Fish Oil Fat Emulsion injection, Ciclosporin soft capsule, Loratadine capsule, Omeprazole Magnesium enteric-coated tablet, Calcium Supplement with Vitamin D Chewable tablet — Children's Formula, A1anyl-G1utamine injection, Peginterferon alfa-2b, Chlorphenamine Maleate injection, Octreotide Acetate injection, Compound Lysine Hydrochloride and Zinc Gluconate granule, Short Peptide Enteral Nutrition Powder, Azathioprine tablet, Triprolidinge Hydrochloride capsule, Domperidone tablet, Vitamin A and D drop, Compound Amino Acid injection (18AA), Tacrolimus injection, Cetirizine Hydrochloride capsule, Famotidine capsule
Cardiovascular system	1,200	Amlodipine Besylate tablet, Isosorbide Mononitrate Sustained Release capsule, Digoxin tablet, Irbesartan tablet
Central nervous system	1,100	Propofol injection, Oxiracetan capsule, Alprazolam tablet, Morphine Sulphate Sustained-Release tablet, Baclofen tablet, Diazepam tablet, Sevoflurane Solution for Inhalation, Phenobarbital tablet, Haloperidol injection, Lidocaine Hydrochloride injection, Piracetam tablet, Lorazepam tablet
Respiratory system	1,000	Aminophylline tablet, Aspirin enter-coated tablet, Beclomethasone Dipropionate Nasal aerosol, Metamizole Sodium tablet, Budesonide Nasal spray, Paracetamol, Pseudoephedrine Hydrochloride, Dextromethorphan Hydrobromide and Chlorphenamine Maleate oral solution, Compound Glycyrrhiza oral solution, Ibuprofen Sustained Release capsule
Intravenous solutions	700	Sodium Bicarbonate injection, Sodium Chloride Physiological solution, Sodium Lactate Ringer's injection, Glucose injection

Product category	Approximate number of products	Major products
Systemic hormonal preparations (excluding sex hormones)	700	Alfacalcidol tablet, Propylthiouracil tablet, Posterior Pituitary injection, Medroxyprogesterone Acetate Dispersible tablet
Antineoplastic and immunomodulating agents	570	Anastrozole tablet, Fluorouracilum injection, Tamoxifen Citrate tablet, Methotrexate injection
Blood and blood forming organs	470	Aminomethylbenzoic Acid injection, Low Molecular Weight Heparin Calcium injection, Prothrombin Complex Concentrate (Human), Lyophilized, Warfarin Sodium tablet
Dermatologicals	470	Ichthammol ointment, Compound Miconazole Nitrate ointment, Tretinoin cream, Ketoconazole cream
Sensory organs	450	Dextran70 and Glycerol eye drop, Ofloxacin ear drop, Ofloxacin eye ointment, Ketotifen Fumarate nasal drop, Pilocarpine Nitrate eye drop, compound caoshanhu tablet, Tropicamide eye drop, Cydiodine tablet
Genito-urinary system and sex hormones	260	Triamterene tablet, Compound Zedoary Turmeric Oil suppository, Finasteride tablet, Ornidazole Vaginal Effervescent tablet, Spironolactone tablet, Policresulen suppository, Hydrochlorothiazide tablet, Carbetocin injection
Diagnostic agents	120	Gadopentetate Dimeglumine injection, Iobitridol injection, Iopromide injection, Meglumine Diatrizoate injection
Parasitology	30	Albendazole tablet, Mebendazole tablet, Chloroquine Phosphate tablet, Praziquantel tablet
Various	80	Bemegride injection, Flumazenil injection, Naloxone Hydrochloride injection, Sodium Thiosulfate for injection

Product category	Approximate number of products	Major products
Chinese medicines	3,000	Honghuahuangsesu for injection, Zhikang tablet, Yimucao granule, Bingzhen Qingmu eye drop, Yantejia tablet, Yushangling capsule, Zigui Zhilie ointment, Zukamu granule, Xiaoaiping tablet, Zhenju Jiangya tablet, Yunnan Baiyao capsule, Zhitong Huazheng capsule, Shuanghuanglian eye drop, Qianbai Biyan tablet, Tongluo Shenggu capsule, Xiaofeng Zhiyang granule, Xueshan Jinluohan Zhitong Tumoji, Compound Hongdoushan gelatin, Yinxingye tablet, Jixue Ganshuang ointment, Wuji Baifeng tablet, Xiongdan Kaiming tablet, Jinsangzihou tablet, Shexiang Guanjie Zhitong ointment, Shiduqing capsule, Shiwei Dida capsule, Huangqi injection, Xuefu Zhuyu granule, Shenbai Shuyin washing liquid, Rupixiao tablet, Fuming tablet, Binglian ear drop, Shangshi Zhitong ointment, Chuangzhuo ointment, Ershiwuwei Songshi Wan, Huachansu injection
Biopharmaceutical products	180	Infliximab for injection, Recombinant Human Erythropoietin injection, Human Hepatitis B Immunoglobulin, Albumin Prepared from Human Plasma

The following table sets forth personal care and medical supply products we distribute, the number of products and the major products in each category as of December 31, 2010:

Product category	Approximate number of products	Major products
Medical supplies	2,600	Implantable pacemaker, Bone plates, Pen needles, Disposable surgical mask
Cosmetics	100	Pearl lotion, Johnson's baby body oil, Mentholatum Mint ointment, Liushen body powder
Healthcare food	80	Yinghuang Ginseng tablet, Jinpai fish oil
Miscellaneous	790	Feimaotui electric mosquito repellent, Veterinary needles, Weiyi disinfectant, Tainuo Gancao Yihoushuang

Value-Added Services

We distinguish ourselves as a pharmaceutical product distributor in part through the value-added services we provide to both our suppliers and customers. Our services to customers include: (i) assistance in setting up barcode systems to track and manage inventory; (ii) providing order-tracking services; (iii) providing specialized logistics services, such as cold chain storage and transportation; (iv) assistance in preparing adverse drug effect reports that are required to be submitted to applicable government authorities; (v) providing electronic purchase orders and confirmation services; and (vi) a 24-hour toll-free customer service hotline. In addition, we provide our suppliers with: (i) access to valuable market data and information, such as hospitals' inventory level and destination of their products; (ii) the ability to manage the production, delivery and inventory level of their products through our vendor-managed inventory systems; and (iii) third party logistic services. We also use client relationship management systems to help us efficiently resolve problems raised by suppliers or customers as well as manage our marketing and promotional activities. Our value-added services help our customers to increase operational efficiency and reduce inventory and fulfillment costs and other operational expenses and at the same time enhance our ability to retain customers. In addition, our value-added services allow our suppliers to more efficiently manage their businesses as well as to tailor their marketing activities to target customers. These services also help us strengthen our existing supplier and customer relationships, differentiate us from our competitors and identify new suppliers and customers. Depending on the nature of the services and our arrangements, we may charge our customers and suppliers for our value-added services.

Logistics Arrangements and Infrastructure

We manage our distribution logistics operations with the goal of facilitating the smooth and efficient movement of products and minimizing our inventory holding costs. Our warehouses are managed using advanced information management systems that control the movement and storage of products in our warehouses and that utilize barcode or radio-frequency identification to monitor the status of products in our logistics centers. In addition, we have established advanced cold-chain capability in some of our logistics facilities for the storage and delivery of temperature-sensitive products, such as vaccines. In general, products leave our warehouses within six to 12 hours of our receipt of customer orders. We also provide emergency delivery services to hospitals located within the relevant city area in less than two hours after order confirmation. Our Shanghai logistics facilities have the capacity to handle large delivery volumes during emergencies and crises. During the H1N1 virus outbreak in 2009, we successfully delivered approximately 170,000 doses of H1N1 vaccine to 254 hospitals in Shanghai within four and one-half hours using our advanced cold-chain capability. In 2008, 2009 and 2010, we did not encounter any material errors or delays in our logistics arrangements for our pharmaceutical distribution and supply chain solutions business. In addition, we are also exploring opportunities to extend the reach of our distribution network through cooperation with third party logistics service providers. For example, in April 2011, we entered into an agreement with China Post Logistics Co., Ltd. (中郵物流有限責任公司) to distribute pharmaceutical products through its nationwide logistics network. The parties agreed, among other things, to establish a nationwide pharmaceutical distribution and delivery network, and to explore new pharmaceutical distribution business models, such as e-commerce and supply chain financing solutions.

The primary functions of our logistics centers are to warehouse our products and transport and distribute them to our customers. We warehouse our products in a climate-controlled environment until the receipt of customer orders. After we confirm a customer's order, we will arrange for logistics services and the timely delivery of the ordered products to the customer. Our logistic centers typically range in size from 5,000 square meters to 20,000 square meters of gross floor area.

We also provide logistics services to our suppliers and customers in the form of value-added services. These services help our suppliers and customers to manage their operations efficiently and cost-effectively.

Inventory Management

We manage the inventory of our pharmaceutical distribution and supply chain solutions business with a focus on controlling our inventory holding costs, maintaining the variety of products available for our customers and ensuring the prompt delivery of products to customers. We generally set minimum and maximum inventory levels for each product we carry and monitor our inventory levels through advanced information systems. In 2008, 2009 and 2010, the average inventory turnover days of our pharmaceutical distribution and supply chain solutions business were 41.9, 38.4 and 40.8 days, respectively.

Information System

We utilize advanced information systems in our pharmaceutical distribution and supply chain solutions business. In particular, our business intelligence systems help us gather and analyze our operational data, such as inventory levels and product sales information, which are valuable to us and our suppliers. We allow our suppliers to access such information in exchange for a fee. Our client relationship management systems receive and process customer and supplier feedback relating to our operations, and forward such feedback to the appropriate department in our organization for resolution. We also have established vendor-managed inventory systems through which our suppliers can monitor the inventory levels of customers and make production and delivery plans accordingly. Our logistics operations are managed through our enterprise resource planning systems and warehouse management systems to ensure the efficient handling of inventory. We have successfully integrated the various information systems of our operations in the Shanghai area, which enables us to centralize the finance, procurement, inventory and logistics operations in that area. We are in the process of establishing a fully integrated information system throughout our pharmaceutical distribution and supply chain solutions business.

PHARMACEUTICAL RETAIL

We were the largest retail pharmacy network in the Eastern China Region in terms of revenue in 2009, according to the NFS Report. We operate our retail pharmacies under national or regional premium brand names, such as "Huashi (華氏)" and "Leiyunshang (雷允上)." In 2008, 2009 and 2010, our retail pharmacies business revenue totaled RMB1,413.8 million, RMB1,521.5 million and RMB1,725.5 million, respectively.

Retail Network

We operate a retail pharmacy network in nine provinces, municipalities and autonomous regions in the PRC. As of December 31, 2010, our retail pharmacy network consisted of 1,682 retail pharmacies, among which 1,187 were directly operated retail pharmacies (including 363 retail pharmacies we operated through our jointly controlled entity, Jiangxi Nanhua) and 495 were franchise pharmacies. We were the largest pharmacy chain in the Eastern China Region in terms of revenue in 2009, according to the NFS Report. Our typical retail pharmacy customers are urban residents living in a major city in the PRC. The following table below sets forth the number of retail pharmacies on our network by geographic region as of December 31, 2010:

Region	Directly operated	Franchise	Total
Eastern China Region			
Shanghai	436	323	759
Jiangxi[(1)]	363	—	363
Zhejiang	60	15	75
Shandong	86	0	86
Jiangsu	78	9	87
Anhui	42	4	46
Other regions			
Inner Mongolia	60	144	204
Guizhou	40	0	40
Guangdong	22	0	22
Total	1,187	495	1,682

Note:

(1) Operated through our jointly controlled entity, Jiangxi Nanhua.

Directly Operated Stores

As of December 31, 2010, our network had 1,187 directly operated retail pharmacies. Substantially all of these pharmacies are located in well-developed urban residential areas and prime retail locations in nine provinces, municipalities and autonomous regions in the PRC. In 2008, 2009 and 2010, revenue from our directly operated pharmacies (other than those operated through Jiangxi Nanhua) was RMB1,413.8 million, RMB1,521.5 million and RMB1,725.5 million, respectively.

Franchise Pharmacies

As of December 31, 2010, our retail pharmacy network had 495 franchise pharmacies, most of which were located in Shanghai and Inner Mongolia. We select favorably located independent pharmacies to become our franchisees. As of December 31, 2010, all of our franchisees were independent third parties. We typically grant our franchise pharmacies the right to operate under one of our retail brands for a franchise fee and annual management fee. Generally, our franchise agreements require the franchise pharmacies to source from us all the products they carry. In order to ensure that our franchise pharmacies comply with our policies and procedures, we have adopted various measures. For example, we regularly inspect our franchise pharmacies to ensure that our quality standards are strictly observed. We also use electronic management systems to control the inventory and sales at the franchise pharmacies. In addition, we normally require a deposit from our franchisees to further ensure that they will not violate any terms of the franchise agreements.

Products and Services

Our retail pharmacies regularly offer over 10,000 types of products for sale. We generally aim to carry medicines that are widely used and products that are frequently purchased by customers. Due to its diverse product portfolio, our pharmacy retail business, as a whole, is generally not affected by the seasonality of individual products. We sell three types of merchandise in our retail pharmacies: prescription medicines, over-the-counter medicines and non-pharmaceutical products.

Prescription Medicines. We offer a wide variety of medicines across 22 of the 23 currently available classes of prescription medicines. We accept prescriptions only from physicians and other licensed healthcare service providers. Our in-store pharmacists verify the validity, accuracy and completeness of all prescription orders. Our pharmacists also perform a drug utilization review in which they cross-check every prescription against the customer's submitted information for drug, disease and allergy interactions.

Over-the-Counter Medicines. We offer 62 classes of over-the-counter medicines for treatment of common diseases as well as 36 classes of modern Chinese medicines.

Non-Pharmaceutical Products. We offer 152 types of personal healthcare products, including a variety of healthcare supplements, vitamins, minerals and dietary products, skin care products, hair growth products, beauty products and cosmetics.

We seek to introduce new products and services to meet changing customer preferences and to differentiate us from our competitors. In addition to our core pharmacy business, we are exploring additional products and services, such as providing traditional Chinese medicine diagnosis in our pharmacies that are specialized in Chinese medicines, on-line ordering and prescription filling services, remote medical diagnosis through video conferencing, cosmetics with therapeutic effects and specialized convenience stores that carry medicines and other consumable products.

We purchase our retail merchandise primarily from various third party manufacturers and distributors, as well as to a lesser extent from our own pharmaceutical business and pharmaceutical distribution and supply chain solutions business.

We believe that alternative suppliers or alternative products are readily available for substantially all of the products we carry, and the loss of any one supplier would not have a material effect on our operations. Although we generally do not have long-term agreements with our major suppliers, we have not experienced significant difficulty in maintaining reliable sources of supply, and we generally expect to be able to maintain adequate sources of supplies of pharmaceutical and other products sold in our retail pharmacies.

Marketing and Promotion

Our retail pharmacies marketing department is primarily responsible for developing marketing and promotional activities for our retail pharmacies, such as advertisements, promotional programs, store design, interior layout and shelf display. In particular, we run advertisements periodically to promote our brand and corporate image through mass media. We also have joint promotional programs with our product suppliers and manufacturers, which may include gift promotions, discounts and rebates. We believe that through our marketing and promotional activities we have increased public awareness of our retail brands and reputation, which in turn has the effect of increasing our revenue and profitability.

Inventory Management

We manage our inventory to minimize holding costs, ensure timely delivery of merchandise and maintain a variety of merchandise in our retail pharmacies. We establish an inventory management target every year by reviewing our performance for past years and taking into consideration our data projections and market demographics. We also perform monthly and ad hoc inventory counts in our pharmacies and warehouses, as well as perform daily inventory counts in our pharmacies for expensive merchandise. We monitor the shelf life of our pharmaceutical products by conducting a periodic review. We utilize the data compiled to generate a monthly inventory analysis report, which is used to assess our inventory control measures and costs. Furthermore, we require that our store managers follow up on any inventory discrepancies discovered during each inventory count and report such results to the relevant operating subsidiaries.

RECENT SIGNIFICANT ACQUISITIONS

CHS

In April 2011, we acquired the entire equity interest of CHS for an aggregate consideration in cash of approximately RMB3,569.0 million. CHS is a holding company, whose main asset is its wholly-owned subsidiary CITIC Pharma, a leading pharmaceutical distributor in Beijing in terms of revenue in 2009. The addition of CITIC Pharma will significantly expand our operations and market share in the Northern China Region.

CITIC Pharma was the eighteenth largest distributor of pharmaceutical and healthcare products in the PRC in terms of revenue in 2009, according to CAPC. As of December 31, 2010, CITIC Pharma distributed over 5,000 types of pharmaceutical and healthcare products, a majority of which were high-end pharmaceutical products, primarily comprising imported medicines and those manufactured by subsidiaries of international pharmaceutical companies in the PRC. It distributes products to over 400 hospitals, including all Class III hospitals and 103 Class II hospitals in Beijing. In 2010, CITIC Pharma's direct sales to hospitals accounted for approximately 51% of its revenue. CITIC Pharma also distributes a selected portfolio of imported vaccines, as well as medical devices from international medical devices manufacturers or their subsidiaries in the PRC. CITIC Pharma conducts its pharmaceutical distribution operations through nine warehouses located in Beijing, Nanjing, Shanghai, Hangzhou, Henan and Hainan. The primary functions of the warehouses are to process and store the products received from suppliers and to distribute the products ordered by customers. As part of its pharmaceutical, vaccines and medical devices distribution operations, CITIC Pharma offers a broad range of logistics and value-added services to its customers, such as import services, third party logistics services and information technology solutions.

In 2008, 2009 and 2010, CHS's revenue was RMB3,214.4 million, RMB4,343.4 million and RMB6,111.9 million, respectively, and its profit after taxation was RMB71.4 million, RMB93.6 million and RMB131.7 million, respectively, in the same periods.

The Antibiotics Business

In December 2010, we entered into an agreement to acquire from Shanghai Pharmaceutical (Group) the Antibiotics Business, comprising 96.9% of the equity interest of Shanghai New Asiatic and 100% of the equity interest of Shanghai Huakang, for an aggregate consideration in cash of approximately RMB1,487.8 million. We expect to complete the acquisition of the Antibiotics Business in the first half of 2011. The number of our major products will expand from 53 to 59 upon completion of the Antibiotics Business acquisition.

Shanghai New Asiatic is primarily engaged in manufacturing and selling antibiotics and other pharmaceutical products. As of December 31, 2010, Shanghai New Asiatic manufactured and marketed over 66 pharmaceutical products. Its major products include Benazepril Hydrochloride tablets, Ceftriaxone Sodium for injection, Cefotaxime Sodium for injection, Diphosphate for injection, Ceftazidime for injection and Cefixime, all of which will become our major products upon completion of the acquisition. In 2010, these major products collectively generated revenue of RMB491.9 million. See "— Pharmaceutical Business — Product Portfolio — Chemical Drugs" for details of these products. Shanghai Huakang is a distributor of pharmaceutical products primarily covering the Shanghai area.

In 2008, 2009 and 2010, the combined revenue generated by the Antibiotics Business was RMB1,657.7 million, RMB1,621.9 million and RMB1,414.1 million, respectively, and the combined profit after taxation of the Antibiotics Business was RMB112.9 million, RMB108.7 million and RMB88.4 million, respectively, in the same periods.

PROPOSED COLLABORATIONS WITH PFIZER

In April 2011, we and Pfizer Inc. ("Pfizer"), a leading global pharmaceutical company, entered into a non-binding memorandum of understanding ("MOU") for potential collaborations in a number of areas in the PRC, including the registration, commercialization and distribution in the PRC of an innovative urology drug developed by Pfizer. The parties also plan to explore other potential areas of collaboration, such as drug research and development, distribution arrangements and potential equity investment opportunities. In addition, the parties expect to strengthen their existing cooperation for promotion in lower-tier cities in PRC of Pfizer's Prevenar (7-valent), a pneumococcal conjugate vaccine, approved for use in the PRC for the prevention of pneumococcal disease in children. The parties intend to negotiate the terms and conditions of these arrangements and enter into definitive agreements in the six months following the signing of the MOU. Neither Pfizer nor we are obligated to enter into any agreement regarding these matters, and we cannot assure you that we will reach any agreements with Pfizer within the anticipated timeframe or at all, or that the proposed collaborations will achieve the intended results. Furthermore, we have entered into a cornerstone investment agreement with a subsidiary of Pfizer, who has agreed to purchase Offer Shares as part of the Global Offering. See the section headed "Cornerstone Investors."

CUSTOMERS

In 2008, 2009 and 2010, revenue from our five largest customers in the corresponding periods in aggregate accounted for 5.6%, 5.9% and 5.1% of our revenue, respectively. In the same periods, revenue from our largest customer accounted for 1.4%, 1.4% and 1.2% of our revenue, respectively.

None of our Directors, Supervisors, their respective Associates or Shanghai Pharmaceutical (Group), Shanghai Shengrui or Shanghai Shangshi (the only Shareholders of the Company, which, to the knowledge of the Directors, directly or indirectly own more than 5% of our share capital) or their respective Associates has any interest in any of the above-mentioned customers.

Our trade receivables to third parties mainly represent the credit sales of our products to be paid by our customers and consist of accounts receivable and notes receivable. As of December 31, 2008, 2009 and 2010, our gross trade receivables from third parties were RMB5,152.9 million, RMB5,756.2 million and RMB7,739.7 million, respectively. We monitor the recoverability of our overdue trade receivables on a regular basis and, when appropriate, provide for impairment of such receivables. As at December 31, 2008, 2009 and 2010, our provision for doubtful trade receivables was RMB566.4 million, RMB608.0 million and RMB613.5 million, respectively. For further details of our provisioning policy for trade receivables and the amount of our provisions, please see the sections headed "Financial Information — Critical Accounting Policies — Impairment of Receivables" and "Financial Information — Liquidity and Capital Resources — Working Capital — Trade and Other Receivables — Trade Receivables from Third Parties."

SUPPLIERS

In 2008, 2009 and 2010, our purchases from our five largest external suppliers in the corresponding periods in aggregate, accounted for 7.7%, 8.4% and 9.1% of our total cost of sales, respectively. In addition, purchases from our single largest external supplier accounted for 2.5%, 2.6% and 2.6%, respectively, of our total cost of sales in the same periods.

None of our Directors, Supervisors, their respective Associates or Shanghai Pharmaceutical (Group), Shanghai Shengrui or Shanghai Shangshi (the only Shareholders of the Company, which, to the knowledge of the Directors, directly or indirectly own more than 5% of our share capital) or their respective Associates has any interest in any of the above-mentioned suppliers.

INTELLECTUAL PROPERTY

We recognize 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 own and have applied for patents to protect the technologies, inventions and improvements that we believe are significant to our business. As of December 31, 2010, we have 319 patents.

As of December 31, 2010, the remaining protection periods for our patents range from two to 18 years. Generally, a patent holder enjoys the exclusive right to exclude others from using, licensing and otherwise exploiting the patent in the country that issued the relevant patent. However, there is no assurance that our patents will not be challenged, which could be costly to defend and could divert our management from their normal responsibilities. In May 2009, our invention patent relating to a ginkgoleaf compound and its preparation method was declared invalid by the SIPO. We filed an appeal with a court in Beijing. In October 2010, the court ruled in our favor and declared our invention patent to be valid. The SIPO is in the process of appealing this decision. In another instance, a third party individual filed a lawsuit in a PRC court in 2006 challenging our ownership of an invention patent relating to a genetically engineered adenovirus and its application. The court ruled adversely against us in November 2010 by determining that the third party individual was the inventor and owner of that patent. We are currently in the process of appealing this decision. Our PRC legal counsel, Grandall Legal Group, has advised us that we are not subject to any monetary liabilities to the other parties with respect to these two legal proceedings because they are disputes over ownership of patent rights. We have commenced the production and sale of both the ginkgoleaf compound and the genetically engineered adenovirus. In 2008, 2009 and 2010, revenue generated from these two products totaled RMB5.0 million, RMB3.0 million and RMB3.9 million, respectively. Due to the limited production scale of these two products, we do not believe that the outcome of the legal proceedings challenging our patents relating to these products will have any material adverse impact on our business, financial conditions or results of operations. We are not aware of any other pending claims or challenges against us relating to intellectual property rights. See "Risk Factors — Risks Relating to Our Business Operations — If we are unable to protect our intellectual property, such as our technology and manufacturing know-how, our business, financial condition and results of operations could be materially and adversely affected."

We also rely on trademarks to protect our non-patented products. As of December 31, 2010, we maintained 806 trademark registrations in the PRC. Under applicable PRC law, we have the exclusive right to use a trademark for products and services for which such trademark has been registered with the Trademark Office. 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 could also impose fines, or confiscate or destroy the infringing products or equipment used to manufacture the infringing products.

We own a number of trademarks that are recognized as Well-known Trademarks, including "Sine (信誼)," "Leishi (雷氏)," "Longhu (龍虎)," "Huqingyutang (胡慶餘堂)" and "Cangsong (蒼松)." We are committed to increasing and enforcing our trademark rights, which are 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 to protecting our own intellectual property, our success also depends on our ability to minimize the risk that any of our products or operations infringes the intellectual property rights of others. As a general matter, we follow a procedure under which our internal research and development staff and external patent agent or legal advisors 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 could be effectively reduced by our rigorous adherence to these procedures. Even with our internal control procedures, the risk of infringing third party intellectual property rights cannot be eliminated entirely. See "Risk Factors — Risks Relating to Our Business Operations — If our products infringe on the intellectual property rights of third parties, we may incur substantial liabilities, and we may be unable to sell these products."

COMPETITION

The pharmaceutical manufacturing, distribution and retail industries are highly competitive. We compete with domestic and foreign competitors, which vary widely by region and size of operations.

Pharmaceutical Business

According to the NFS Report, there were over 5,300 pharmaceutical manufacturers in the PRC at the end of 2009. Our pharmaceutical business competes directly with manufacturers engaged in producing the same type of pharmaceutical products and indirectly with pharmaceutical manufacturers producing products with similar therapeutic effects, which can be used as substitutes to our products. We will also face competition when we expand into other markets, and new competitors may emerge in our existing markets. Our competitors vary by product and, in certain cases, different competitors may have greater or lesser market shares by region in the PRC. Our major competitors in the pharmaceutical business are large PRC pharmaceutical companies, such as Harbin Pharmaceutical Group Co., Ltd. and Shijiazhuang Pharmaceutical Group Co., Ltd.

The pharmaceutical industry is characterized by rapid product development and technological changes. We believe we compete with other pharmaceutical manufacturers in the PRC based on our product portfolio, product efficacy, safety, reliability and availability, research and development capability and sales and marketing ability. According to the NFS Report, we were the third largest pharmaceutical manufacturer in the PRC at the end of 2009. As of December 31, 2010, we had over 950 pharmaceutical products in production. We believe we are capable of adapting to changing market demand for pharmaceutical products. We have been manufacturing our products in accordance with national GMP standards and follow our stringent quality control procedures to achieve high-quality. We conduct advanced pharmaceutical research and development to both improve our existing products and introduce new products. Finally, our sales and marketing teams work with pharmaceutical distributors nationwide, including our own distribution operations. We plan to further integrate our pharmaceutical business and our pharmaceutical distribution and supply chain solutions business so that our pharmaceutical business may benefit from the extensive network of our distribution operations.

Pharmaceutical Distribution

We face intense competition in the distribution of pharmaceutical and healthcare products in the PRC. According to the NFS Report, the pharmaceutical distribution market in the PRC is highly fragmented, consisting of more than 10,000 distributors as of December 31, 2009. In 2009, the three largest distributors in the PRC accounted for 20.9% of the PRC market in terms of total pharmaceutical distribution revenue, according to the NFS Report. According to the NFS Report, our market share, measured as a percentage of the total revenue of pharmaceutical distributors in the PRC, was 4.6% in 2009.

We were the largest pharmaceutical product distributor in the Eastern China Region in 2009, and we face competition primarily from large national and regional pharmaceutical product distributors operating in the region, such as Sinopharm Group Co., Ltd., Jointown Pharmaceutical Group., Ltd. and China Resources Medications Group Limited. We compete with our competitors on the basis of depth of distribution network, type of customer served, breadth of product portfolio, logistics and value-added services programs and governmental affairs. We specialize in serving hospital customers and have built an extensive network of hospital customers in the Eastern China Region. Through working with local government authorities, we have substantially increased our market share among the community hospitals in Shanghai, and we plan to expand our success to other parts of the region and beyond. We seek to further differentiate ourselves from our competitors by the breadth of our product portfolio. In addition, we provide sophisticated logistics and value-added services to attract customers and suppliers.

We seek to expand our pharmaceutical distribution and supply chain solutions business nationally, primarily through acquisitions of, and partnerships with, leading pharmaceutical product distributors in other parts of the PRC. We also explore opportunities to extend the reach of our distribution network through cooperation with other logistics service providers, such as China Post Logistics Co., Ltd. (中郵物流有限責任公司). As we enter into new markets, we will face competition from existing distributors in those markets. These competitors have introduced successful business models and advanced logistics and information management systems, which may lead to increased direct competition.

Regardless of the degree or type of competition, we must continue to explore new customer relationships and business opportunities and further serve our existing customers by providing a comprehensive product portfolio, maintaining efficient inventory controls, offering flexible and reliable services and providing competitive pricing to remain competitive.

Pharmaceutical Retail

According to the NFS Report, there were approximately 387,870 retail pharmacies in the PRC in 2009. We compete with certain regional and local retail pharmaceutical chains, as well as independent pharmacies, supermarket and convenience chains, discount merchandisers, mail order prescription providers, membership clubs and Internet pharmacies. Our major competitors in the pharmaceutical retail business include Sinopharm Group Co., Ltd. and China Nepstar Chain Drugstore Ltd.

We compete principally on the basis of store location and convenience, particularly in Shanghai, professionally trained staff, stringent management and our brand name. We believe that the continued consolidation of the pharmaceutical retail market and continued new store openings by chain store operators will further increase competitive pressures in this market. Although the geographical dispersion of our retail pharmacies enables us to offset the impact of competitive conditions in individual markets, we believe that more new store openings in certain of our existing markets may intensify competition. Moreover, local regulations in certain cities may prohibit the opening of new retail pharmacies within certain distances of an existing store, and where competitors have occupied many prime locations, we expect to face additional competition in terms of finding suitable new store locations if we expand in these cities.

In light of increasing competition, we seek to continue expanding our competitive advantages, including further enhancing our cross-segment integration to achieve the benefits offered by our vertically integrated business model.

QUALITY CONTROL

We maintain a highly stringent quality control system and devote significant attention to quality control for our pharmaceutical, pharmaceutical distribution and supply chain solutions and pharmaceutical retail businesses. We have established a comprehensive quality control system that provides quality standards and operating procedures covering every stage of the pharmaceutical value chain, from research and development to manufacturing, distribution and retail. Our comprehensive quality control system is designed according to the GMP and GSP requirements and with reference to certain standards recommended by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use. Our quality control system fully implements the procedures for periodic quality control audit, quality risk management and error correction and prevention. Our senior management is also actively involved in setting quality policies and improving quality control standards.

Pharmaceutical Business

In our pharmaceutical business, we have established quality control systems in accordance with the relevant PRC laws, rules and regulations. Our quality and safety standards include many features not required or specified in the PRC GMP standards, such as a quality control manual that sets forth requirements for management commitments to quality control targets and a comprehensive quality control system with procedures for quality inspection and audit. Our quality control measures cover all aspects of our pharmaceutical operations, including research and development, design and construction of manufacturing plants and facilities, the installation and maintenance of manufacturing equipment, procurement of raw materials and packaging materials, quality checks of raw materials, work-in-progress and finished products, monitoring adverse drug reactions and verification of documentation to comply with GMP standards and requirements. In addition, we have established a product quality laboratory at our Central Research Institute that is primarily responsible for identifying and resolving potential product quality issues before we commence the manufacturing of a product.

As a result, we have not experienced any material safety problems concerning our products as reported by our customers or relevant government authorities or any material product liability or legal claims due to the quality of our pharmaceutical products, and have not been subject to any adverse findings in any investigation or audit by any government authority in 2008, 2009 and 2010.

Pharmaceutical Distribution and Supply Chain Solutions

In our pharmaceutical distribution and supply chain solutions business, we fully comply with all relevant PRC laws, rules and regulations to ensure the quality of our operations. Furthermore, we only use suppliers that have excellent credentials and product quality track records. Our quality control department at our head office and quality inspectors at our distribution subsidiaries are responsible for implementing quality control measures in our pharmaceutical distribution operations. We also have climate-controlled warehouses to maintain suitable storage conditions for the quality and safety of pharmaceutical products.

We provide a pharmaceutical product examination report for our different pharmaceutical products. We also provide "imported pharmaceutical product examination reports" and "imported pharmaceutical product certifications" for imported pharmaceutical products. When we receive products for distribution, we conduct spot inspections to examine these products in accordance with their pharmaceutical product examination reports. If the pharmaceutical products are qualified and have complete reports, we will store them in our warehouse for distribution. If such products do not pass the examination, or if the reports are incomplete, we will notify the supplier immediately without storing the products in our warehouse.

In addition, certain specialty medicines are stored separately in controlled settings and overseen by specially trained personnel. In order to comply with certain SFDA requirements, two specially trained personnel generally escort the transport of such medicine. Expired medicine is stored in separate warehouses, and we immediately notify the relevant personnel to initiate the destruction procedures. Expired medicine is generally disposed of in two ways: (i) we return such medicine to where it originated; or (ii) we are given authorization to immediately destroy it in a controlled environment.

Pharmaceutical Retail

In our pharmaceutical retail business, our quality control starts with the procurement process. In particular, we screen GMP-certified manufacturers in the PRC and select a core group of suppliers to supply our products after reviewing their product selection and quality, manufacturing, packaging, transportation and storage capabilities, as well as cost competitiveness. We conduct spot quality inspections of each batch of products we receive, and promptly replace our suppliers if they fail to pass our quality inspections. Since we maintain an extensive network of suppliers and standby suppliers, we do not believe that we will incur any material interruption to our business and operations if we choose to discontinue our relationships with certain suppliers due to their unsatisfactory quality control records.

We place strong emphasis on the quality of the services rendered by our employees at all levels, including in-store pharmacists and store staff who directly interact with our customers. We regularly dispatch quality control inspectors to our pharmacies to monitor the service quality of our staff. We also take into account the feedback received during these inspections when determining employee promotions or bonuses. In 2008, 2009 and 2010, we had not experienced any claim, litigation or arbitration or material adverse findings in investigations or audits by government authorities with respect to product liability, personal injury, wrongful death or negligent advice by our in-store pharmacists.

OCCUPATIONAL HEALTH AND SAFETY

The PRC government imposes a number of regulatory requirements on pharmaceutical companies with regard to employee safety. See "Regulation — Occupational Health and Safety" for a discussion of these requirements. We regard occupational health and safety as one of our important social responsibilities and have implemented safety measures at our production facilities to ensure compliance with applicable regulatory requirements. In particular, each of our operating business entities has established its designated safety supervision team to oversee the implementation of the safety measures of that entity. We also maintain a safety inspection team at each entity. These safety supervision teams conduct periodic inspections of operating facilities to ensure that our pharmaceutical,

pharmaceutical distribution and supply chain solutions and pharmaceutical retail operations are in compliance with existing laws, rules and regulations. We believe that safety practices are the only means to ensure employee safety, and our safety function conducts regular safety training sessions for employees, including accident prevention and management.

We have also adopted a safe production development and accident prevention implementation policy, which provides comprehensive guidelines on occupational health and safety. Among other things, the policy: (i) identifies the personnel and department responsible for accident prevention; (ii) details each employee's responsibility to prevent accidents and promote safety awareness; and (iii) requires safety performance reports on a regular basis.

We conduct periodic inspections of our logistics centers to ensure that our logistics operations comply with existing PRC laws, rules and regulations. We also conduct regular training sessions for employees on accident prevention and management. We have adopted combustible air detection and explosion-proof electrical equipment to minimize the risk of injury at our logistics centers, manufacturing facilities, warehouses and laboratories. Some of the products and chemicals we distribute or manufacture are inherently dangerous, and we have adopted strict policies in accordance with relevant national standards when handling such products.

However, some of our business operations involve certain risks and hazards that are inherent in such activities and may not be completely eliminated by safety measures. These risks and hazards could result in damage to, or destruction of, properties or facilities, personal injury, environmental damage, business interruption and possible legal liability. See "Risk Factors — Risks Relating to Our Business Operations — Our business operations may be materially and adversely affected by present or future environmental regulations or enforcement and we deal with potentially hazardous materials that may cause environmental contamination or injury to others."

ENVIRONMENTAL MATTERS

Our pharmaceutical distribution and retail operations are primarily governed by general environmental protection laws and related regulations. We must comply with relevant provisions governing environmental protection and appraisal of environmental impact, as well as national and provincial standards of environmental quality established by various government authorities. For example, with respect to the development projects of our logistics centers, we are required to carry out an environmental impact assessment and submit these assessment documents to relevant competent authorities for approval before we commence construction of these projects.

Our pharmaceutical manufacturing operations are governed by national, provincial and local environmental laws, rules and regulations. The relevant laws, rules and regulations applicable to pharmaceutical manufacturers in the PRC include provisions governing air emissions, water discharge, prevention and treatment of sewage and exhaust fumes and the management and disposal of hazardous substances and waste. Manufacturers are also required to conduct an environmental impact assessment before engaging in new construction projects to ensure that the production processes meet the required environmental standards to treat wastes before the wastes are discharged. The primary wastes generated from our pharmaceutical manufacturing processes are air emissions, waste water, alcohol and organic waste, which are generated in compliance with all applicable environmental laws, rules and regulations. Furthermore, PRC national and local environmental protection laws, rules and regulations impose fees for the discharge of pollutants and, in cases where the pollutants have not been properly treated, fines for such discharge. The relevant environmental laws, rules and regulations empower certain governmental authorities to shut down any enterprise that violates such laws, rules and regulations through the discharge of pollutants. See "Risk Factors — Risks Relating to Our Business Operations — Our business operations may be materially and adversely affected by present or future environmental regulations or enforcement and we deal with potentially hazardous materials that may cause environmental contamination or injury to others."

In 2008, 2009 and 2010, we carried out the relevant environmental impact assessments before commencing construction of our manufacturing facilities and have obtained all the required permits and environmental approvals for our manufacturing facilities. To ensure compliance with relevant laws, rules and regulations on pollution control, we have established wastewater treatment and waste management facilities at our pharmaceutical production sites. Our production facilities have complied with all relevant environmental and manufacturing standards required by the GMP certification system. In addition, certain of our manufacturing subsidiaries have also obtained ISO14001 certification for their environmental management systems from the Universal Certification Service Co., Ltd., an organization authorized to issue quality control certification, such as ISO certifications. We incurred costs of RMB30.2 million, RMB6.9 million and RMB8.2 million in 2008, 2009 and 2010, respectively, to comply with relevant environmental protection laws, rules and regulation.

We believe we are currently in compliance in all material respects with applicable national, provincial and municipal environmental laws, rules and regulations, and we have obtained all the relevant government approvals in relation to our operations. From January 1, 2008 and up to the Latest Practicable Date, we had no major incident and had not been the subject of any material environmental complaint with respect to environmental violations.

We are not aware of any pending litigation or significant financial obligations arising from our current or past environmental practices that are likely to have a material adverse effect on our financial position. However, we cannot predict the impact that unforeseeable environmental contingencies or new or amended laws, rules or regulations may have on us or our production facilities. In this regard, as PRC environmental compliance requirements continue to evolve, we may be required to make significant expenditures in order to comply with environmental laws, rules and regulations that may be adopted or imposed in the future. We are also not able to predict our annual cost of compliance with respect to the environmental laws, rules and regulations that may be adopted or imposed in the future. For further information on the environmental laws, rules and regulations governing our operations, see "Regulation — Environmental Protection."

Our plans to address potential environmental laws, rules and regulations that may be adopted in the future comprise the following: (i) designating our legal and industrial departments to oversee and maintain our compliance with environmental protection policies; (ii) providing annual training to our staff regarding compliance with PRC environmental laws, rules and regulations, and more frequent training, as required upon adoption of new environmental laws, rules and regulations, and encouraging our staff to also attend environmental protection training sessions organized by the local environmental protection authorities; (iii) conducting weekly on-site inspections of our facilities; (iv) immediately reporting to our general manager any violation of PRC environmental protection laws, rules and regulations; and (v) immediately reporting to and coordinating with the applicable PRC regulatory authorities in the event of environmental violations.

INSURANCE

We maintain property insurance policies covering our inventories, equipment and facilities in accordance with customary industry practice. We do not maintain product liability insurance or insurance covering potential liability relating to the release of hazardous materials, as we believe maintaining product liability insurance for pharmaceutical products and insurance relating to the release of hazardous materials is not a common industry practice in the PRC. Furthermore, we do not maintain business interruption insurance or key-employee insurance for our Directors, as we believe it is not the normal industry practice in the PRC to maintain such insurance. We carry occupational injury, medical, pension, maternity and unemployment insurance for our employees, in compliance with applicable regulations. We consider our current insurance coverage to be adequate. However, we will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance practices to align with our needs and with industry practice in the PRC.

PROPERTIES

Head Office

Our headquarters is at No. 200 Taicang Road, Shanghai, PRC.

Buildings and Units

As of February 28, 2011, we owned 1,386 buildings and units with an aggregate gross floor area of 1,389,383 square meters, substantially all of which were located in the PRC. Among these properties, an aggregate gross floor area of 652,322 square meters are used for industrial purposes, an aggregate gross floor area of 228,128 square meters are used for offices, an aggregate gross floor area of 243,347 square meters are used for storage and an aggregate gross floor area of 265,587 square meters are used for commercial and other purposes.

We have obtained the relevant title certificates for most of the buildings and units occupied and used by us in the PRC. In particular:

We have obtained all the relevant title certificates for the land use rights and building ownership for 1,076 buildings and units with an aggregate gross floor area of 1,076,079 square meters. Among these properties:

- 36 buildings and units with an aggregate gross floor area of 44,040 square meters are built on collectively-owned land. We have obtained all approvals to use such collectively-owned land. However, we are not entitled to transfer, lease, mortgage or otherwise dispose of the collectively-owned land or the buildings erected thereon until we obtain approvals from the relevant government authorities and pay additional premium or land appreciation yields for the relevant collectively-owned land.

- 344 buildings and units with an aggregate gross floor area of 333,505 square meters are built on land that has been allocated to us by government authorities. Our PRC legal counsel, Grandall Legal Group, has advised us that we are entitled to occupy and use such land and construct buildings thereon. However, we may not transfer, lease, mortgage or otherwise dispose of government-allocated land or the buildings thereon unless we obtain approvals from the relevant government authorities and pay additional premium or land appreciation yields for the relevant government-allocated land. Among these properties, 185 buildings and units with an aggregate gross floor area of 167,193 square meters are located on land that has been listed on government planning policies as reserved land. Our PRC counsel, Grandall Legal Group, has advised us that we are not allowed to transfer, lease, mortgage or otherwise dispose of such reserved land or the building and units thereon. Pursuant to the agreements we entered into with the relevant government authorities, we would be granted land use rights of an aggregate gross floor area equaling such reserved land when we vacate and return the relevant reserved land to the government. We agreed to return the land to the government by December 2012.

- 63 buildings and units with an aggregate gross floor area of 62,873 square meters are located on land we leased from third parties.

- a small number of buildings and units beneficially owned by our Company are currently registered under the names of certain third party minority shareholders of our subsidiaries. These third party shareholders transferred the ownership of the buildings and units to the relevant subsidiaries as capital contributions. However, the relevant registration process was not completed. Our PRC legal counsel, Grandall Legal Group, has advised us that the application for change of the registered names to our relevant subsidiaries is an administrative matter and there is no legal impediment to proceed such process. We currently plan to dispose of these buildings and units. We are in the course of negotiating the sale of some of these properties and the disposal of our interest in the subsidiary that holds other such properties.

We have not obtained the relevant building ownership certificates for 253 other buildings and units with an aggregate gross floor area of 287,897 square meters, representing 20.7% of the total floor area of the buildings and units occupied and used by us as of February 28, 2011. These properties are primarily used for industrial purposes. Eleven of these 253 buildings and units are located on granted land with land use rights certificates or land use approvals and construction certificates or approvals, and we are in the process of obtaining the relevant building ownership certificates. With respect to 101 of these buildings and units, we have not obtained the relevant building ownership certificates due to the lack of relevant construction certificates or approvals. For the remaining 141 buildings and units, we have not obtained the relevant building ownership certificates due to the lack of relevant land use rights certificates and construction certificates or approvals. Our PRC legal counsel, Grandall Legal Group, has advised us that, with respect of these 253 buildings and units, we may be ordered to dismantle such properties and may also be subject to fines equaling up to 10% of the construction cost. The Directors do not expect the amount of such potential fines to be material to us. In addition, among those for which we have obtained the relevant building ownership certificates, 57 buildings and units with an aggregate gross floor area of 25,406 square meters, representing 1.8% of the total floor area of the buildings and units occupied and used by us as of February 28, 2011, are without relevant land use right certificates. These properties are primarily used for commercial purposes. According to our PRC legal counsel, Grandall Legal Group, we may not transfer, lease, mortgage or otherwise dispose of these 310 buildings and units until we obtain approvals from relevant authorities, pay the land transfer premium and other related fees for such land use rights and complete the registration process.

We believe that such properties are not crucial to our operations and the lack of the title certificates does not and will not have a material adverse effect on our business, results of operations and financial condition because the defective properties represent a small portion of the total value of our properties, and we believe we can, if necessary, relocate to alternative premises without materially affecting our operations. We plan to take a number of remedial actions for these properties, including applying for the relevant title certifications and disposing of some properties and relocating the facilities and personnel on such properties to alternative premises. In addition, we have reached agreements with local governmental authorities regarding the relocation of our business on 20 of such properties with an aggregate gross floor area of 5,265 square meters located on land listed in government planning policies as reserved land. Shanghai Pharmaceutical (Group), a Controlling Shareholder, has agreed to indemnify us against any losses or damages we may suffer as a result of any deficiency in the land use rights or building ownership titles of these properties.

We have obtained all the relevant title certificates for our buildings and units located outside the PRC.

Properties under Construction

As of February 28, 2011, we had 16 buildings and units that were under construction, with an aggregate planned gross floor area of 47,348 square meters. We anticipate using these buildings mainly for production, storage and other logistics purposes. Among these properties under construction, we have not obtained the relevant construction certificates for 12 buildings and units with an aggregate gross floor area of 16,772 square meters. We are not aware of any material safety concerns regarding these buildings and units. Our PRC legal counsel, Grandall Legal Group, has advised us that, with respect to these properties under construction, we may be ordered to cease or dismantle the constructions and may also be subject to fines of up to 10% of the construction cost.

Leased Properties

As of February 28, 2011, we leased 815 buildings and units with an aggregate lettable area of 445,692 square meters in the PRC from third parties. See "Connected Transactions — Exempt Continuing Connected Transactions — Property Leases — Our Group as Lessee" for a description of leases from connected parties. Our leased properties are used for storage, commercial, production office and residential purposes.

Among these leased buildings and units, the lessors of 446 buildings and units, representing an aggregate lettable area of 373,889 square meters, held the relevant building ownerships or have registered the lease agreements with the relevant PRC authorities. For the other 369 buildings and units, representing an aggregate lettable area of 71,802 square meters, the lessors have not provided us with the relevant building ownership certificates. The lessors of six of these 369 leased buildings and units, with an aggregate lettable area of 7,957 square meters, have undertaken to indemnify us for losses arising from their defective legal titles or other rights to such buildings and units. Our PRC legal counsel, Grandall Legal Group, is of the view that most of these buildings and units leased by us can, if necessary, be replaced by other comparable alternative premises in relevant regions without any material adverse effect on our operations or financial condition.

Property Valuation

Jones Lang LaSalle Sallmanns, an independent valuer appointed by us for the purpose of the Listing, has valued properties owned by us as of February 28, 2011 at RMB3,381.7 million, with RMB2,433.1 million attributable to our Company. The text of the letter and the valuation certificates issued by Jones Lang LaSalle Sallmanns are set out in the valuation report set forth in Appendix VI to this Prospectus.

EMPLOYEES

As of December 31, 2008, 2009 and 2010, we had 31,856, 30,190 and 31,493 full-time employees, respectively. The table below sets forth a breakdown of our employees by function as of December 31, 2010:

	Number of employees	% of total employees
Operations	11,524	36.6%
Sale and marketing	12,315	39.1
Research and development, technical support and quality control	3,055	9.7
Management, finance and administrative	3,062	9.7
Others(1)	1,537	4.9
Total	31,493	100.0%

Note:

(1) Others include office support staff, office security staff and drivers.

We have implemented a number of initiatives in recent years to enhance the productivity of our employees, which we hire through a competitive process. In particular, we conduct periodic performance reviews for our employees, and their salaries and bonuses are performance based. In addition, we have implemented training programs for various positions. We believe that these initiatives have increased employee productivity.

The remuneration package for our employees generally includes salary and bonuses. Employees also receive welfare benefits, including medical care, housing subsidies, pension, occupational injury insurance and other miscellaneous benefits. As required by applicable PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including housing funds, pension, medical, maternity and unemployment benefit plans. Furthermore, we are required under PRC law 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 respective local government authorities where we operate our businesses 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. We also provide post-employment benefits to certain of our retired employees.

The total amount of our employee benefit expenses in 2008, 2009 and 2010 were RMB1,521.3 million, RMB1,569.5 million and RMB1,628.3 million, respectively.

As of the date of this Prospectus, all members of our work force are employed under employment contracts which specify the employee's position, responsibilities, remuneration and grounds for termination. All employees who are unable to work due to illness or disability are entitled to receive certain benefits during their period of absence from the workplace. In addition, the PRC government requires us to provide work-related injury insurance for each of our employees. We and our subsidiaries have labor unions that protect employees' rights, help fulfill our and our subsidiaries' economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. Our operating units have labor union branches. We believe that we have positive relations with our employees.

We provide extensive training for employees. The training is designed to help our employees to meet their job requirements, strengthen their commitment to quality and improve staff knowledge in a number of important areas relating to our products and services. For example, we provide an array of training programs and courses covering various aspects of our business operations, such as medical knowledge, product registration processes, intellectual property protection, GMP and GSP requirements, quality control standards, production management, safety, logistics operations management, sales and marketing techniques and customer services skills. We also provide training to our management team in areas including corporate culture, business process and planning, development of leadership and effective communication and management skills. We believe that these programs have enhanced the productivity of our employees and the overall performance of our company.

PERMITS, LICENSES AND APPROVALS

As of the date of this Prospectus, we had obtained all requisite permits, licenses and approvals for our business operations. See the section headed "Regulation" for further information on permits, licenses and approvals applicable to our operations.

LEGAL PROCEEDINGS

From time to time, we have been, and may in the future be, involved in arbitration, litigation or regulatory proceedings relating to contract disputes, intellectual property rights disputes and other matters in the ordinary course of our business. As of the Latest Practicable Date, we had one unresolved legal proceeding involving claim(s) against us in excess of RMB5 million as described below, and did not otherwise have any pending material legal proceeding against us.

In June 2008, Industrial Bank initiated an arbitration proceeding against us and Shenzhen Kondarl, an Independent Third Party, for the repayment of the principal and interest of a RMB80.0 million loan extended by Industrial Bank to Shenzhen Kondarl in 2005, for which we were the guarantor. The guaranty of Shenzhen Kondarl's loan was provided prior to the 2009 Restructuring by Zhongxi Pharmaceutical, over which we had no control at that time. Pursuant to our Articles of Association, neither our Company nor our subsidiaries are authorized to provide guaranty to any independent third party without the approval of the Board and, if the guaranty is over a certain amount or meets certain other criteria, that of the Shareholders. See Appendix IX — "Summary of Articles of Associations." Shenzhen Kondarl repaid a portion of the loan in 2009. Pursuant to a mediation agreement entered into by Industrial Bank, Shenzhen Kondarl, us and certain other parties in January 2011, Shenzhen Kondarl is required to repay the balance of the loan and interest thereon by March 31, 2011, upon which we will be released from the guaranty. As of March 31, 2011, Shenzhen Kondarl has not repaid the loan in accordance with the mediation agreement, and the outstanding balance of our guaranty obligation was RMB72.6 million. We do not believe that the payment of the guaranty by us is probable and thus have not made any provision for the outstanding balance of the guaranty.

While we cannot predict the outcome or impact of any pending or future arbitration, litigation or other legal proceedings, we do not believe that any pending arbitration, litigation or legal proceeding will have a material adverse effect on our business, financial condition or results of operations. However, we cannot assure you that any future legal proceeding will not have an adverse outcome, which could have a material adverse effect on our results of operations or cash flows.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information included in Appendix I — "Accountants' Report of the Company" to this Prospectus, which has been prepared in accordance with HKFRS. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors."

OVERVIEW

As a national pharmaceutical group headquartered in Shanghai, we are the only integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical product and distribution markets. Our vertically integrated business model enables us to benefit from major stages of the pharmaceutical industry value chain, as well as enjoy the potential synergies arising from our coordinated efforts across business segments. We believe our market leadership will enhance our ability to increase market share through both organic growth and acquisitions, as well as provide us with sufficient resources to continue developing new products and distribution services to drive our future growth and profitability.

We primarily operate in the following three business segments in the PRC:

- *Pharmaceutical business*. We are engaged in the research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products.

- *Pharmaceutical distribution and supply chain solutions*. We provide distribution, warehousing, logistics and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies.

- *Pharmaceutical retail*. We operate and franchise a network of retail pharmacies across nine provinces, municipalities and autonomous regions.

We were the third largest pharmaceutical company in the PRC in terms of revenue of pharmaceutical business in 2009, according to the NFS Report. We manufacture and market a broad range of pharmaceutical products, spanning chemical drugs, modern Chinese medicines, biopharmaceutical products and other pharmaceutical products, including approximately 70.0% of the drugs on the National List of Essential Drugs. The majority of our pharmaceutical products are prescription drugs. We manufacture many products in therapeutic areas with significant current market demand or future market potential, such as cardiovascular system, alimentary tract and metabolism, central nervous system, antiinfectives for systemic use and antineoplastic and immunomodulating agents. According to the NFS Report, in terms of 2009 sales, drugs that fall within the top five therapeutic areas of the PRC chemical and biopharmaceutical drug market represented 78.5% of the total sales of chemical and biopharmaceutical drugs in the PRC, and drugs that fall within the top five therapeutic areas of the PRC modern Chinese medicine market represented 79.1% of the total sales of modern Chinese medicines in the PRC. As of December 31, 2010, over 400 of our pharmaceutical products fall within these therapeutic areas.

As of December 31, 2010, we had 53 major products (including two products of Techpool Bio-Pharma), which, in aggregate, accounted for 52.4% of the segment revenue of our pharmaceutical business in 2010. Our portfolio of major products will expand to include six additional products upon the completion of our pending acquisitions of the Antibiotics Business.

We were the second largest distributor of pharmaceutical products in the PRC in terms of revenue in 2009, according to the NFS Report. As of December 31, 2010, we operated a national distribution network comprising 41 subsidiaries and branches, as well as 32 logistics centers and warehouses located strategically across the Eastern China Region, the Northern China Region and the Southern China Region. These three regional markets, in aggregate, accounted for 67.0% of the entire PRC pharmaceutical distribution market in terms of sales in 2009, according to the NFS Report. In 2010, we derived 58.8% of the external revenue of our pharmaceutical distribution and supply chain solutions business from sales of imported medicines and those manufactured by subsidiaries of international pharmaceutical companies in the PRC. In addition, we specialize in distributing products directly to hospitals and other medical institutions, including community healthcare centers and clinics, which generally has higher margins than sales to other distributors. We directly sell our products to over 7,600 hospitals and other medical institutions in the PRC, including 229, or 63.8% of, Class III hospitals and 879, or 55.7% of, Class II hospitals in the Eastern China Region. In 2010, our direct sales accounted for 61.9% of the external revenue of our pharmaceutical distribution and supply chain solutions business. We extend our reach to other customers throughout the PRC through sales to other distributors.

We operate a retail pharmacy network in nine provinces, municipalities and autonomous regions in the PRC. As of December 31, 2010, our retail pharmacy network consisted of 1,682 retail pharmacies, among which 1,187 were directly operated retail pharmacies (including 363 retail pharmacies we operated through our jointly controlled entity, Jiangxi Nanhua) and 495 were franchise pharmacies. We were the largest pharmacy chain in the Eastern China Region in terms of revenue in 2009, according to the NFS Report. Our retail pharmacies operate under nationally or regionally well-known brand names, such as "Huashi (華氏)" and "Leiyunshang (雷允上)."

We have established a number of pharmaceutical manufacturing joint ventures with leading international pharmaceutical companies and other joint venture partners, such as Bristol-Myers Squibb (China) Investment Co. Ltd. and Roche Finance Ltd. In 2008, 2009 and 2010, we derived 23.9%, 14.5% and 13.0%, respectively, of our profit before income tax from these jointly controlled entities and associates.

We have experienced significant revenue growth in recent years. In particular, our revenue increased from RMB27,440.8 million in 2008 to RMB31,228.2 million in 2009, and to RMB37,381.6 million in 2010. Our net profit, defined as after-tax profit attributable to our equity holders, increased from RMB697.0 million in 2008 to RMB1,296.8 million in 2009, and to RMB1,368.3 million in 2010. The increase in net profit in 2009 partly reflected a one-time pre-tax gain of RMB536.4 million on the disposal of our equity interest in Lianhua Supermarket in 2009. In 2010, segment revenue of our pharmaceutical business, pharmaceutical distribution and supply chain solutions business and pharmaceutical retail business was RMB8,075.2 million, RMB29,149.9 million and RMB1,725.5 million, respectively, representing 21.6%, 78.0% and 4.6% of our revenue, respectively.

BUSINESS CONSOLIDATIONS AND BASIS OF PRESENTATION

The 2009 Restructuring

From late 2009 to early 2010, the Company and the Controlling Shareholders underwent the 2009 Restructuring. The 2009 Restructuring was undertaken with the aim of consolidating substantially all of the pharmaceutical businesses held directly or indirectly by the Controlling Shareholders and injecting such businesses into our Group to create a vertically integrated pharmaceutical company. The 2009 Restructuring primarily consisted of the following three transactions:

- the acquisition of certain pharmaceutical businesses from Shanghai Pharmaceutical (Group) in exchange for our newly issued Shares;
- the acquisition of all outstanding shares of Shanghai Industrial Pharma and Zhongxi Pharmaceutical in exchange for our newly issued Shares; and
- the acquisition of Shanghai Industrial Holdings's interests in its certain pharmaceutical business in exchange for the cash proceeds we received from the issuance of our newly issued Shares to Shanghai Shangshi.

The 2009 Restructuring was completed in April 2010. See "History, Restructuring and Corporate Structure — History and Development — The Restructuring — The 2009 Restructuring." As our Company and these acquired businesses were under common control of SIIC, which is controlled by the Shanghai SASAC, all of these acquisitions were accounted for using the principles of merger accounting under HKFRS. Our net assets and those of the businesses acquired under the 2009 Restructuring were combined using the existing book values from the controlling person's perspective. No amount is recognized in respect of goodwill or the excess of our interest in the net fair value of these acquired businesses' identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of these business combinations. All of our financial information presented in this Prospectus, including our consolidated financial statements included in Appendix I — "Accountants' Report of the Company," included the financial conditions, results of operations and cash flows of the businesses acquired under the 2009 Restructuring as if the 2009 Restructuring had been completed prior to January 1, 2008.

Other Acquisitions

In 2009 and 2010, we completed a number of strategic acquisitions of pharmaceutical businesses that were not part of the 2009 Restructuring, including, among others, the acquisitions of Fujian Pharmaceutical in July 2010, Guangzhou Z.S.Y. in August 2010 and Beijing Aixin Weiye in November 2010. We also completed our acquisition of CHS in April 2011. As we were not under common control with these acquired businesses prior to the acquisitions, these acquisitions were accounted for using the principles of acquisition accounting under HKFRS, and we commenced consolidating the acquired businesses' financial conditions, results of operations and cash flows from the respective acquisition dates.

Techpool Bio-Pharma

We acquired an aggregate of 51.0% of equity interests in Techpool Bio-Pharma in 2004, which was diluted to 40.8% in June 2009 due to investments in Techpool Bio-Pharma by a new shareholder. By virtue of our majority ownership prior to June 2009 and the control agreements thereafter, we had control over the financial and operating policies of Techpool Bio-Pharma in 2008, 2009 and 2010, and accounted for Techpool Bio-Pharma as a consolidated subsidiary in these periods. Because of the expiration of the relevant control agreement, we have accounted for Techpool Bio-Pharma as an associate and our investment in Techpool Bio-Pharma using the equity method of accounting since January 1, 2011. See "Business — Pharmaceutical Business — Joint Ventures — Techpool Bio-Pharma."

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We believe that the most significant factors that have affected or are expected to affect our results of operations and financial condition include, among others:

- the growth of the PRC pharmaceutical market;
- business acquisitions;
- product portfolio and pipeline;
- PRC government policies and pharmaceutical regulations;
- distribution customers and products;
- control of procurement cost;
- vertical integration of our business segments; and
- operational efficiency.

The Growth of the PRC Pharmaceutical Market

Our business expansion and revenue growth depend on the growth of the pharmaceutical market, particularly the pharmaceutical products, distribution and retail markets, in the PRC. In 2009, the sales of the PRC pharmaceutical products and distribution markets totaled RMB619.4 billion and RMB568.4 billion, respectively, according to the NFS Report. The sales of pharmaceutical products and distribution markets in the PRC are projected to reach RMB1.7 trillion and RMB1,629.5 billion, respectively, in 2014, according to the NFS Report. The rapid growth of the pharmaceutical market in the PRC has been, and is expected to continue to be, driven by a number of favorable socioeconomic factors, such as the rapid growth of the PRC's GDP and the disposable income of its population, the increase in average life expectancy, the continuing aging of its population, the increased rate of urbanization, the rise in healthcare awareness, the adoption of the healthcare reform plan and other types of policy incentives and support provided by the PRC government. See the section headed "Industry Overview." Operating across all the major stages of the pharmaceutical industry value chain with leading positions in both the PRC pharmaceutical products and distribution markets, we believe we are well positioned to capture the rapid growth of the PRC pharmaceutical market. However, if the PRC pharmaceutical market does not grow as rapidly as projected, our future revenue growth may be adversely affected.

Business Acquisitions

The fragmented PRC pharmaceutical industry offers significant consolidation opportunities for industry leaders like us. As a leading pharmaceutical company in the PRC, we believe we are well positioned to achieve significant growth of our business through acquisitions. Historically, business acquisitions and consolidations have been an important driver for the growth of our revenue and profit. For example, we completed a series of acquisitions under the 2009 Restructuring as well as acquisitions of certain third party businesses in 2010. In addition, we contracted to acquire the Antibiotics Business in December 2010, which primarily engages in the production, marketing and sales of antibiotic drugs. This acquisition is expected to be completed by the end of June 2011. See "History, Restructuring and Corporate Structure — History and Development — The Restructuring — Acquisition of Antibiotics Business."

Going forward, we plan to continue to seek suitable targets for acquisitions as a key aspect of our overall growth strategy. In particular, we aim to expand our pharmaceutical distribution and supply chain solutions business through selective acquisitions to extend the geographic reach of our distribution network, which largely determines the revenue and growth prospects of our pharmaceutical distribution and supply chain solutions business. In particular, we intend to pursue leading regional pharmaceutical distributors that have extensive access to hospitals. In August 2010, we acquired a 51.0% stake in Guangzhou Z.S.Y., a leading pharmaceutical distributor in Guangzhou. In April 2011, we acquired CHS, the addition of which will significantly expand our operations and market share in the Northern China Region.

The success of our strategy to expand through acquisitions depends largely on:

- the ability to identify suitable acquisition targets and complete acquisitions at commercially acceptable terms or prices;
- the availability, terms and costs of any financing required to fund acquisitions or complete expansion plans; and
- the ability to integrate the acquired businesses and capitalize on the expected synergies arising from the integration.

As we expand our business through acquisitions, we may in the future incur significant goodwill impairment, amortization expenses on intangible assets, related business integration expenses and financing costs. As a result, our profit may be materially and adversely affected. We would incur impairment losses on goodwill if the acquired businesses fail to perform as expected. See "— Critical Accounting Policies — Estimated Impairment of Goodwill." In addition, the intangible assets we consolidate from acquired businesses are subject to amortization, where appropriate. Our overall profitability may be negatively affected if the acquired business has a lower profit margin than ours. Furthermore, if we fund our business acquisitions by raising short-term debt, our debt to equity ratio and net current asset position may be materially and adversely affected. For example, we had short-term bank loans denominated in U.S. dollars with an aggregate principal amount of US$487.0 million as of March 31, 2011, all of which were incurred to fund the payment for the acquisition of CHS.

Product Portfolio and Pipeline

We have a diversified product portfolio. As of December 31, 2010, we manufactured and marketed over 950 pharmaceutical products, including 492 chemical drugs, 313 modern Chinese medicines and 24 biopharmaceutical products.

The revenue from and gross margin of each product we manufacture vary significantly. As a result, our ability to optimize our product portfolio is critical to the revenue and gross margin of our pharmaceutical business. Accordingly, our strategy is to focus our manufacturing and marketing resources on our major products, which are selected based on a comprehensive evaluation of market demand, growth potential and government policy, while reducing or retiring products with low or decreasing market demand and gross margin. As of December 31, 2010, we had 53 major products (including two products of Techpool Bio-Pharma), which generally have a higher average profit margin than other products within our product portfolio. We generated from these major products, in aggregate, 46.5%, 49.7% and 52.4% of our pharmaceutical business segment revenue in 2008, 2009 and 2010, respectively. Our portfolio of major products will expand to include six additional products upon the completion of our pending acquisitions of the Antibiotics Business. Going forward, we will continue to evaluate and adjust our product portfolio from time to time to focus on products with higher profit margins, greater market demand and potential, and higher barriers-to-entry to maintain or increase the overall profitability of our pharmaceutical business. To ensure our product line meets the evolving market demand, we plan to continue enhancing our strong pharmaceutical research and development capabilities and continue developing a pipeline of new products that supports sustainable growth and helps us meet our ongoing and future targets of profitability. As of December 31, 2010, we had 33 drug candidates pending approval for production, 27 drug candidates in various stages of clinical trials and six drug candidates pending approval to enter clinical trials.

PRC Government Policies and Pharmaceutical Regulations

Our business is subject to extensive government regulation and supervision. Government policies and regulations and their implementation and enforcement have historically had, and are expected to continue to have, a significant impact on the supply, demand and pricing of pharmaceutical products and distribution services in the PRC, the competitive environment and the cost of compliance.

For instance, the PRC government announced in 2009 that it plans to invest a total of RMB850.0 billion between 2009 and 2011 to implement a series of programs under the ongoing healthcare reform plan. These programs include, among others, the expansion of the social medical insurance coverage, the promotion of the use of essential drugs and the establishment of more community healthcare facilities, which are expected to contribute to increases in demand for pharmaceutical products and other healthcare services. However, with the introduction of a more centralized statutory tender system and more stringent price controls over essential drugs and other related measures, the PRC government also brings significant downward pricing pressure on pharmaceutical manufacturers and distributors.

As of each of December 31, 2008, 2009 and 2010, 505 of our products were included in the National Medical Insurance Drugs Catalog. In 2008, 2009 and 2010, sales of our pharmaceutical products included in the National Medical Insurance Drugs Catalog accounted for 55.7%, 59.1% and 60.2% of our pharmaceutical business segment revenue, respectively. The implementation of the National Medical Insurance Drugs Catalogs has both negative and positive impacts on a pharmaceutical company like us. On the one hand, the pharmaceutical products included in the National and Provincial Medical Insurance Drugs Catalogs are subject to government price controls in the form of fixed retail prices or retail price ceilings and periodic downward adjustments in pricing. See "Regulation — Price Controls." On the other hand, patients purchasing pharmaceutical products that are included in the National and Provincial Medical Insurance Drugs Catalogs are entitled to reimbursement of all or a portion of their purchase costs from the social medical fund, which makes these pharmaceutical products generally more attractive than non-reimbursable products in the market.

We expect the PRC government to further lower the retail price ceilings of pharmaceutical products from time to time to make healthcare more affordable to the general public. With respect to our pharmaceutical business, controls over and downward adjustments to retail prices of pharmaceutical products, if significant, could have an adverse impact on the revenue and profitability of our pharmaceutical business. We seek to mitigate this impact by optimizing our product portfolio and pipeline. See "— Product Portfolio and Pipeline." With respect to our pharmaceutical distribution and supply chain solutions business, our pharmaceutical manufacturer suppliers may seek to pass on part of their loss of profit as a result of these price controls and downward adjustments to their distributors, thereby lowering the gross margins of pharmaceutical distributors for distributing their products. To address such pressure on our gross margin, we seek to optimize our product mix and customer mix. See "— Distribution Customers and Products." We also seek to improve our operational efficiency. See "— Operational Efficiency."

Distribution Customers and Products

Product mix is also important to the profitability of our pharmaceutical distribution and supply chain solutions business. We generally incur lower logistics and administrative expenses as a percentage of revenue when we distribute high-end pharmaceutical products, primarily comprising imported medicines and those manufactured by subsidiaries of international pharmaceutical companies in the PRC, largely due to their higher price-to-volume ratio, better marketing and large demand. Therefore, we seek to continue our strength in distributing high-end pharmaceutical drugs.

Generally, direct distribution to hospitals and other medical institutions has a higher gross margin than sales to other distributors. Our pharmaceutical distribution and supply chain solutions business specializes in direct distribution of pharmaceutical products to hospitals and other medical institutions, covering over 7,600 hospitals and other medical institutions in the PRC, including 229 Class III hospitals and 879 Class II hospitals in the Eastern China Region. In 2008, 2009 and 2010, revenue from direct sales to hospitals and other medical institutions accounted for 62.8%, 63.9% and 61.9%, respectively, of the external revenue of our pharmaceutical distribution and supply chain solutions segment.

In light of the current PRC regulatory environment that brings continuing pressure on the profit margins of our pharmaceutical distribution and supply chain solutions business, our ability to increase direct sales to hospitals and other medical institutions and optimize our product portfolio is expected to significantly affect the profitability of our pharmaceutical distribution and supply chain solutions business in future periods.

Control of Procurement Cost

The cost of purchasing raw materials and merchandise is the largest component of our cost of sales across our pharmaceutical, distribution and retail businesses. Prices of raw materials, especially those used in the manufacturing of modern Chinese medicines, rose significantly over the past few years, and are expected to continue to rise. To control our procurement cost, we have adopted procurement policies and procedures for raw material procurement, developed coordinated efforts for the purchase of merchandise by our distribution subsidiaries and perform periodical internal audits to monitor purchases made by our subsidiaries. In addition, we plan to establish a centralized purchasing platform for the 13 types of Chinese herbs most commonly used in our modern Chinese medicines. The centralized purchasing platform is expected to reduce our procurement-related management and administrative expenses and increase our bargaining power against our suppliers. Furthermore, we manufacture active pharmaceutical ingredients for a number of our chemical drugs, which are raw materials for certain of our pharmaceutical products. We intend to increase in-house production of key active pharmaceutical ingredients for our products to better control our production costs.

Vertical Integration of Our Business Segments

Our vertically integrated business model enables us to enjoy the potential synergies arising from our coordinated efforts across business segments. In particular, our research and development teams work closely with our sales and marketing teams to develop commercially viable products, while our pharmaceutical business and our pharmaceutical distribution and supply chain solutions business work closely together to expand the sales of our products. Leveraging on its extensive network of hospital customers, our pharmaceutical distribution and supply chain solutions business regularly assists our pharmaceutical business in promoting our products to hospitals through an academic, physician-oriented approach, such as academic conferences and other events. Our pharmaceutical distribution and supply chain solutions business also helps our pharmaceutical business during the statutory hospital tender process by advising on tender strategies and facilitating access to local markets and other services. In 2008, 2009 and 2010, sales from our pharmaceutical business to our pharmaceutical distribution and supply chain solutions business for resale were RMB832.3 million, RMB953.0 million and RMB1,063.2 million, respectively, representing 12.2%, 13.0% and 13.2%, respectively, of our pharmaceutical business segment revenue. We expect this percentage to further increase with the integration of our business segments. In addition, the coordinated efforts between our pharmaceutical business and pharmaceutical distribution and supply chain solutions business enabled us to secure agreements with a number of local health departments in Shanghai to be a designated manufacturer and the sole distributor to supply essential drugs purchased by the local community healthcare centers. Furthermore, the advanced information systems employed by our pharmaceutical distribution and supply chain solutions business collects extensive market data regarding the pharmaceutical products we distribute, which are valuable to our other business segments. Going forward, we expect to continue to benefit from these synergies, and plan to create additional synergies among our different business operations, which we believe will contribute to our revenue and gross profit. See "Business — Our Strategies — Continue to Enhance Cross-Segment and Operational Integration — Cross-Segment Integration."

Operational Efficiency

Our business grew significantly in 2009 and 2010 through organic growth and various business acquisitions. In addition, we intend to actively engage in business acquisitions as part of our growth strategy. To realize the potential economies of scale from our business growth and enhance our operational efficiencies, we intend to create unified management platforms to manage common resources across our subsidiaries. Specifically, we aim to: (i) set up a platform to directly manage and coordinate the operations of various distribution subsidiaries; (ii) centralize the purchase of key raw materials; (iii) centralize and better coordinate the marketing efforts for pharmaceutical products; (iv) centralize the planning and management of the statutory hospital tender process and other government affairs; (v) centralize our cash management and allocation; and (vi) integrate our information systems. See "Business — Our Strategies — Continue to Enhance Cross-Segment and Operational Integration — Operational Integration." These measures, if successfully implemented, would significantly increase our operational efficiency and lower costs and expenses, potentially increasing our profitability level.

SELECTED FINANCIAL DATA

The following table sets forth our consolidated income statements for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
	(in thousands of RMB, except per share data)				
CONSOLIDATED INCOME STATEMENTS:					
Revenue	27,440,761	31,228,163	37,381,568	9,341,750	11,851,742
Cost of sales	(22,266,666)	(25,411,979)	(30,723,323)	(7,603,100)	(10,044,966)
Gross profit	5,174,095	5,816,184	6,658,245	1,738,650	1,806,776
Distribution and selling expenses	(2,448,535)	(2,625,374)	(3,006,095)	(747,028)	(755,163)
General and administrative expenses	(1,722,534)	(1,838,417)	(1,843,345)	(516,870)	(495,979)
Operating profit	1,003,026	1,352,393	1,808,805	474,752	555,634
Other income	125,462	86,346	165,677	23,740	8,917
Gains/(losses) on disposal of subsidiaries and associates[(1)]	1,103	550,677	17,479	(7,960)	526,996
Other gains — net	48,519	1,034	63,877	36,818	74,637
Finance income	42,556	55,014	45,846	10,287	17,273
Finance costs	(302,922)	(223,299)	(212,619)	(53,253)	(80,713)
Share of profit of jointly controlled entities	18,572	28,754	12,296	10,936	18,086
Share of profit of associates	269,186	279,125	271,174	106,023	117,084
Profit before income tax	1,205,502	2,130,044	2,172,535	601,343	1,237,914
Income tax expense	(210,193)	(464,854)	(393,550)	(84,683)	(277,910)
Profit for the year/period	995,309	1,665,190	1,778,985	516,660	960,004

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
	(in thousands of RMB, except per share data)				
Profit attributable to:					
Equity holders of the Company	696,992	1,296,789	1,368,253	409,266	848,596
Non-controlling interests	298,317	368,401	410,732	107,394	111,408
	995,309	1,665,190	1,778,985	516,660	960,004
Earnings per share attributable to the equity holders of the Company during the year/period (expressed in RMB per share)(2)					
— Basic and diluted	0.35	0.65	0.69	0.21	0.43

Notes:

(1) We had (i) a one-time pre-tax gain of RMB536.4 million on the disposal of our equity interest in Lianhua Supermarket in 2009, and (ii) a one time pre-tax gain of RMB479.2 million relating to the change of accounting treatment for Techpool Bio-Pharma from a consolidated subsidiary to an associate in the three months ended March 31, 2011 as a result of our loss of control over this entity.

(2) Earnings per share are calculated based on the assumption that 1,992,643,338 Shares, including 1,423,470,454 Shares issued in 2010 in connection with the 2009 Restructuring, were outstanding throughout each period.

The following table sets forth our consolidated balance sheets as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
CONSOLIDATED BALANCE SHEETS			
ASSETS			
Non-current assets			
Land use rights	793,996	805,161	782,933
Investment properties	551,533	600,033	261,056
Property, plant and equipment	4,077,385	4,051,959	4,100,592
Intangible assets	171,246	134,900	516,432
Investments in jointly controlled entities	202,867	197,941	204,695
Investments in associates	1,246,454	842,296	1,062,201
Deferred income tax assets	101,666	119,243	150,167
Available-for-sale financial assets	402,836	443,590	383,716
Other non-current receivables	25,790	2,735	—
Other long-term prepayments	—	—	816,236
	7,573,773	7,197,858	8,278,028
Current assets			
Inventories	3,431,341	3,700,720	5,040,729
Trade and other receivables	5,499,186	6,078,319	8,580,616
Financial assets at fair value through profit or loss	10,396	10,445	3,234
Restricted cash	80,983	110,717	298,764
Cash and cash equivalents	3,185,370	4,776,503	6,039,573
	12,207,276	14,676,704	19,962,916
Total assets	19,781,049	21,874,562	28,240,944

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Equity attributable to equity holders of our Company			
Share capital	569,173	569,173	1,992,643
Share premium	4,300,235	4,760,996	3,282,151
Other reserves	831,583	766,795	742,742
Retained earnings	1,361,594	2,185,046	3,117,023
	7,062,585	8,282,010	9,134,559
Non-controlling interests	1,759,959	2,153,134	2,749,704
Total equity	8,822,544	10,435,144	11,884,263
LIABILITIES			
Non-current liabilities			
Borrowings	113,389	84,297	66,098
Deferred income tax liabilities	15,658	33,407	43,520
Termination benefit obligations	106,166	98,064	79,835
Other non-current liabilities	138,877	246,117	224,717
	374,090	461,885	414,170
Current liabilities			
Trade and other payables	6,684,588	7,460,901	10,912,154
Current income tax liabilities	129,007	184,682	211,980
Borrowings	3,770,820	3,331,950	4,818,377
	10,584,415	10,977,533	15,942,511
Total liabilities	10,958,505	11,439,418	16,356,681
Total equity and liabilities	19,781,049	21,874,562	28,240,944
Net current assets	1,622,861	3,699,171	4,020,405
Total assets less current liabilities	9,196,634	10,897,029	12,298,433

COMPONENTS OF OUR INCOME STATEMENTS

Revenue

We derive our revenue primarily from three main business segments: (i) pharmaceutical business; (ii) pharmaceutical distribution and supply chain solutions; and (iii) pharmaceutical retail. We also derive a small portion of our revenue from certain other business operations. Our revenue represents total segment revenue after elimination of inter-segment revenue. In 2008, 2009 and 2010, our revenue was RMB27,440.8 million, RMB31,228.2 million and RMB37,381.6 million, respectively. The following table sets forth our revenue by business segment for the periods indicated:

	Year ended December 31,								
	2008			2009			2010		
	External revenue	Inter-segment revenue	Segment revenue	External revenue	Inter-segment revenue	Segment revenue	External revenue	Inter-segment revenue	Segment revenue
	(in thousands of RMB)								
Segments:									
Pharmaceutical business.	6,014,432	832,288	6,846,720	6,369,666	952,961	7,322,627	7,011,995	1,063,169	8,075,164
Pharmaceutical distribution and supply chain solutions	19,683,695	530,522	20,214,217	23,117,630	650,884	23,768,514	28,348,117	801,810	29,149,927
Pharmaceutical retail	1,413,818	—	1,413,818	1,521,524	—	1,521,524	1,725,546	—	1,725,546
Other business operations	328,816	67,979	396,795	219,343	62,017	281,360	295,910	38,975	334,885
Total	27,440,761	1,430,789		31,228,163	1,665,862		37,381,568	1,903,954	

Pharmaceutical Business

Our pharmaceutical business generates revenue primarily from sales of pharmaceutical and healthcare products manufactured by our Group (or us), including chemical drugs, modern Chinese medicine, biopharmaceutical products and other products. In 2008, 2009 and 2010, segment revenue of our pharmaceutical business was RMB6,846.7 million, RMB7,322.6 million and RMB8,075.2 million, respectively. The revenue growth during these periods was primarily driven by increases in revenue from our major products during these periods.

The following table sets forth a breakdown of our pharmaceutical business segment revenue by major products and other products for the periods indicated:

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
	(in thousands of RMB, except percentages)					
Major products	3,186,634	46.5%	3,637,605	49.7%	4,229,902	52.4%
Non-major products	3,660,086	53.5	3,685,022	50.3	3,845,262	47.6
Segment revenue	6,846,720	100.0%	7,322,627	100.0%	8,075,164	100.0%

Major Products

We had 53 major products (including two products of Techpool Bio-Pharma) within the pharmaceutical business in 2008, 2009 and 2010. See "Business — Pharmaceutical Business — Product Portfolio." Thirty-six of these major products are listed in the National Medical Insurance Drugs Catalog and subject to price controls nationwide. In 2008, 2009 and 2010, revenue from the major products was RMB3,186.6 million, RMB3,637.6 million and RMB4,229.9 million, respectively. The increase in revenue from our major products during these periods mainly reflected the growing overall market demand for pharmaceutical products and our strategy to focus manufacturing and marketing resources on these higher-margin, higher-sales-volume products.

Non-Major Products

In 2008, 2009 and 2010, our revenue from products other than the 53 major products was RMB3,660.1 million, RMB3,685.0 million and RMB3,845.3 million, respectively. The increase in revenue from non-major products during these periods was primarily due to the increased overall market demand for pharmaceutical products.

As a result of the PRC government's longstanding policies to reduce healthcare costs to the general public and due to market competition, our product pricing is expected to be generally under downward pressure. However, we believe that sales volumes of our pharmaceutical products will continue to benefit from the growth of the PRC pharmaceutical products market, our enhanced sales and marketing efforts, and launches of new products from our strong pipeline from time to time. The pending acquisition of the Antibiotics Business would also contribute to the growth of our pharmaceutical business segment revenue. See "— Factors Affecting Our Results of Operations and Financial Condition — Business Acquisitions."

Inter-segment revenue of our pharmaceutical business mainly represents inter-segment sales of products from our pharmaceutical business to our pharmaceutical distribution and supply chain solutions business for resale. In 2008, 2009 and 2010, inter-segment revenue of our pharmaceutical business was RMB832.3 million, RMB953.0 million and RMB1,063.2 million, respectively, representing 12.2%, 13.0% and 13.2% of the segment revenue in the same periods, respectively. We expect inter-segment revenue as a percentage of segment revenue of our pharmaceutical business to increase in future periods, as we continue to integrate our business segments across the pharmaceutical value chain.

Pharmaceutical Distribution and Supply Chain Solutions

Our pharmaceutical distribution and supply chain solutions business generates revenue primarily from sales of prescription and over-the-counter pharmaceutical products and other healthcare products and medical supplies to hospitals, retail pharmacies and other pharmaceutical product distributors. In 2008, 2009 and 2010, segment revenue of our pharmaceutical distribution and supply chain solutions business was RMB20,214.2 million, RMB23,768.5 million and RMB29,149.9 million, respectively. The revenue growth during these periods was primarily driven by the increased overall market demand for pharmaceutical products as well as the expansion of our product portfolio and distribution network.

As of December 31, 2008, 2009 and 2010, we distributed over 14,800, 17,100 and 18,600 pharmaceutical products, respectively. As of the same dates, we had 5,100, 6,400 and 7,600, respectively, hospitals and other medical institutions in our direct-sales distribution network. In 2010, we also expanded the geographic reach of our pharmaceutical distribution network to the Northern and Southern China Regions through our recent acquisitions of Beijing Aixin Weiye and Guangzhou Z.S.Y., respectively, which, together with our acquisition of Fujian Pharmaceutical, also increased the number of hospitals in our distribution network. Going forward, acquisitions of other local or regional distributors in the PRC are expected to be an important driver of the growth of our pharmaceutical distribution and supply chain solutions business in future periods.

Inter-segment revenue of our pharmaceutical distribution and supply chain solutions business mainly represent sales of pharmaceutical and other healthcare products by this segment to our pharmaceutical retail business for resale. In 2008, 2009 and 2010, inter-segment revenue of our pharmaceutical distribution and supply chain solutions business was RMB530.5 million, RMB650.9 million and RMB801.8 million, respectively, representing 2.7%, 2.8% and 2.8%, respectively of external segment revenue in the same periods.

Pharmaceutical Retail

Our pharmaceutical retail business generates revenue primarily from sales of pharmaceutical and other healthcare products to individual end-users. In 2008, 2009 and 2010, segment revenue of our pharmaceutical retail business was RMB1,413.8 million, RMB1,521.5 million and RMB1,725.5 million, respectively. The revenue growth during these periods was primarily due to an increase in the number of retail pharmacies in 2009 and an increase in revenue per retail pharmacy in 2010. To increase the revenue per retail pharmacy, we aim to broaden our product offerings in our retail pharmacies by increasing the offering of non-pharmaceutical products. We also aim to optimize the current locations of our retail pharmacies by opening new retail pharmacies at selected strategic locations while shutting down those with poor performance.

Other Business Operations

Revenue from other business operations consists mainly of property rental income, sales of raw materials, service fees and franchise fees. In 2008, 2009 and 2010, the revenue of our other business operations was RMB396.8 million, RMB281.4 million and RMB334.9 million, respectively.

Revenue Recognition

We recognize revenue when (i) the amount of revenue can be reliably measured, (ii) it is probable that future economic benefits will flow to us and (iii) specific criteria have been met for each of our activities. We base our estimates on historical results, taking into consideration the type of customers, the type of transaction and the specifics of each arrangement. Sales of goods by our pharmaceutical business and pharmaceutical distribution and supply chain solutions business are recognized when we have delivered products to a customer, including distributors or drug dispensers, such as hospitals; the customer has full discretion over the channel and price to sell the products; and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Sales of goods by our pharmaceutical retail business are recognized when we sell a product to the customer. Retail sales are usually settled in cash or by debit or credit cards.

Cost of Sales, Gross Profit and Gross Margin

In 2008, 2009 and 2010, our cost of sales was RMB22,266.7 million, RMB25,412.0 million and RMB30,723.3 million, respectively, and our gross profit was RMB5,174.1 million, RMB5,816.2 million and RMB6,658.2 million, respectively. Our gross margin, which equals gross profit divided by revenue, was 18.9%, 18.6% and 17.8%, respectively, in the same periods. The following table sets forth a breakdown of our revenue, cost of sales, gross profit and gross margin by business segment for the periods indicated:

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue
	(in thousands of RMB, except percentages)					
Pharmaceutical business:						
Segment revenue.	6,846,720	100.0%	7,322,627	100.0%	8,075,164	100.0%
Segment cost of sales. . . .	(3,603,163)	(52.6)%	(3,642,872)	(49.7)%	(3,926,825)	(48.6)%
Segment gross profit	3,243,557	47.4%	3,679,755	50.3%	4,148,339	51.4%
Pharmaceutical distribution and supply chain solutions:						
Segment revenue.	20,214,217	100.0%	23,768,514	100.0%	29,149,927	100.0%
Segment cost of sales. . . .	(18,611,483)	(92.1)%	(21,925,870)	(92.2)%	(27,092,926)	(92.9)%
Segment gross profit	1,602,734	7.9%	1,842,644	7.8%	2,057,001	7.1%
Pharmaceutical retail:						
Segment revenue.	1,413,818	100.0%	1,521,524	100.0%	1,725,546	100.0%
Segment cost of sales. . . .	(1,092,785)	(77.3)%	(1,161,085)	(76.3)%	(1,319,934)	(76.5)%
Segment gross profit	321,033	22.7%	360,439	23.7%	405,612	23.5%
Other business operations:						
Segment revenue.	396,795	100.0%	281,360	100.0%	334,885	100.0%
Segment cost of sales. . . .	(164,833)	(41.5)%	(116,770)	(41.5)%	(166,815)	(49.8)%
Segment gross profit	231,962	58.5%	164,590	58.5%	168,070	50.2%

Pharmaceutical Business

The principal components of cost of sales of our pharmaceutical business primarily consist of raw materials and consumables used, labor expenses and depreciation expenses. In 2008, 2009 and 2010, segment cost of sales was RMB3,603.2 million, RMB3,642.9 million and RMB3,926.8 million, respectively. The increase in cost of sales in these periods corresponded to the growth in sales as well as an increase in the prices of raw materials used.

To minimize the impact of rising raw material prices, we have adopted measures to reduce our raw material procurement cost, such as centralizing our procurement platforms. See "— Factors Affecting Our Results of Operations and Financial Condition — Control of Procurement Cost."

In 2008, 2009 and 2010, segment gross profit, which is equal to segment revenue less segment cost of sales, was RMB3,243.6 million, RMB3,679.8 million and RMB4,148.3 million, respectively. In addition to our organic growth, our segment gross profit for 2011 and onwards may also benefit from the acquisitions of the Antibiotics Business, which are expected to be completed in the first half of 2011. See "— Factors Affecting Our Results of Operations and Financial Condition — Business Acquisitions." In 2008, 2009 and 2010, segment gross margin, which is equal to segment gross profit divided by segment revenue, was 47.4%, 50.3% and 51.4%, respectively. Increases in segment gross margin during these periods were mainly due to (i) an increase in sales of our major products, whose average gross margin is higher than that of other products in our product portfolio, as a percentage of segment revenue and (ii) improved average gross margin of the major products. As the product portfolio of the Antibiotics Business are different from ours, our overall segment gross margin in 2011 and onwards would be affected by these products. In addition, our pharmaceutical business segment gross margin may be negatively affected as a result of the cessation of Techpool Bio-Pharma being accounted for as a consolidated subsidiary since January 1, 2011, whose gross margin was higher than the gross margin of our pharmaceutical business segment as a whole in 2008, 2009 and 2010. See "Business — Pharmaceutical Business — Joint Ventures — Techpool Bio-Pharma" for a discussion of Techpool Bio-Pharma's total consolidated revenue and consolidated gross profit in 2008, 2009 and 2010. We intend to continuously optimize our product mix, including focusing on products with higher profit margin, such as first-to-market generic drugs and innovative drugs, and products that are not or less subject to price controls, such as over-the-counter drugs and healthcare products. See "Industry Overview — The PRC Pharmaceutical Product Market — Innovation Trend in the PRC Pharmaceutical Product Market" for a discussion of the higher profit margin of first-to-market generic drugs and innovative drugs. We believe our improving product mix will mitigate the pressure on the gross margin for our pharmaceutical business brought by the expected downward adjustments of drug price ceilings as well as increases in raw material prices and labor costs.

Pharmaceutical Distribution and Supply Chain Solutions

The cost of sales of our pharmaceutical distribution and supply chain solutions business mainly represents cost of pharmaceutical and healthcare products purchased by our pharmaceutical distribution and supply chain solutions business for resale. In 2008, 2009 and 2010, segment cost of sales was RMB18,611.5 million, RMB21,925.9 million and RMB27,092.9 million, respectively. The increase in cost of sales during these periods was largely due to the growth of our pharmaceutical distribution and supply chain solutions business.

In 2008, 2009 and 2010, segment gross profit, which is equal to segment revenue less segment cost of sales, was RMB1,602.7 million, RMB1,842.6 million and RMB2,057.0 million, respectively, and our gross margin, which is equal to segment gross profit divided by segment revenue, was 7.9%, 7.8% and 7.1%, respectively. During these periods, the gross margin of our pharmaceutical distribution and supply chain solutions business was primarily affected by a number of factors, such as product mix, customer mix and regulatory environment and competition.

Manufacturers offer different profit margins for distributing different products. To optimize our product mix, we evaluate our product mix from time to time to ensure that our resources are allocated to distributing products with higher margins.

In general, we enjoy higher gross margins for products sold directly to hospitals and other medical institutions than those sold to other distributors, retail pharmacies and other customers. As a result, our customer mix has a significant impact on our segment gross margin. The following table sets forth a breakdown of the segment revenue of our pharmaceutical distribution and supply chain solutions business by customer type for the periods indicated:

	Year ended December 31,					
	2008		2009		2010	
	Amount	% of external revenue	Amount	% of external revenue	Amount	% of external revenue
	(in millions of RMB, except percentages)					
External revenue:						
Hospitals and other medical institutions	12,366.4	62.8%	14,778.9	63.9%	17,553.6	61.9%
Other distributors, third party retail pharmacies and other customers	7,317.3	37.2	8,338.7	36.1	10,794.5	38.1
Total	19,683.7	100.0%	23,117.6	100.0%	28,348.1	100.0%
Inter-segment revenue	530.5	2.7	650.9	2.8	801.8	2.8
Segment revenue . . .	20,214.2	102.7%	23,768.5	102.8%	29,149.9	102.8%

To increase our gross margin, we seek to increase our direct sales to hospitals and other medical institutions as a percentage of segment revenue over time. To achieve this goal, we seek to focus our marketing and sales resources on distributing products to hospitals and other medical institutions. In addition, we acquired in recent years certain regional distributors, such as Beijing Aixin Weiye and Guangzhou Z.S.Y. These distributors operate in regions where we historically had limited direct access to hospitals and other medical institutions. In 2008, 2009 and 2010, our direct sales to hospitals and other medical institutions as a percentage of external segment revenue were 62.8%, 63.9% and 61.9%, respectively. The decrease in 2010 was primarily due to the slower than expected growth of direct sales to hospitals caused by certain new healthcare policies introduced by the Shanghai government to control medical insurance reimbursements for drugs sold by hospitals in Shanghai, which limited the demand for pharmaceutical products from hospitals in Shanghai, and the stronger growth of sales to other distributors as a result of our expanded distribution network. See "— Factors Affecting Our Results of Operations and Financial Condition — Distribution Customers and Products."

Increasing competition has adversely affected our gross margin in recent years. In order to compete with other distributors, we granted price discounts to certain direct sales customers, which reduced our gross margin. In addition, we face gross margin pressure from the introduction of a more centralized statutory tender system and more stringent price controls for essential drugs as well as other related measures aiming to reduce the costs of healthcare to patients. Furthermore, certain multinational pharmaceutical manufacturers have lowered the profit margin for distributing their products, as they have established or plan to establish their own distribution business in the PRC, and thus became less dependent on us.

Pharmaceutical Retail

The cost of sales of our pharmaceutical retail business mainly consists of the cost of pharmaceutical and healthcare products purchased by our pharmaceutical retail business for resale. In 2008, 2009 and 2010, segment cost of sales was RMB1,092.8 million, RMB1,161.1 million and RMB1,319.9 million, respectively. The growth of segment cost of sales during these periods corresponded to the increases in segment sales.

In 2008, 2009 and 2010, segment gross profit, which is equal to segment revenue less segment cost of sales, was RMB321.0 million, RMB360.4 million and RMB405.6 million, respectively, and our segment gross margin, which is equal to segment gross profit divided by segment revenue, was 22.7%, 23.7% and 23.5%, respectively. To improve our segment gross margin, we plan to introduce our own branded products. On the other hand, as part of our strategy, we plan to offer more high-margin, non-pharmaceutical products in our retail pharmacies in the future.

Other Business Operations

The cost of sales of other business operations mainly consists of cost of raw materials for resale and depreciation of investment properties. In 2008, 2009 and 2010, segment cost of sales was RMB164.8 million, RMB116.8 million and RMB166.8 million, respectively.

In 2008, 2009 and 2010, segment gross profit, which is equal to segment revenue less segment cost of sales, was RMB232.0 million, RMB164.6 million and RMB168.1 million, respectively, and our segment gross margin, which is equal to segment gross profit divided by segment revenue, was 58.5%, 58.5% and 50.2%, respectively.

Operating Expenses, Operating Profit and Operating Margin

Our operating expenses consist of distribution and selling expenses and general and administrative expenses. The following table sets forth the principal components of our operating expenses, operating profit and operating margin, which equals operating profit divided by revenue, for the periods indicated:

	Year ended December 31,					
	2008	% of revenue	2009	% of revenue	2010	% of revenue
	(in thousands of RMB, except percentages)					
Gross profit	5,174,095	18.9%	5,816,184	18.6%	6,658,245	17.8%
Operating expenses						
Distribution and selling expenses	(2,448,535)	(8.9)	(2,625,374)	(8.4)	(3,006,095)	(8.0)
General and administrative expenses	(1,722,534)	(6.3)	(1,838,417)	(5.9)	(1,843,345)	(4.9)
Operating profit	1,003,026	3.7%	1,352,393	4.3%	1,808,805	4.8%

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of salaries and wages of sales and marketing personnel, conference, travel, advertisement, office supply and transportation expenses. In 2008, 2009 and 2010, our distribution and selling expenses increased in absolute terms with the growth of our business. In these periods, distribution and selling expenses decreased slightly as a percentage of our revenue, primarily due to improved operational efficiency resulting from economies of scale and our operational integration efforts following the 2009 Restructuring.

General and Administrative Expenses

General and administrative expenses primarily consist of salaries and wages of administrative staff, provision for impairment of receivables, depreciation, rental expenses and office supply expenses. A provision for impairment of trade and other receivables is recognized when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. See "— Critical Accounting Policies — Impairment of Receivables." In 2008, 2009 and 2010, our general and administrative expenses increased in absolute terms with the growth of our business. In these periods, general and administrative expenses decreased as a percentage of our revenue, primarily due to improved operational efficiency. Provision for impairment of receivables decreased in both absolute terms and as a percentage of our revenue during these periods, reflecting our continuous efforts to control our credit risk.

We expect our operating expenses, which consist of distribution and selling expenses and general and administrative expenses, to increase in absolute terms in future periods, as we continue to expand the scale of our business operations through both organic growth and acquisitions. As a percentage of revenue, our operating expenses may continue to decrease in future periods, as we are expected to continue to benefit from economies of scale as a result of the growth of our business as well as higher operational efficiency resulting from our efforts to further integrate our business operations. This would positively contribute to the improvement of our operating margin.

As a result of the foregoing, our operating profit in 2008, 2009 and 2010 was RMB1,003.0 million, RMB1,352.4 million and RMB1,808.8 million, respectively. Although our gross margin declined slightly from 18.9% in 2008 to 18.6% in 2009, and to 17.8% in 2010, our operating margin increased from 3.7% in 2008 to 4.3% in 2009, and to 4.8% in 2010.

Depreciation and Amortization of Long-Lived Assets

In 2008, 2009 and 2010, our depreciation expenses (including depreciation of property, plant, equipment and investment properties) were RMB368.3 million, RMB397.1 million and RMB367.2 million, respectively, our amortization of land use rights was RMB22.5 million, RMB19.8 million and RMB22.7 million, respectively, and our amortization of intangible assets was RMB11.4 million, RMB21.1 million and RMB7.4 million, respectively. As we expand our business through acquisitions, we may in the future incur significant amortization expenses on intangible assets, which may materially reduce our net profit for the year.

Other Income

Our other income consists primarily of government grants and dividend income from available-for-sale financial assets. Government grants mainly represent government compensation for relocations of certain of our manufacturing facilities and government awards relating to research and development projects. Available-for-sale financial assets are financial assets that are neither held for trading nor loans or receivables. See note 2.10 to Appendix I — "Accountants' Report of the Company" to this Prospectus. In 2008, 2009 and 2010, our other income was RMB125.5 million, RMB86.3 million and RMB165.7 million, respectively.

Gains on Disposal of Subsidiaries and Associates

In 2008, 2009 and 2010, we recorded gains on disposal of subsidiaries and associates of RMB1.1 million, RMB550.7 million and RMB17.5 million, respectively. Gains on disposal of subsidiaries and associates in 2009 included a gain of RMB536.4 million on disposal of our equity interest in Lianhua Supermarket.

Net Other Gains

In 2008, 2009 and 2010, we recorded net other gains of RMB48.5 million, RMB1.0 million and RMB63.9 million, respectively.

Finance Income and Finance Cost

Our finance income represents interest income on bank deposits, and our finance cost mainly represents interest expenses on borrowings and interest expenses on notes discounted. The following table sets forth the components of our finance income and finance cost for the periods indicated:

	Year ended December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Interest income on bank deposits	42,556	55,014	45,846
Interest expenses on borrowings	(302,489)	(214,228)	(166,350)
Interest expenses on notes discounted	—	—	(38,594)
Other costs	(433)	(9,071)	(7,675)

Interest expenses on borrowing decreased during these periods, primarily reflecting declined effective interest rates as well as decreased outstanding amounts of bank loans during these periods. See "— Indebtedness."

Share of Profit of Jointly Controlled Entities and Share of Profit of Associates

We account for our joint ventures as jointly controlled entities if neither we nor any of our other joint venture partners, pursuant to the relevant joint venture agreements, has unilateral control over the economic activities of such joint ventures. We account for our joint ventures as associates if we have significant influence but no control over such joint ventures. Investments in jointly controlled entities and associates are accounted for using the equity method of accounting. We recognize our share or profits of losses of jointly controlled entities and associates in our income statement. In 2008, 2009 and 2010, we recorded share of profit of jointly controlled entities of RMB18.6 million, RMB28.8 million and RMB12.3 million, respectively. In 2008, 2009 and 2010, we recorded share of profit of associates of RMB269.2 million, RMB279.1 million and RMB271.2 million, respectively. We expect that our share of profit of associates, in particular those from Shanghai Squibb, Shanghai Roche and, starting from January 1, 2011, Techpool Bio-Pharma, will continue to significantly affect our profit.

Income Tax Expense

PRC Income Tax

Our Company and our PRC subsidiaries are subject to income tax in the PRC. In 2008, 2009 and 2010, our income tax expense was RMB210.2 million, RMB464.9 million and RMB393.6 million, respectively.

On March 16, 2007, the National People's Congress enacted the 2008 EIT Law. According to the 2008 EIT Law and its implementation rules, all PRC incorporated companies became subject to the enterprise income tax at a single rate of 25% from January 1, 2008. However, the 2008 EIT Law provided for a transition period to enterprises that had preferential tax treatment prior to the promulgation of the 2008 EIT Law. In particular, enterprises that are entitled to the exemptions or reduced income tax rates for fixed terms under the old foreign invested enterprise tax law would continue to enjoy such treatment until the expiry of such fixed terms. A number of our PRC subsidiaries enjoyed such preferential tax treatment in 2008, 2009 and 2010, mainly including:

- Our subsidiaries that were established in Pudong New Area, Shanghai prior to March 16, 2007 enjoyed preferential enterprise income tax rates of 18%, 20% and 22% in 2008, 2009 and 2010, respectively. Under the 2008 EIT Law and the relevant regulations, enterprise income tax rates applicable to these subsidiaries will be 24% for 2011 and 25% thereafter.

- Our subsidiaries that were qualified as high-and-new technology enterprises in any period in 2008, 2009 and 2010 enjoyed preferential enterprise income tax rates of 15% during such period. Under the 2008 EIT Law and the relevant regulations, the 15% preferential enterprise income tax rate is subject to review and approval by the tax authorities every three years.

In addition to applicable enterprise income tax rates, our effective enterprise income tax rates may also be affected by amounts relating to portions of income not subject to taxation and costs and expenses not deductible for taxation purposes, certain tax benefits on qualified research and development expenses and utilization of tax losses for which no deferred income tax assets were recognized. Our effective enterprise income tax rates in 2008, 2009 and 2010 were 17.4%, 21.8% and 18.1%, respectively.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Note 2 to Appendix I — "Accountants' Report of the Company" to this Prospectus includes a summary of significant accounting policies used in the preparation of our consolidated financial statements. The determination of these accounting policies is fundamental to our financial condition and results of operations, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involved the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. We believe the following represents our critical accounting judgments and estimates.

Useful Lives of Property, Plant, Equipment and Certain Intangible Assets

Depreciation expenses on property, plant and equipment are calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. We determine the estimated useful lives by reference to the expected lifespan of the assets, our business model and our asset management policy. The estimated useful lives could change significantly as a result of certain estimates.

Sales networks acquired in a business combination are recognized at fair value at the acquisition date. Sales networks are amortized using the straight-line method over their estimated useful lives. Trademarks and patent rights and know-hows have finite useful lives and are amortized using the straight-line method to allocate the cost of these intangible assets over their estimated useful lives. We determine the estimated useful lives and consequently the related amortization charges for these intangible assets periodically. These estimates are based on the historical experience of the actual useful lives of intangible assets of similar nature and functions.

We will increase the depreciation or amortization expense where useful lives are less than previously estimated lives, or we will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The estimated residual values are determined based on all relevant factors (including, but not limited to, by reference to the industry practice and estimated scrap values). The depreciation or amortization expense is subject to periodic review and will change where the useful lives or residual values of the assets are different from the previous estimates. Actual economic lives may differ from estimated useful lives.

The details of the useful lives of our properties, plants, equipments and our intangible assets are set out in Note 2.5 and Note 2.8 to Appendix I — "Accountants' Report of the Company" to this Prospectus.

Estimated Impairment of Goodwill

Goodwill represents the excess of the cost of an acquisition not under common control over the fair value of our share of the net identifiable assets of the acquired subsidiary at the date of acquisition. We test annually whether goodwill has suffered any impairment. An impairment loss is recognized for the amount by which goodwill's carrying amount exceeds its recoverable amount. Goodwill is allocated to cash-generating units identified according to the relevant business segments for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units according to our business segments that are expected to benefit from the business combination under which the goodwill arose. We determine the recoverable amount of a cash-generating unit based on value-in-use calculations. These calculations are based upon pre-tax cash flow projections that derive from our five-year financial budgets. Cash flows beyond the five-year period are extrapolated using estimated growth rates, which are capped at the long-term average growth rate for the business segment in which the cash-generating unit operates.

Net Realizable Value of Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycles. We reassess these estimates at each balance sheet date.

Income Taxes

The PRC tax laws and regulations are uncertain in many aspects. Therefore, the ultimate determination by the PRC tax authorities for certain transactions and calculations is uncertain. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Impairment of Receivables

A provision for impairment of trade and other receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. We determine the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of our customers and other debtors and current market conditions, and requires the use of judgments and estimates. We reassess the provisions at each balance sheet date.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2.1 to our consolidated financial statements included in Appendix I — "Accountants' Report of the Company" for recently issued accounting standards and interpretations to existing standards that are not yet effective and have not been early adopted by us. We are in the process of making an assessment of the impact of the new and revised HKFRS set forth in the note.

RESULTS OF OPERATIONS

Comparison of Years Ended December 31, 2010 and December 31, 2009

Revenue

Our revenue increased by 19.7% from RMB31,228.2 million in 2009 to RMB37,381.6 million in 2010. This increase primarily reflects increases in revenue from the pharmaceutical distribution and supply chain solutions business, and, to a lesser extent, the pharmaceutical business.

Pharmaceutical Business

Segment revenue of our pharmaceutical business increased by 10.3% from RMB7,322.6 million in 2009 to RMB8,075.2 million in 2010. This increase was mainly driven by the increase in the sales of our major products, reflecting the growth in overall market demand for pharmaceutical products as well as our focusing sales and marketing efforts on our major products.

Revenue from inter-segment sales of our pharmaceutical business increased by 11.6% from RMB953.0 million in 2009 to RMB1,063.2 million in 2010. This increase reflected our cross-segment integration efforts. As a result, external revenue of our pharmaceutical business was RMB6,369.7 million and RMB7,012.0 million in 2009 and 2010, respectively.

Pharmaceutical Distribution and Supply Chain Solutions

Segment revenue of our pharmaceutical distribution and supply chain solutions business increased by 22.6% from RMB23,768.5 million in 2009 to RMB29,149.9 million in 2010. This growth was primarily driven by the increased overall market demand, our acquisitions in 2010, which primarily included Fujian Pharmaceutical, Guangzhou Z.S.Y. and Beijing Aixin Weiye, as well as the expansion of our product portfolio. As of December 31, 2009 and 2010, we distributed over 17,100 and 18,600 pharmaceutical products, respectively.

Revenue from inter-segment sales of our pharmaceutical distribution and supply chain solutions business increased by 23.2% from RMB650.9 million in 2009 to RMB801.8 million in 2010. This increase was mainly due to the growth of our pharmaceutical retail business. As a result, external revenue of our pharmaceutical distribution and supply chain solutions business was RMB23,117.6 million and RMB28,348.1 million in 2009 and 2010, respectively.

Pharmaceutical Retail

Segment revenue of our pharmaceutical retail business increased by 13.4% from RMB1,521.5 million in 2009 to RMB1,725.5 million in 2010. This increase was primarily due to an increase in revenue per retail pharmacy.

Other Business Operations

Segment revenue of our other business operations increased by 19.0% from RMB281.4 million in 2009 to RMB334.9 million in 2010.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 20.9% from RMB25,412.0 million in 2009 to RMB30,723.3 million in 2010. This increase was primarily attributable to the increase in cost of sales of our pharmaceutical distribution and supply chain solutions business.

Our gross profit was RMB5,816.2 million and RMB6,658.2 million in 2009 and 2010, respectively, and our gross margin was 18.6% and 17.8%, respectively, in the same periods.

Pharmaceutical Business

Cost of sales of our pharmaceutical business increased by 7.8% from RMB3,642.9 million in 2009 to RMB3,926.8 million in 2010, corresponding to the increase in segment revenue.

Segment gross profit of our pharmaceutical business was RMB3,679.8 million and RMB4,148.3 million in 2009 and 2010, respectively, and segment gross margin was 50.3% and 51.4%, respectively, in the same periods. The increase in our gross margin during these periods was mainly due to (i) an increase in sales of our major products, whose average gross margin is higher than that of our other products, as a percentage of our segment revenue; and (ii) improved average gross margin of the major products. The improvement of average gross margin of the major products was primarily driven by the significant increase in sales of a number of our major products with high gross margins and the lowering of production costs of our major products through technology improvements and production scale increases.

Pharmaceutical Distribution and Supply Chain Solutions

Cost of sales of our pharmaceutical distribution and supply chain solutions business increased by 23.6% from RMB21,925.9 million in 2009 to RMB27,092.9 million in 2010, corresponding to increased segment sales.

Segment gross profit of our pharmaceutical distribution and supply chain solutions business was RMB1,842.6 million and RMB2,057.0 million in 2009 and 2010, respectively. Segment gross margin was 7.8% and 7.1%, respectively, in the same periods. Our direct sales revenue in 2010 was affected by unanticipated lower demand for our products from hospitals in Shanghai, which contributed to a lower segment gross margin in 2010. In addition, the segment gross margin in 2010 was also affected by an increase in sales to other distributors as a percentage of segment external revenue, which generally have a lower gross margin than sales to hospitals and other medical institutions.

Pharmaceutical Retail

Cost of sales of our pharmaceutical retail business increased by 13.7% from RMB1,161.1 million in 2009 to RMB1,319.9 million in 2010, corresponding to the increased sales of this segment.

Segment gross profit of our pharmaceutical retail business was RMB360.4 million and RMB405.6 million in 2009 and 2010, respectively, and segment gross margin was 23.7% and 23.5%, respectively, in the same periods.

Other Business Operations

Cost of sales of our other business operations increased by 42.9% from RMB116.8 million in 2009 to RMB166.8 million in 2010, corresponding to the increase in revenue of other business operations during these periods.

Segment gross profit of other business operations was RMB164.6 million and RMB168.1 million in 2009 and 2010, respectively, and segment gross margin was 58.5% and 50.2%, respectively, in the same periods.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 14.5% from RMB2,625.4 million in 2009 to RMB3,006.1 million in 2010, corresponding to the growth of our business in these periods. As a percentage of revenue, distribution and selling expenses decreased slightly from 8.4% in 2009 to 8.0% in 2010, mainly reflecting improved operational efficiency resulting from the economies of scale.

General and Administrative Expenses

Our general and administrative expenses increased slightly from RMB1,838.4 million in 2009 to RMB1,843.3 million in 2010. As a percentage of revenue, general and administrative expenses decreased from 5.9% in 2009 to 4.9% in 2010, mainly reflecting improved operational efficiency due to our internal integration efforts.

Operating Profit and Operating Margin

As a result of the foregoing, our operating profit increased by 33.7% from RMB1,352.4 million in 2009 to RMB1,808.8 million in 2010, and our operating margin was 4.3% in 2009 and 4.8% in 2010.

Operating profit of our pharmaceutical business increased by 30.4% from RMB852.3 million in 2009 to RMB1,111.4 million in 2010, and operating margin of our pharmaceutical business was 11.6% in 2009 and 13.8% in 2010.

Operating profit of our pharmaceutical distribution and supply chain solutions business increased by 30.7% from RMB496.3 million in 2009 to RMB648.7 million in 2010, and operating margin of our pharmaceutical distribution and supply chain solutions business was 2.1% in 2009 and 2.2% in 2010.

Operating profit of our pharmaceutical retail business increased from RMB10.9 million in 2009 to RMB25.9 million in 2010, and operating margin of our pharmaceutical retail business was 0.7% in 2009 and 1.5% in 2010.

Operating profit of other business operations in 2009 and 2010 was RMB66.8 million and RMB106.4 million, respectively.

Other Income

Our other income increased by 91.9% from RMB86.3 million in 2009 to RMB165.7 million in 2010, mainly due to increases in government grants and dividend income from available-for-sale financial assets.

Gains on Disposal of Subsidiaries and Associates

In 2009 and 2010, we recorded gains on disposal of subsidiaries and associates of RMB550.7 million and RMB17.5 million, respectively. Gains on disposal of subsidiaries and associates in 2009 included a gain of RMB536.4 million on disposal of our equity interest in Lianhua Supermarket.

Net Other Gains

Our net other gains were RMB1.0 million and RMB63.9 million in 2009 and 2010, respectively, mainly due to an increase in gain on disposals of available-for-sale financial assets, which was partially offset by a loss on disposals of investment properties.

Finance Income and Finance Cost

Our net finance cost decreased by 0.9% from RMB168.3 million in 2009 to RMB166.8 million in 2010. The decrease mainly reflected decreases in the average balance of bank borrowings during these periods.

Share of Profit of Jointly Controlled Entities

Share of profit of jointly controlled entities decreased by 57.2% from RMB28.8 million in 2009 to RMB12.3 million in 2010, mainly reflecting Jiangxi Nanhua's losses in 2010 resulting from accumulated losses of a formerly unconsolidated subsidiary, which was partially offset by increased profit attributable to Shanghai Hutchison for these periods.

Share of Profit of Associates

Share of profit of associates decreased slightly from RMB279.1 million in 2009 to RMB271.2 million in 2010.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by 2.0% from RMB2,130.0 million in 2009 to RMB2,172.5 million in 2010.

Income Tax

Our income tax expense decreased from RMB464.9 million in 2009 to RMB393.6 million in 2010. Our effective tax rate was 21.8% in 2009 and 18.1% in 2010. Our effective tax rate during these periods was lower than the standard 25% PRC enterprise income tax rate primarily due to the preferential tax treatment applicable to some of our subsidiaries. See "— Components of Our Income Statements — Income Tax Expense — PRC Income Tax." Our effective tax rate in 2009 was higher than in 2010, mainly attributable to a one-time tax expense relating to a gain from disposal of interest in Lianhua Supermarket in 2009.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 6.8% from RMB1,665.2 million in 2009 to RMB1,779.0 million in 2010.

Comparison of Years Ended December 31, 2009 and December 31, 2008

Revenue

Our revenue increased by 13.8% from RMB27,440.8 million in 2008 to RMB31,228.2 million in 2009. This increase primarily reflects an increase in revenue of each of the pharmaceutical business, pharmaceutical distribution and supply chain solutions and pharmaceutical retail segments, partially offset by a decrease in revenue from other business operations segment.

Pharmaceutical Business

Segment revenue of our pharmaceutical business increased by 7.0% from RMB6,846.7 million in 2008 to RMB7,322.6 million in 2009. This increase was mainly driven by the increase in the sales of our major products, reflecting the growth in overall market demand for pharmaceutical products as well as our focusing sales and marketing efforts on our major products.

Revenue from inter-segment sales of our pharmaceutical business increased by 14.5% from RMB832.3 million in 2008 to RMB953.0 million in 2009. This increase reflected our cross-segment integration efforts. As a result, external revenue for our pharmaceutical business was RMB6,014.4 million and RMB6,369.7 million in 2008 and 2009, respectively.

Pharmaceutical Distribution and Supply Chain Solutions

Segment revenue of our pharmaceutical distribution and supply chain solutions business increased by 17.6% from RMB20,214.2 million in 2008 to RMB23,768.5 million in 2009. This growth was primarily driven by the increased overall market demand, the expansion of our product portfolio as well as an increase in our direct sales to hospitals and other medical institutions. As of December 31, 2008 and 2009, we distributed over 14,000 and 17,100 pharmaceutical products, respectively. The increase in our direct sales was mainly attributable to an increase in the number of hospitals and other medical institutions in our distribution network from over 5,100 in 2008 to over 6,400 in 2009.

Revenue from inter-segment sales of our pharmaceutical distribution and supply chain solutions business increased by 22.7% from RMB530.5 million in 2008 to RMB650.9 million in 2009. This increase was mainly due to the growth of our pharmaceutical retail business. As a result, external revenue of our pharmaceutical distribution and supply chain solutions business was RMB19,683.7 million and RMB23,117.6 million in 2008 and 2009, respectively.

Pharmaceutical Retail

Segment revenue of our pharmaceutical retail business increased by 7.6% from RMB1,413.8 million in 2008 to RMB1,521.5 million in 2009. This increase was primarily due to an increase in the number of our retail pharmacies during these periods.

Other Business Operations

Segment revenue of our other business operations decreased by 29.1% from RMB396.8 million in 2008 to RMB281.4 million in 2009. This decrease reflects our continuing efforts to focus on our core business.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 14.1% from RMB22,266.7 million in 2008 to RMB25,412.0 million in 2009. This increase was primarily attributable to the increase in cost of sales of our pharmaceutical distribution and supply chain solutions business.

Our gross profit was RMB5,174.1 million and RMB5,816.2 million in 2008 and 2009, respectively, and our gross margin was 18.9% and 18.6%, respectively, in the same periods.

Pharmaceutical Business

Cost of sales of our pharmaceutical business increased by 1.1% from RMB3,603.2 million in 2008 to RMB3,642.9 million in 2009, corresponding to the increase in segment revenue.

Segment gross profit of our pharmaceutical business was RMB3,243.6 million and RMB3,679.8 million in 2008 and 2009, respectively, and segment gross margin was 47.4% and 50.3%, respectively, in the same periods. The increase in our gross margin during these periods was mainly due to (i) an increase in sales of our major products, whose average gross margin is higher than that of our other products, as a percentage of our segment revenue; and (ii) improved average gross margin of the major products. The improvement of average gross margin of the major products was primarily driven by the significant increase in sales of a number of our major products with high gross margins and the lowering of production costs of our major products through technology improvements and production scale increases.

Pharmaceutical Distribution and Supply Chain Solutions

Cost of sales of our pharmaceutical distribution and supply chain solutions business increased by 17.8% from RMB18,611.5 million in 2008 to RMB21,925.9 million in 2009, corresponding to increased segment sales.

Segment gross profit of our pharmaceutical distribution and supply chain solutions business was RMB1,602.7 million and RMB1,842.6 million in 2008 and 2009, respectively. Segment gross margin was 7.9% and 7.8%, respectively, in the same periods. Although we faced significant price pressure during these periods due to the implementation of the essential drugs program and other related measures, our gross margin remained stable during these periods as we had higher sales to hospitals and retail pharmacies as a percentage of our segment revenue and focused on distributing products with higher margin.

Pharmaceutical Retail

Cost of sales of our pharmaceutical retail business increased by 6.3% from RMB1,092.8 million in 2008 to RMB1,161.1 million in 2009, corresponding to the increased sales of this segment.

Segment gross profit of our pharmaceutical retail business was RMB321.0 million and RMB360.4 million in 2008 and 2009, respectively, and segment gross margin was 22.7% and 23.7%, respectively, in the same periods. The increase in segment gross margin was mainly due to our continuous efforts to optimize our product mix.

Other Business Operations

Cost of sales of our other business operations decreased by 29.2% from RMB164.8 million in 2008 to RMB116.8 million in 2009, corresponding to the decrease in revenue of other business operations during these periods.

Segment gross profit of other business operations was RMB232.0 million and RMB164.6 million in 2008 and 2009, respectively, and segment gross margin was 58.5% in each of these periods.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 7.2% from RMB2,448.5 million in 2008 to RMB2,625.4 million in 2009, corresponding to the growth of our business in these periods. As a percentage of revenue, distribution and selling expenses decreased slightly from 8.9% in 2008 to 8.4%, mainly reflecting improved operational efficiency resulting from the economies of scale.

General and Administrative Expenses

Our general and administrative expenses increased by 6.7% from RMB1,722.5 million in 2008 to RMB1,838.4 million in 2009, primarily due to the growth of our business scale during these periods. As a percentage of revenue, general and administrative expenses decreased from 6.3% in 2008 to 5.9% in 2009, mainly reflecting improved operational efficiency.

Operating Profit and Operating Margin

As a result of the foregoing, our operating profit increased by 34.8% from RMB1,003.0 million in 2008 to RMB1,352.4 million in 2009, and our operating margin was 3.7% in 2008 and 4.3% in 2009.

Operating profit of our pharmaceutical business increased by 29.2% from RMB659.7 million in 2008 to RMB852.3 million in 2009, and operating margin of our pharmaceutical business was 9.6% in 2008 and 11.6% in 2009.

Operating profit of our pharmaceutical distribution and supply chain solutions business increased by 87.9% from RMB264.1 million in 2008 to RMB496.3 million in 2009, and operating margin of our pharmaceutical distribution and supply chain solutions business was 1.3% in 2008 and 2.1% in 2009.

Operating profit of our pharmaceutical retail business increased from RMB1.4 million in 2008 to RMB10.9 million in 2009, and operating margin of our pharmaceutical retail business was 0.1% in 2008 and 0.7% in 2009.

Operating profit of other business operations in 2008 and 2009 was RMB147.9 million and RMB66.8 million, respectively.

Other Income

Our other income decreased by 31.2% from RMB125.5 million in 2008 to RMB86.3 million in 2009, mainly due to decreases in government grants and dividend income from available-for-sale financial assets.

Gains on Disposal of Subsidiaries and Associates

In 2008 and 2009, we recorded gains on disposal of subsidiaries and associates of RMB1.1 million and RMB550.7 million, respectively. Gains on disposal of subsidiaries and associates in 2009 included a gain of RMB536.4 million on disposal of our equity interest in Lianhua Supermarket.

Net Other Gains

Our net other gains were RMB48.5 million and RMB1.0 million in 2008 and 2009, respectively, mainly due to an increase in provision for impairment of investments in associates, which was partially offset by a gain on disposals of available-for-sale financial assets.

Finance Income and Finance Cost

Our net finance cost decreased by 35.4% from RMB260.4 million in 2008 to RMB168.3 million in 2009. The decrease mainly reflected decreases in both the balance of bank borrowings and effective interest rates on bank borrowings in these periods.

Share of Profit of Jointly Controlled Entities

Share of profit of jointly controlled entities increased by 54.8% from RMB18.6 million in 2008 to RMB28.8 million in 2009, mainly reflecting increased profit for the year of Jiangxi Nanhua and Shanghai Hutchison in these periods.

Share of Profit of Associates

Share of profit of associates increased by 3.7% from RMB269.2 million in 2008 to RMB279.1 million in 2009, mainly reflecting the increased profit for the year of Shanghai Squibb and Shanghai Roche in these periods, partially offset by a decrease in our share of profit of Lianhua Supermarket. We disposed of our entire interest in Lianhua Supermarket in March 2009.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by 76.7% from RMB1,205.5 million in 2008 to RMB2,130.0 million in 2009.

Income Tax

Our income tax expense increased from RMB210.2 million in 2008 to RMB464.9 million in 2009. Our effective tax rate was 17.4% in 2008 and 21.8% in 2009. Our effective tax rate during these periods was lower than the standard 25% PRC enterprise income tax rate primarily due to the preferential tax treatment applicable to some of our subsidiaries. See "— Components of Our Income Statements — Income Tax Expense — PRC Income Tax." Our effective tax rate in 2009 was higher than 2008, mainly attributable to a one-time tax expense relating to a gain from disposal of our interest in Lianhua Supermarket in 2009.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 67.3% from RMB995.3 million in 2008 to RMB1,665.2 million in 2009.

Comparison of Three Months Ended March 31, 2010 and March 31, 2011

Revenue

Our revenue increased by 26.9% from RMB9,341.8 million in the three months ended March 31, 2010 to RMB11,851.7 million in the three months ended March 31, 2011. This increase primarily reflects increases in revenue from the pharmaceutical distribution and supply chain solutions.

Pharmaceutical Business

Segment revenue of our pharmaceutical business increased by 2.4% from RMB2,124.4 million in the three months ended March 31, 2010 to RMB2,175.3 million in the three months ended March 31, 2011. Segment revenue in the three months ended March 31, 2010 included the revenue attributable to Techpool Bio-Pharma, which was accounted for as a subsidiary in 2010 but has been accounted for as an associate since January 1, 2011, of RMB149.6 million. Excluding such revenue, segment revenue of our pharmaceutical business in the three months ended March 31, 2011 would have increased by 10.2% compared to the same period in 2010.

Revenue from inter-segment sales of our pharmaceutical business increased by 4.6% from RMB278.2 million in the three months ended March 31, 2010 to RMB291.0 million in the three months ended March 31, 2011. This increase reflected our cross-segment integration efforts. As a result, external revenue of our pharmaceutical business was RMB1,846.1 million and RMB1,884.3 million in the three months ended March 31, 2010 and March 31, 2011, respectively.

Pharmaceutical Distribution and Supply Chain Solutions

Segment revenue of our pharmaceutical distribution and supply chain solutions business increased by 35.7% from RMB7,101.9 million in the three months ended March 31, 2010 to RMB9,638.4 million in the three months ended March 31, 2011. This increase was primarily driven by the increased overall market demand and our acquisitions in 2010.

Revenue from inter-segment sales of our pharmaceutical distribution and supply chain solutions business increased by 29.2% from RMB193.8 million in the three months ended March 31, 2010 to RMB250.4 million in the three months ended March 31, 2011. As a result, external revenue of our pharmaceutical distribution and supply chain solutions business was RMB6,908.1 million and RMB9,388.0 million in the three months ended March 31, 2010 and 2011, respectively.

Pharmaceutical Retail

Segment revenue of our pharmaceutical retail business increased by 0.9% from RMB527.6 million in the three months ended March 31, 2010 to RMB532.4 million in the three month ended March 31, 2011.

Other Business Operations

Segment revenue of our other business operations decreased 21.3% from RMB59.9 million in the three months ended March 31, 2010 to RMB47.1 million in the three months ended March 31, 2011.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 32.1% from RMB7,603.1 million in the three months ended March 31, 2010 to RMB10,045.0 million in the three months ended March 31, 2011. The increase was primarily attributable to the increase in cost of sales of our pharmaceutical distribution and supply chain solutions business.

Our gross profit was RMB1,738.7 million and RMB1,806.8 million in each of the three months ended March 31, 2010 and 2011, respectively, and our gross margin was 18.6% and 15.2%, respectively, in the same periods.

Pharmaceutical Business

Cost of sales of our pharmaceutical business increased by 9.3% from RMB1,062.0 million in the three months ended March 31, 2010 to RMB1,160.7 million in the three months ended March 31, 2011, primarily due to increases in raw material prices.

Segment gross profit of our pharmaceutical business decreased 4.5% from RMB1,062.4 million in the three months ended March 31, 2010 to RMB1,014.6 million in the three months ended March 31, 2011, and segment gross margin decreased from 50.0% in the three months ended March 31, 2010 to 46.6% in the three months ended March 31, 2011. The decrease in segment gross margin was primarily due to (i) the cessation of Techpool Bio-Pharma being accounted for as a consolidated subsidiary since January 1, 2011, and (ii) increases in raw material prices.

Pharmaceutical Distribution and Supply Chain Solutions

Cost of sales of our pharmaceutical distribution and supply chain solutions business increased by 37.7% from RMB6,535.6 million in the three months ended March 31, 2010 to RMB8,997.4 million in the three months ended March 31, 2011, corresponding to increased segment sales.

Segment gross profit of our pharmaceutical distribution and supply chain solutions business increased 13.2% from RMB566.3 million in the three months ended March 31, 2010 to RMB641.0 million in the three months ended March 31, 2011. Segment gross margin decreased to 6.7% in three months ended March 31, 2011 from 8.0% in the same period in 2010, which was consistent with the general decrease in gross margins of the overall PRC pharmaceutical distribution market and also attributable to the lower gross margin of our acquired pharmaceutical distribution businesses.

Pharmaceutical Retail

Cost of sales of our pharmaceutical retail business decreased by 4.3% from RMB432.1 million in the three months ended March 31, 2010 to RMB413.6 million in the three months ended March 31, 2011.

Segment gross profit of our pharmaceutical retail business was RMB95.6 million and RMB118.8 million in each of the three months ended March 31, 2010 and 2011, respectively, and segment gross margin was 18.1% and 22.3%, respectively, in the same periods.

Other Business Operations

Cost of sales of our other business operations decreased by 38.8% from RMB21.3 million in the three months ended March 31, 2010 to RMB13.1 million in the three months ended March 31, 2011.

Segment gross profit of other business operations was RMB38.6 million and RMB34.0 million in each of the three months ended March 31, 2010 and 2011, respectively, and the segment gross margin was 64.4% and 72.3%, respectively, in the same periods.

Distribution and Selling Expenses

Our distribution and selling expenses increased slightly from RMB747.0 million in the three months ended March 31, 2010 to RMB755.2 million in the three months ended March 31, 2011. As a percentage of revenue, distribution and selling expenses decreased from 8.0% in the three months ended March 31, 2010 to 6.4% in the three months ended March 31, 2011, mainly due to (i) the cessation of Techpool Bio-Pharma being accounted for as a consolidated subsidiary since January 1, 2011, which generally has a higher level of distribution and selling expenses, and (ii) our improved operational efficiency as a result of our internal integration efforts.

General and Administrative Expenses

Our general and administrative expenses decreased 4.0% from RMB516.9 million in the three months ended March 31, 2010 to RMB496.0 million in the three months ended March 31, 2011. As a percentage of revenue, general and administrative expenses decreased from 5.5% in the three months ended March 31, 2010 to 4.2% in the three months ended March 31, 2011, mainly reflecting improved operational efficiency and cost savings due to our internal integration efforts.

Operating Profit and Operating Margin

As a result of the foregoing, our operating profit increased by 17.0% from RMB474.8 million in the three months ended March 31, 2010 to RMB555.6 million in the three months ended March 31, 2011, and our operating margin was 5.1% and 4.7%, respectively, in the same periods.

Operating profit of our pharmaceutical business decreased by 10.2% from RMB312.5 million in the three months ended March 31, 2010 to RMB280.5 million in the three months ended March 31, 2011, and operating margin of our pharmaceutical business was 14.7% and 12.9%, respectively, in the same periods.

Operating profit of our pharmaceutical distribution and supply chain solutions increased by 46.2% from RMB171.1 million in the three months ended March 31, 2010 to RMB250.2 million in the three months ended March 31, 2011, and operating margin of our pharmaceutical distribution and supply chain solutions business was 2.4% and 2.6%, respectively, in the same periods.

Operating profit of our pharmaceutical retail business increased from RMB3.6 million in the three months ended March 31, 2010 to RMB20.8 million in the three months ended March 31, 2011, and operating margin of our pharmaceutical retail business was 0.7% and 3.9%, respectively, in the same periods.

Operating profit of other business operations was RMB11.7 million in the three months ended March 31, 2010 and RMB5.7 million in the three months ended March 31, 2011.

Other Income

Our other income was RMB23.7 million in the three months ended March 31, 2010 and RMB8.9 million in the three months ended March 31, 2011.

Gains or losses on Disposal of Subsidiaries and Associates

In the three months ended March 31, 2010, we had a net loss of RMB8.0 million on disposal of subsidiaries. In the three months ended March 31, 2011, we had a net gain of RMB527.0 million on disposal of subsidiaries, which included a one-time pre-tax gain of RMB479.2 million relating to the change of our accounting treatment for Techpool Bio-Pharma from a consolidated subsidiary to an associate as a result of our loss of control over this entity. See Note 13 to the Unaudited Condensed Consolidated Interim Financial Information included in Appendix IV to this Prospectus.

Net Other Gains

Our net other gains were RMB36.8 million and RMB74.6 million, respectively, in each of the three months ended March 31, 2010 and 2011. The increase was mainly due to increases in gain on disposals of available-for-sale financial assets, foreign exchange gain and gain on disposal of property, plant and equipment.

Finance Income and Finance Cost

Our net finance cost was RMB43.0 million and RMB63.4 million, respectively, in each of the three months ended March 31, 2010 and 2011.

Share of Profit of Jointly Controlled Entities

Share of profit of jointly controlled entities was RMB10.9 million and RMB18.1 million, respectively, in each of the three months ended March 31, 2010 and 2011.

Share of Profit of Associates

Share of profit of associates was RMB106.0 million and RMB117.1 million, respectively, in each of the three months ended March 31, 2010 and 2011. This increase was primarily due to Techpool Bio-Pharma being accounted for as an associate since January 1, 2011.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 105.9% from RMB601.3 million in the three months ended March 31, 2010 to RMB1,237.9 million in the three months ended March 31, 2011.

Income Tax

Our income tax expense increased from RMB84.7 million in the three months ended March 31, 2010 to RMB277.9 million in the three months ended March 31, 2011. The increase was mainly attributable to the tax payable on the one-time gain relating to the change in accounting treatment with respect to Techpool Bio-Pharma.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 85.8% from RMB516.7 million in the three months ended March 31, 2010 to RMB960.0 million in the three months ended March 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our liquidity requirements primarily relate to working capital needs, capital expenditures, debt services and business acquisitions. Our principal sources of liquidity are cash generated from our operations and bank borrowings. We also from time to time generate cash from various investing activities, including dividends from our investments and proceeds from disposal of properties and investments. Going forward, we expect these sources to continue to be our principal sources of liquidity. In the future, if our capital expenditures or other long-term commitments increase, or if we need significant financing for business acquisitions, we may decide to incur additional long-term indebtedness, depending on our financial condition at the time, taking into account net proceeds from the Global Offering. As of December 31, 2009 and 2010, we had cash and cash equivalents of RMB4,776.5 million and RMB6,039.6 million, respectively.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Net cash generated from operating activities	828,124	1,707,580	1,461,681
Net cash generated from/(used in) investing activities	187,883	272,282	(2,750,334)
Net cash generated from/(used in) financing activities	(371,874)	(389,140)	2,557,213
Cash and cash equivalents at beginning of year	2,545,972	3,185,370	4,776,503
Exchange gains/(losses) on cash and cash equivalents	(4,735)	411	(5,490)
Cash and cash equivalents at end of year	3,185,370	4,776,503	6,039,573

Net Cash Generated from Operating Activities

Net cash generated from operating activities was RMB1,461.7 million in 2010. Such amount was derived from our profit before income taxes of RMB2,172.5 million, adjusted mainly to reflect an increase in trade and other payables of RMB1,707.8 million and certain non-cash charges of RMB367.2 million relating to depreciation of property, plant and equipment and investment properties, partially offset by an increase in trade and other receivables of RMB1,089.3 million, an increase in our inventories of RMB844.5 million and share of profit from associates of RMB271.2 million. The significant increases in our trade and other payables, trade and other receivables and inventories from 2009 to 2010 were primarily due to (i) the increase in our sales and (ii) business acquisitions we conducted in 2010, which primarily included Fujian Pharmaceutical, Guangzhou Z.S.Y. and Beijing Aixin Weiye.

Net cash generated from operating activities was RMB1,707.6 million in 2009. Such amount was derived from our profit before income taxes of RMB2,130.0 million, adjusted mainly to reflect an increase in trade and other payables of RMB1,093.1 million and adding back of non-cash charges of RMB397.1 million relating to depreciation of property, plant and equipment and investment properties, partially offset by an increase in trade and other receivables of RMB579.9 million, a one-time gain of RMB536.4 million on disposal of our entire interest in Lianhua Supermarket, share of profit from associates of RMB279.1 million and an increase in our inventories of RMB265.9 million. The increases in our trade and other payables, trade and other receivables and inventories during this period were primarily due to the increase in our sales.

Net cash generated from operating activities was RMB828.1 million in 2008. Such amount was derived from our profit before income taxes of RMB1,205.5 million, adjusted mainly to reflect certain non-cash charges of RMB368.3 million relating to depreciation of property, plant and equipment and investment properties and an increase in trade and other payables of RMB184.5 million, partially offset by an increase in our inventories of RMB328.4 million, share of profit from associates of RMB269.2 million and an increase in trade and other receivables of RMB176.0 million.

Net Cash Generated from or Used in Investing Activities

Net cash used in investing activities was RMB2,750.3 million in 2010. Cash used in investing activities in this period mainly consists of: (i) payment of RMB2,002.2 million in acquisition consideration in connection with the transactions of the 2009 Restructuring; (ii) prepayment of RMB1,090.4 million primarily in connection with the acquisition of CHS; and (iii) payment of RMB505.4 million in connection with the purchase of property, plant and equipment and investment properties. Cash generated from investing activities in the same period mainly consists of: (i) proceeds of RMB510.3 million from disposal of property, plant and equipment and investment properties, mainly relating to certain office space in Shanghai; (ii) dividends received of RMB219.6 million; and (iii) proceeds of RMB142.5 million from disposal of available-for-sale financial assets. In June 2010, we sold our minority interest in Shenzhen Kangtai Biological Products Co., Ltd., a vaccine manufacturer, which contributed to a major portion of our proceeds from disposal of available-for-sale financial assets in 2010. We evaluate our investments in available-for-sale financial assets from time to time and selectively dispose of those that are not aligned with our core businesses.

Net cash generated from investing activities was RMB272.3 million in 2009. Cash generated from investing activities in 2009 mainly include: (i) proceeds of RMB789.1 million, mainly from disposal of our entire interest in Lianhua Supermarket; and (ii) proceeds of RMB263.1 million from disposal of property, plant and equipment and investment properties. Cash used in investing activities in the same period mainly consists of: (i) payment of RMB649.8 million in connection with purchase of property, plant and equipment and investment properties; (ii) consideration payment of RMB310.0 million in connection with the acquisition of certain business from Shanghai Pharmaceutical (Group); and (iii) payment of RMB102.7 million mainly for the purchase of land use rights and intangible assets.

Net cash generated from investing activities was RMB187.9 million in 2008. Cash generated from investing activities in the same period mainly include: (i) proceeds of RMB408.4 million from disposal of property, plant and equipment and investment properties; and (ii) dividends received of RMB163.5 million. Cash used in investing activities in 2008 mainly consists of payment of RMB590.4 million in connection with purchase of property, plant and equipment and investment properties.

For a description of our purchase of property, plant and equipment in these periods, see "— Capital Expenditures." Disposals of property, plant and equipment during in 2008, 2009 and 2010 primarily relate to relocations of certain manufacturing facilities and upgrades of equipment.

Net Cash Generated from or Used in Financing Activities

Net cash generated from financing activities was RMB2,557.2 million in 2010, mainly consisting of proceeds totaling RMB6,255.3 million from borrowings and proceeds totaling RMB1,999.6 million from issuance of new shares (which was used immediately as part of the consideration to acquire the businesses under the 2009 Restructuring), partially offset by repayment of RMB5,212.4 million in borrowings and dividends totaling RMB369.8 million paid by certain of our subsidiaries to their other shareholders.

Net cash used in financing activities was RMB389.1 million in 2009, mainly consisting of repayment of RMB5,808.6 million in borrowings and dividends totaling RMB460.8 million paid by certain of our subsidiaries to their respective shareholders other than us, partially offset by proceeds totaling RMB5,322.6 million from borrowings.

Net cash used in financing activities was RMB371.9 million in 2008, mainly consisting of repayment of RMB6,021.3 million in borrowings and dividends totaling RMB437.7 million paid by certain of our subsidiaries to their other shareholders, partially offset by proceeds totaling RMB5,986.3 million from borrowings.

Capital Expenditures

Our capital expenditures mainly relate to the acquisition of land use rights, property, plant and equipment, investment properties and intangible assets. In 2008, 2009 and 2010, our capital expenditures were RMB855.2 million, RMB751.6 million and RMB617.5 million, respectively. We fund these expenditures primarily using cash generated from our operating activities or proceeds from issuing new shares, and, to a lesser extent, proceeds from bank borrowings.

In 2008, 2009 and 2010, we incurred significantly higher capital expenditures on our pharmaceutical business than other business segments. These capital expenditures primarily related to the expansion and upgrade of our manufacturing facilities, including purchasing land use rights for sites, constructing facilities and purchasing equipment. For our pharmaceutical distribution and supply chain solutions business, capital expenditures were spent mainly on purchasing land use rights and constructing logistics centers. Capital expenditures incurred by our other segments were relatively insignificant. The table below sets forth our capital expenditures by segment in the periods indicated:

	Year ended December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Capital expenditures:			
Pharmaceutical business	446,103	691,851	476,817
Pharmaceutical distribution and supply chain solutions	276,982	24,788	119,754
Pharmaceutical retail	16,280	24,471	20,190
Other business operations	115,801	10,485	696
Total	855,166	751,595	617,457

We estimate our capital expenditures in 2011 to be RMB2,343 million, mainly relating to the construction of our three industrial bases in Shanghai and equipment purchases. We expect to fund these capital expenditures primarily by cash generated from operating activities as well as a portion of the net proceeds from the Global Offering. See the section headed "Future Plans and Use of Proceeds." We may also obtain bank borrowings to fund part of these expenses.

Working Capital

The Directors are of the opinion that, taking into account the estimated net proceeds from the Global Offering, the credit facilities presently available to our Group and cash flows generated from our operations, our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this Prospectus.

We may, however, need additional cash resources in the future if we experience changed business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, collaborations or other similar action. If we ever determine that our cash requirements exceed our amounts of cash and cash equivalents on hand, we may seek to issue debt or equity securities or obtain credit facilities. Any issuance of equity securities could cause dilution for our Shareholders. Any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. It is possible that, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all.

Net Current Assets

As of December 31, 2008, 2009 and 2010, we had net current assets of RMB1,622.9 million, RMB3,699.2 million and RMB4,020.4 million, respectively. The following table sets forth our current assets, current liabilities and net current assets as of March 31, 2011:

	As of March 31, 2011
	(unaudited)
	(in thousands of RMB)
Current Assets	
Inventories	4,774,927
Trade and other receivables	9,683,216
Financial assets at fair value through profit or loss	3,011
Restricted cash	262,425
Cash and cash equivalents	6,083,868
Total	20,807,447
Current Liabilities	
Trade and other payables	11,592,967
Current income tax liabilities	175,531
Borrowings	6,739,803
Total	18,508,301
Net Current Assets	2,299,146

Restricted Cash

Our restricted cash represents certain bank deposits that have been pledged to banks to secure our bank borrowings and notes payable. As of December 31, 2008, 2009 and 2010, our restricted cash amounted to RMB81.0 million, RMB110.7 million and RMB298.8 million, respectively. Our restricted cash increased significantly as of December 31, 2010 compared to December 31, 2009, primarily due to our increased use of notes payable to settle our payments to suppliers in order to enjoy longer payment cycles. See "— Trade and Other Payables — Trade Payables to Third Parties." Banks issuing the notes usually require us to post cash deposits to secure these notes.

Inventories

As a pharmaceutical manufacturer and distributor, we need to maintain sufficient inventory levels to operate our pharmaceutical and distribution business successfully as well as meet our customer demand. At the same time, we are exposed to the risk of excess inventory accumulation. See "Risk Factors — Risks Relating to Our Business Operations — Failure to maintain optimal inventory levels could increase our operating costs or cause us to lose sales, either of which could have a material adverse effect on our business, financial condition and results of operations." Inventory levels in excess of customer demand may result in inventory write-downs, increase our inventory storage costs and adversely affect our liquidity.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using first-in, first-out or the weighted average method, where appropriate. The cost of finished goods and work in progress consists of raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. We write down inventories to their net realizable values when the carrying value of inventories declines below the net realizable value. See "— Critical Accounting Policies — Net Realizable Value of Inventories." As of March 31, 2011, RMB4,768.8 million, or 91.6%, of our inventories as of December 31, 2010 were subsequently consumed or sold. The following table sets forth the components of our inventories as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Raw materials	428,727	377,987	492,952
Work in progress	275,838	253,760	307,671
Finished goods	2,917,943	3,256,689	4,402,938
Less: write-down to net realizable value	(191,167)	(187,716)	(162,832)
Total	3,431,341	3,700,720	5,040,729

Increases in our inventories during these periods were mainly due to the expansion of our pharmaceutical and distribution businesses and our business acquisitions in 2010. In 2008, 2009 and 2010, our inventory turnover days remained relatively stable during these periods at 53.9, 53.9 and 54.0 days, respectively. The calculation of inventory turnover days for any period is based on the average balance of inventories divided by cost of sales for the relevant period multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two.

Trade and Other Receivables

The following table sets forth the components of our trade and other receivables (other than those due from related parties) as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Trade receivables from third parties:			
Accounts receivable	4,830,782	5,387,274	7,318,273
Less: Provision for impairment	(566,437)	(608,029)	(613,491)
Accounts receivable — net	4,264,345	4,779,245	6,704,782
Notes receivable	322,162	368,961	421,474
Trade receivables — net	4,586,507	5,148,206	7,126,256
Other receivables from third parties	945,364	943,925	1,376,295
Less: Provision for impairment	(749,585)	(724,211)	(694,413)
Other receivables — net	195,779	219,714	681,882

Trade Receivables from Third Parties

Our trade receivables from third parties consist of accounts receivable and notes receivable. As of December 31, 2008, 2009 and 2010, our net trade receivables from third parties amounted to RMB4,586.5 million, RMB5,148.2 million and RMB7,126.3 million, respectively. Our trade receivables from third parties increased significantly during 2010, primarily reflecting (i) the increase in our sales and (ii) our business acquisitions in 2010, respectively. We consolidate the financial position, including trade receivables, of these acquired businesses on and after the respective acquisition completion dates. The increase in our trade receivables from third parties between December 31, 2008 and 2009 was primarily attributable to the increase in our sales.

We recognize a provision for impairment of trade receivables from third parties as general and administrative expenses when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the trade receivables. See "— Critical Accounting Policies — Impairment of Receivables." As of December 31, 2008, 2009 and 2010, provision for impairment of trade receivables from third parties was RMB566.4 million, RMB608.0 million and RMB613.5 million, respectively. Provision for impairment of trade receivables increased in absolute terms during these periods mainly as a result of the expansion of our business. In 2008, 2009 and 2010, RMB70.0 million, RMB100.0 million and RMB34.3 million, respectively, of trade and other receivables from third parties were written off, as these amounts were determined to be uncollectible.

The following table sets forth an aging analysis of our trade receivables from third parties as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Within three months	3,553,862	4,137,314	5,564,342
More than three months but within six months	394,739	531,104	719,966
More than six months but within one year	452,639	455,900	800,801
More than one year but within two years	111,187	51,329	61,225
More than two years	640,517	580,588	593,413
Total	5,152,944	5,756,235	7,739,747

We generally grant to customers of our pharmaceutical and distribution businesses a credit period of 30 days to 180 days. Sales of our pharmaceutical retail business are usually made in cash or by debit or credit cards.

In 2008, 2009 and 2010, our trade receivables turnover days remained relatively stable during these periods at 64.7, 63.8 and 65.9 days, respectively. The calculation of trade receivables turnover days for any period is based on the average balance of gross trade receivables from third parties divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two. As of December 31, 2010, RMB593.4 million of our trade receivables from third parties had been outstanding for over two years. Based on collectability, we made provisions for RMB540 million of these receivables. The remaining RMB53 million was either subsequently settled or mainly due from customers with good credit histories, thus they were not expected to have any material collectability issue. These receivables can only be written off against provision with approvals of the relevant PRC government authorities.

As of December 31, 2010, our top 10 trade receivables were RMB578.9 million. RMB435.7 million, or 75.3%, of these trade receivables have been settled during the three months ended March 31, 2011.

Other Receivables from Third Parties

As of December 31, 2008, 2009 and 2010, our other receivables from third parties amounted to RMB945.4 million, RMB943.9 million and RMB1,376.3 million, respectively. Other receivables from third parties primarily consist of various advances to third parties. We recognize a provision for impairment of other receivables from third parties as general and administrative expenses when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. See "— Critical Accounting Policies — Impairment of Receivables." As of December 31, 2008, 2009 and 2010, provision for impairment of other receivables from third parties was RMB749.6 million, RMB724.2 million and RMB694.4 million, respectively, representing 79.3%, 76.7% and 50.5%, respectively, of our total other receivables as of those dates.

Prepayments

The table below sets forth the components of our prepayments as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Purchase of raw materials and merchandise	155,292	168,917	518,696
Prepaid expenses	153,893	155,147	95,796
Purchase of property, plant and equipment	66,020	76,683	32,722
Others	8,738	8,414	10,631
Total	383,943	409,161	657,845

Prepayment for purchase of raw materials and merchandise increased from December 31, 2008 to December 31, 2009 and to December 31, 2010, mainly due to the growth of our business and the business acquisitions we conducted in 2010. Prepaid expenses mainly relate to various prepaid operating expenses.

Trade and Other Payables

The following table sets forth the components of our trade and other payables (other than those due to related parties) as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Trade payables to third parties:			
Accounts payable	3,989,326	4,611,412	6,615,806
Notes payable	534,414	934,430	1,875,014
Subtotal	4,523,740	5,545,842	8,490,820
Other payables to third parties:			
Advances received from customers	298,112	247,532	307,383
Payables for purchase of property, plant and equipment	397,563	230,393	60,860
Staff welfare and salary payables	328,429	311,138	318,395
Tax liabilities other than income tax	55,992	69,014	114,218
Accrued expense	301,124	339,164	408,693
Deposits	88,169	125,708	136,403
Dividends payable	97,515	49,933	48,383
Considerations payable in respect of acquisition of certain subsidiaries	—	—	234,695
Others	87,822	231,802	437,842
Subtotal	1,654,726	1,604,684	2,066,872
Total	6,178,466	7,150,526	10,557,692

Trade Payables to Third Parties

Our trade payables to third parties consist of accounts payable and notes payable. As of December 31, 2008, 2009 and 2010, our trade payables to third parties amounted to RMB4,523.7 million, RMB5,545.8 million and RMB8,490.8 million, respectively. Our trade payables to third parties primarily consist of amounts outstanding for the purchase of raw materials for our pharmaceutical business and of merchandise for our pharmaceutical distribution and supply chain solutions business and pharmaceutical retail business. Trade payables to third parties increased significantly during 2010 primarily due to the expansion of our business as well as our business acquisitions in 2010. We recognized the financial results, including trade payables to third parties, of these acquired businesses on and after the respective acquisition dates. The increase in our trade payables to third parties between December 31, 2008 and 2009 was primarily attributable to the expansion of our overall business.

We normally settle trade payables to third parties to our raw material suppliers on terms ranging from one to six months, and to our pharmaceutical and healthcare product suppliers on terms ranging from one to three months. The table below sets forth an aging analysis of trade payables to third parties as of the dates indicated below:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Within three months	3,681,035	4,614,071	6,722,232
More than three months but within six months	224,222	261,348	546,420
More than six months but within one year	454,953	498,620	982,442
More than one year but within two years	74,462	82,340	122,953
More than two years but within three years	28,401	14,742	34,268
More than three years	60,667	74,721	82,505
Total	4,523,740	5,545,842	8,490,820

In 2008, 2009 and 2010, our trade payables turnover days were 70.0 days, 72.3 days and 83.4 days, respectively. Trade payables turnover days increased from 2009 to 2010 mainly due to our business acquisitions in 2010, as well as our increased use of notes payable to settle payments to suppliers, which resulted in longer payment cycles. The calculation of trade payables turnover days for any period is based on the average balance of trade payables to third parties divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two.

As of December 31, 2010, our top five trade payables were RMB275.9 million, all of which had been settled during the three months ended March 31, 2011.

Other Payables to Third Parties

As of December 31, 2008, 2009 and 2010, our other payables to third parties amounted to RMB1,654.7 million, RMB1,604.7 million and RMB2,066.9 million, respectively. Other payables to third parties primarily consist of advances received from customers, payables for purchase of property, plant and equipment, staff welfare and salary payables, tax liabilities other than income tax, accrued expense, deposits, dividends payable and considerations payable in respect of acquisition of certain subsidiaries.

AMOUNTS DUE FROM/TO RELATED PARTIES

As of December 31, 2008, 2009 and 2010, amounts due from related parties were RMB358.7 million, RMB304.0 million and RMB114.6 million, respectively. The following table sets forth the components of our amounts due from related parties as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Trade receivables	90,134	69,973	89,572
Other receivables	173,984	115,234	18,144
Prepayments	3,550	—	—
Dividends receivable	91,079	118,766	6,917
Total	358,747	303,973	114,633

Trade receivables from related parties primarily consist of outstanding amounts for sale of pharmaceutical and health products to certain related parties that engage in the pharmaceutical distribution and retail business. Other receivables from related parties mainly represent certain advances to our joint ventures.

Prepayments due from related parties are trade in nature which mainly relate to our procurement of raw materials from related parties. Dividends receivable represent dividends that have been declared by our jointly controlled entities and associates but not yet paid to us.

As of December 31, 2008, 2009 and 2010, amounts due to related parties were RMB506.1 million, RMB310.4 million and RMB354.5 million, respectively. The following table sets forth the components of our amounts due to related parties as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Trade Payables	103,413	183,901	176,841
Other Payables	258,533	34,547	84,218
Advances	132	198	2,088
Dividends Payable	144,044	91,729	91,315
Total	506,122	310,375	354,462

Trade payables from related parties primarily consist of outstanding amounts for the purchase of raw materials and pharmaceutical and health products from certain related parties.

As of December 31, 2008 and 2009, other payables to related parties mainly consisted of certain advances extended by Shanghai Pharmaceutical (Group) to us. As of December 31, 2010, other payables to related parties mainly consisted of loans from a related party to finance our acquisition of CHS, which loans have been repaid by us in the first quarter of 2011.

Advances from related parties are trade in nature which mainly relate to prepayments for our products sold to related parties. Dividends payable to related parties primarily represent dividends that have been declared but not yet paid to Shanghai Pharmaceutical (Group).

INDEBTEDNESS

As of December 31, 2010, we had outstanding borrowings of RMB4,884.5 million, out of which RMB3,882.3 million was denominated in Renminbi, and RMB1,002.2 million was denominated in U.S. dollars. Of the total outstanding borrowings, RMB4,818.4 million was repayable within one year. The following table sets forth the components of our borrowings as of the dates indicated:

	As of December 31,			As of March 31,
	2008	2009	2010	2011
				(unaudited)
	(in thousands of RMB)			
Non-current				
Long-term bank borrowings	101,685	79,864	61,665	36,081
Other borrowings	11,704	4,433	4,433	4,433
Subtotal	113,389	84,297	66,098	40,514
Current				
Short-term bank borrowings	3,732,820	3,264,220	4,759,360	6,648,409
Short-term other borrowings	23,000	20,000	31,287	75,664
Current portion of long-term bank borrowings	15,000	47,000	27,730	15,730
Current portion of long-term other borrowings	—	730	—	—
Subtotal	3,770,820	3,331,950	4,818,377	6,739,803
Total borrowings	3,884,209	3,416,247	4,884,475	6,780,317

Our short-term bank borrowings were incurred primarily for the purposes of financing our working capital and business acquisitions. Our short-term bank borrowings decreased from RMB3,732.8 million as of December 31, 2008 to RMB3,264.2 million as of December 31, 2009, but increased to RMB4,759.4 million as of December 31, 2010. This increase was mainly due to borrowings of US$151.0 million incurred to fund the prepayment for the acquisition of CHS and the purchase price for our other business acquisitions in 2010. Other short-term borrowings principally represent entrusted borrowings and notes receivables discounted to financial institutions.

Most of our long-term bank borrowings were incurred to finance our capital expenditures, comprising primarily purchase of land use rights, purchase and construction of manufacturing and distribution facilities and purchase of equipment. Our long-term bank borrowings decreased from RMB101.7 million as of December 31, 2008 to RMB79.9 million as of December 31, 2009, and to RMB61.7 million as of December 31, 2010.

We seek to lower our finance costs by managing the size of our total borrowings and centralizing our bank borrowing activities. We review our financial condition from time to time and adjust the outstanding amount of our short-term loans. As our Company has better credit than our individual subsidiaries, our Company is generally able to obtain bank loans with lower interest rates than our individual subsidiaries. Therefore, we seek to centralize loan planning and borrowing as well as cash management and allocation to lower our finance costs. We believe this initiative is particularly important to us, as we have acquired, and are expected to continue to acquire, other businesses from time to time, which had or have engaged in financing activities independently before being acquired by us.

Most of our bank borrowings outstanding as of December 31, 2008, 2009 and 2010 were denominated in Renminbi; the effective interest rates of our Renminbi-denominated bank borrowings were 6.6%, 4.6% and 4.6%, respectively. The interest rate declined from December 31, 2008 to the same date in 2009, mainly attributable to the prevailing market interest rates for Renminbi-denominated loans, as well as our efforts to centralize bank borrowings.

The following table sets forth a breakdown of our guaranteed, secured and unsecured bank borrowings as of the dates indicated:

	As of December 31,			As of March 31,
	2008	**2009**	**2010**	**2011**
				(unaudited)
		(in thousands of RMB)		
Guaranteed	709,500	429,221	300,480	237,180
Secured	437,633	466,873	840,864	697,204
Unsecured	2,702,372	2,494,990	3,707,411	5,765,836
Total	3,849,505	3,391,084	4,848,755	6,700,220

Of all the guaranteed bank borrowings, RMB21.5 million, RMB1.7 million and RMB274.7 million were guaranteed by independent third parties as of December 31, 2008, 2009 and 2010, respectively, and RMB688.0 million, RMB427.5 million and RMB25.8 million were guaranteed by related parties as of the same dates, respectively. The large amount of guaranty by independent third parties as of December 31, 2010 mainly related to loans borrowed by Guangzhou Z.S.Y. that were guaranteed by its other shareholders prior to the acquisition. We began to consolidate such loans on our balance sheet following its acquisition by us in August 2010.

As of December 31, 2008, 2009 and 2010, (i) RMB287.0 million, RMB271.6 million and RMB329.4 million, respectively, of our bank loans were secured by property, plant and equipment, (ii) RMB84.0 million, RMB172.5 million and RMB205.6 million, respectively, of our bank loans were secured by land use rights, and (iii) nil, nil and RMB73.6 million, respectively, of our bank loans were secured by trade receivables.

The table below sets forth the maturity profile of our borrowings as of the dates indicated below:

	As of December 31,		
	2008	2009	2010
	(in thousands of RMB)		
Within one year	3,770,820	3,331,950	4,818,377
More than one year but within two years	62,000	—	1,635
More than two years but within five years	7,270	45,810	30,080
Wholly repayable within five years	3,840,090	3,377,760	4,850,092
More than five years	44,119	38,487	34,383
	3,884,209	3,416,247	4,884,475

Except as disclosed above, we did not have, as of the Latest Practicable Date, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since March 31, 2011.

Contractual and Other Obligations

The following table summarizes our other contractual obligations as of December 31, 2010:

	Within one year	More than one year but within two years	More than two years but within five years	More than five years	Total
	(in thousands of RMB)				
Long-term debt	27,730	1,635	30,080	34,383	93,828
Capital commitments[(1)]	2,915,251	—	—	—	2,915,251
Operating lease obligations	21,815	15,221	18,491	23,694	79,221
Total	2,964,796	16,856	48,571	58,077	3,088,300

Note:

(1) Primarily relate to our commitments in respect of the acquisitions of CHS and the Antibiotics Business.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2010, we did not have any material off-balance sheet arrangements except for our guaranty of the payment obligations totaling RMB73.0 million of Shenzhen Kondarl under a bank loan. See "Business — Legal Proceedings."

CONTINGENT LIABILITIES

We are from time to time involved in legal proceedings and litigation in the ordinary course of business. As of the Latest Practicable Date, we did not have any material contingent liabilities except for those set forth in "Business — Legal Proceedings."

FINANCIAL RISKS

We are exposed to various types of financial risk in the ordinary course of business, including market risk (consisting of foreign exchange risk and interest rate risk), credit risk and liquidity risk. We did not, in 2008, 2009 and 2010, use derivative financial instruments to hedge our risk exposures on changes in foreign currency exchange rates and interest rates.

Foreign Exchange Risk

We operate our business principally in the PRC. Most of the transactions we engage in are denominated and settled in Renminbi. However, a small portion of our cash, trade and other receivables, and trade and other payables are denominated in currencies other than Renminbi, mainly the Hong Kong dollar and U.S. dollar. As of December 31, 2008, 2009 and 2010, 4.6%, 2.7%, and 6.1%, respectively, of our cash, 0.4%, 0.2%, and 0.3%, respectively, of our trade and other receivables, and 2.5%, 2.1% and 0.3%, respectively, of our trade and other payables were denominated in currencies other than Renminbi. As a result, we are exposed to foreign exchange risk. In addition, conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control as promulgated by the PRC government. Considering the level of our current exposure to foreign exchange risk, we have not used any financial instruments or derivatives to hedge against foreign exchange risk. However, we will continue to monitor closely the foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

As of December 31, 2008, 2009 and 2010, if Renminbi had strengthened/weakened by 5% against the U.S. dollar, Hong Kong dollar and other currencies, with all other variables held constant, our profit before income tax for the respective year then ended would have been higher/lower by RMB0.9 million, RMB1.8 million and RMB30.9 million, respectively, mainly as a result of foreign exchange gains/losses arising from the translation of U.S. dollar-denominated cash and cash equivalents, trade receivables and payable balances.

Moreover, following the completion of the Global Offering, we expect to receive significant cash and cash equivalents to be denominated in currencies other than Renminbi. Such cash and cash equivalents are exposed to fluctuations in the value of Renminbi against the currencies in which these cash and cash equivalents are denominated.

Interest Rate Risk

We are exposed to interest rate risk arising primarily from bank borrowings. Bank borrowings issued at variable rates expose us to cash flow interest rate risk. Bank borrowings issued at fixed rates expose us to fair value interest rate risk. In general, we raise bank borrowings at floating rates as well as fixed rates, based upon the capital market conditions and our needs. We currently do not use any interest rate swap contracts or other financial instruments to hedge against interest rate risk exposure. We will, however, continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As of December 31, 2008, 2009 and 2010, if the interest rate on bank borrowings had been 15% higher/lower, with all other variables held constant, our profit before income tax for the respective years then ended would have been lower/higher by RMB17.5 million, RMB9.7 million and RMB10.4 million, respectively, mainly as a result of higher/lower interest expenses on bank borrowings.

Credit Risk

Credit risk primarily arises from cash and cash equivalents, restricted cash and trade and other receivables (except for prepayments). For deposits with banks and financial institutions (including restricted cash and cash and cash equivalents), we have limited our credit exposure by restricting the selection of banks and financial institutions to reputable local joint-stock commercial banks or state-owned banks. With respect to trade receivables, we assess the credit qualities of customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set and regularly reviewed by our management, the utilization of which is monitored regularly. We have no concentration of credit risk in respect of trade receivables due to our large customer base. Notes receivable are mostly to be settled by reputable banks or state-owned banks; therefore management expects that they will not expose us to any significant credit risk.

We believe that the provisions for impairment of trade and other receivables as of respective balance sheet dates adequately cover our credit risk exposures.

Liquidity Risk

We adopt prudent liquidity risk management to ensure sufficient cash and liquidity sources. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, discounting bank acceptance to banks and the ability to close out market positions. Our objective is to maintain adequate committed credit lines to ensure that sufficient and flexible funding is available to us. We have historically met our working capital requirements primarily from cash generated from operations. See "— Liquidity and Capital Resources — Overview." As of March 31, 2011, we had unused borrowing facilities in the aggregate of RMB7,545.2 million.

The following table sets forth the maturity profile of our non-derivative financial liabilities as of the dates indicated:

	Within one year	More than one year but within two years	More than two years but within five years	More than five years	Total
	(in thousands of RMB)				
As of December 31, 2008					
Borrowings	3,770,820	62,000	7,270	44,119	3,884,209
Interests payments on borrowings	122,471	5,798	5,963	4,827	139,059
Financial liabilities as included in trade and other payables	6,002,055	—	—	—	6,002,055
	9,895,346	67,798	13,233	48,946	10,025,323
As of December 31, 2009					
Borrowings	3,331,950	—	45,810	38,487	3,416,247
Interests payments on borrowings	68,198	4,287	10,690	2,014	85,189
Financial liabilities as included in trade and other payables	6,833,217	—	—	—	6,833,217
	10,233,365	4,287	56,500	40,501	10,334,653
As of December 31, 2010					
Borrowings	4,818,377	1,635	30,080	34,383	4,884,475
Interests payments on borrowings	82,740	2,763	5,367	737	91,607
Financial liabilities as included in trade and other payables	10,172,158	—	—	—	10,172,158
	15,073,275	4,398	35,447	35,120	15,148,240

Limitations of Sensitivity Analysis

While we consider sensitivity analysis to provide us with a valid estimation of market risk exposures, we recognize that there are certain limitations in its use. Our sensitivity analysis is an estimate based on a fixed point in the past. Nearly all of our assets and liabilities are subject to market risk from fluctuating interest rates and foreign exchange rates. These fluctuations cannot be foreseen and could occur very suddenly. The quantitative risk measures provided by the sensitivity analysis are a snapshot, describing the potential losses to investments under a particular set of assumptions and parameters, which, though reasonably possible, may differ considerably from actual losses experienced in the future.

PROPERTY INTERESTS

Our property interests were valued at RMB3,381.7 million, with RMB2,433.1 million attributable to the Company, as of February 28, 2011 by Jones Lang LaSalle Sallmanns, an independent property valuer. Details of our property interests are set forth in the letter and valuation certificates of Jones Lang LaSalle Sallmanns set forth in Appendix VI to this Prospectus.

The table below sets forth (i) the reconciliation of our property interests from our audited consolidated financial statements as of December 31, 2010; and (ii) the reconciliation of the unaudited net book value of our property interests and the valuation of such property interests as of February 28, 2011.

	RMB in millions
	(unaudited)
Net book value of our property interests as of December 31, 2010	
Land and buildings	3,383.6
Movements for the two months ended February 28, 2011	
Additions	—
Depreciations	(25.1)
Disposals	(62.3)
Net book value as of February 28, 2011	3,296.2
Valuation surplus as of February 28, 2011	85.5
Valuation as of February 28, 2011 as set forth in Appendix VI to this Prospectus	3,381.7

DIVIDEND POLICY

The payment of any dividend by us must be approved by our Shareholders in a Shareholders' meeting. While our Board intends to recommend the declaration of cash dividends to the Shareholders in general meeting, the decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend on, among other things:

- our results of operations and cash flow;
- our financial position;
- general business conditions;
- our future prospects;
- statutory, regulatory and contractual restrictions on the payment of dividends by us; and
- other factors that our Board deems relevant.

Our Board will propose dividends, if any, in Renminbi with respect to the H Shares on a per Share basis for Shareholders' approval. We will pay such dividends in Hong Kong dollars. Under the PRC Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and distributions. Holders of the H Shares will share proportionately on a per Share basis in all dividends and other distributions.

In accordance with applicable requirements of the PRC Company Law, we may only distribute dividends after we have made an allowance for:

- recovery of losses, if any;
- allocation to the statutory reserve fund; and
- allocation to a discretionary revenue fund if approved by our Shareholders and after allocation is made to the statutory reserve fund.

The allocations to the statutory funds are currently 10% of our net profit, determined in accordance with PRC GAAP. Under the applicable PRC laws, our distributable profit will be equal to our net profit, as determined in accordance with PRC GAAP or HKFRS, whichever is lower, less allocations to the statutory and discretionary funds. Pursuant to the Articles of Association, the cumulative cash dividends of our Company for any three-year period shall be no less than 30.0% of the average annual distributable profit for the same three-year period.

Prior to the 2009 Restructuring, our Company declared and paid cash dividends of RMB25.6 million with respect to 2008. After the completion of the 2009 Restructuring, our Company declared and paid cash dividends of RMB104.0 million with respect to 2009. With respect to 2010, (i) RMB35.6 million of cash dividends was declared and paid by the Company pursuant to the contractual terms under the 2009 Restructuring; and (ii) an additional RMB278.9 million of cash dividends to holders of our A Shares, but not the holders of our H Shares, has been proposed by our Board, pending Shareholders' approval.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have prepared certain unaudited pro forma consolidated financial information to give the effect of the acquisitions of CHS and the Antibiotics Business as if these acquisitions had been completed, in the case of the pro forma balance sheet, on December 31, 2010, and in the case of the pro forma statements of income and cash flow, on January 1, 2010. Our unaudited pro forma financial information has been derived from our audited consolidated financial statements and the respective audited historical financial statements of CHS and the Antibiotics Business, all of which have been prepared in accordance with the HKFRS. Our unaudited pro forma financial information has been prepared using the assumptions and adjustments described in the notes to the unaudited pro forma financial information in Appendix III to this Prospectus. Neither these adjustments nor the resulting pro forma financial information have been audited in accordance with the generally accepted auditing standards in Hong Kong or the United States.

The unaudited pro forma consolidated financial information is not necessarily representative of our financial condition, results of operations and changes in liquidity and capital resources as they would have appeared in our financial statements had the acquisitions assumed taken place during the period indicated below. Our pro forma consolidated financial information is based on a number of assumptions and pro forma adjustments as detailed in section C of Appendix III to this Prospectus.

In addition, the unaudited pro forma financial information is not necessarily indicative of what our financial condition, results of operations and changes in liquidity and capital resources will be in future years. You should not place undue reliance on our unaudited pro forma financial information. This information should be read in conjunction with the sections headed "Risk Factors," "Financial Information" and our audited consolidated financial statements and the accompanying notes included elsewhere in this Prospectus.

For the complete unaudited pro forma information and the accompanying notes, see Appendix III — "Unaudited Pro Forma Financial Information."

Summary Unaudited Pro Forma Balance Sheet Data as of December 31, 2010

		Pro forma adjustments			Pro forma adjustments			
	The Company (actual)[1]	The Antibiotics Business (actual)[2]	Other pro forma Adjustments	The Company and the Antibiotics Business combined (pro forma)	CHS (actual)[3]	Reclassification[4]	Other pro forma adjustments	The Company, the Antibiotics Business and CHS combined (pro forma)
				(in thousands of RMB)				
Non-current assets	8,278,028	663,884	—	8,941,912	159,780	(8,107)	1,740,940	10,834,525
Current assets	19,962,916	1,271,468	(1,504,949)	19,729,435	3,789,557	8,107	(2,735,579)	20,791,520
Total equity	11,884,263	943,965	(1,487,780)	11,340,448	996,198	—	(996,198)	11,340,448
Non-current liabilities	414,170	2,444	—	416,614	3,797	—	103,753	524,164
Current liabilities	15,942,511	988,943	(17,169)	16,914,285	2,949,342	—	(102,194)	19,761,433

Summary Unaudited Pro Forma Income Statement Data for the Year Ended December 31, 2010

		Pro forma adjustments			Pro forma adjustments		
	The Company (actual)[1]	The Antibiotics Business (actual)[2]	Other pro forma adjustments	The Company and the Antibiotics Business combined (pro forma)	CHS (actual)[3]	Other pro forma adjustments	The Company, the Antibiotics Business and CHS combined (pro forma)
				(in thousands of RMB)			
Revenue	37,381,568	1,414,149	(103,561)	38,692,156	6,111,948	(463,348)	44,340,756
Cost of sales	(30,723,323)	(1,086,513)	103,561	(31,706,275)	(5,633,842)	437,958	(36,902,159)
Gross profit	6,658,245	327,636	—	6,985,881	478,106	(25,390)	7,438,597
Profit before income tax	2,172,535	110,715	—	2,283,250	189,814	(62,053)	2,411,011
Income tax expense	(393,550)	(22,335)	—	(415,885)	(58,099)	15,514	(458,470)
Profit for the year	1,778,985	88,380	—	1,867,365	131,715	(46,539)	1,952,541

Summary Unaudited Pro Forma Cash Flow Statement Data for the Year Ended December 31, 2010

		Pro forma adjustments			Pro forma adjustments			
	The Company (actual)(1)	The Antibiotics Business (actual)(2)	Other pro forma adjustments	The Company and the Antibiotics Business combined (pro forma)	CHS (actual)(3)	Reclassification(4)	Other pro forma adjustments	The Company, the Antibiotics Business and CHS combined (pro forma)
	(in thousands of RMB)							
Net cash generated from/(used in) operating activities	1,461,681	492,087	—	1,953,768	(536,660)	(52,592)	—	1,364,516
Net cash used in investing activities	(2,750,334)	(245,327)	(1,487,780)	(4,483,441)	(402,018)	—	(2,338,694)	(7,224,153)
Net cash generated from/(used in) financing activities	2,557,213	(203,492)	—	2,353,721	715,536	52,592	—	3,121,849

Notes:

(1) These amounts are extracted from the Accountants' Report of the Company as set forth in Appendix I to this Prospectus.

(2) These amounts are extracted from the Accountants' Report of Shanghai New Asiatic and Shanghai Huakang as set forth in Appendix IIB to this Prospectus.

(3) These amounts are extracted from the Accountants' Report of CHS as set forth in Appendix IIA to this Prospectus.

(4) This represents the reclassification of those balance sheet, income statement and cash flow statement item in the Accountants' Report of CHS to conform to the presentation of the consolidated balance sheet, income statement and cash flow statement in the Accountants' Report of the Company, respectively.

DISTRIBUTABLE RESERVES

The calculation of distributable profits for a company under PRC GAAP differs in a few respects from the calculation under HKFRS. As a result, we may not be able to pay any dividends in a given year if we do not have distributable profits as determined under PRC GAAP, even if we have profits for that year as determined under HKFRS, or vice versa.

Pursuant to our Articles of Association, following the Listing of our H Shares on the Hong Kong Stock Exchange, the amount of our retained profits available for distribution shall be the lower of the amount determined under PRC GAAP and that determined under HKFRS. As of December 31, 2010, our distributable reserves determined on this basis were the retained earnings of the Company under HKFRS, which were RMB513.0 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with paragraph 4.29 of the Hong Kong Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of December 31, 2010 as if it had taken place on December 31, 2010.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of December 31, 2010 or any future date following the Global Offering. It is prepared based on our audited consolidated net tangible assets as of December 31, 2010, as set forth in the Accountants' Report of the Company in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this Prospectus.

	Adjusted consolidated net tangible assets attributable to equity holders of our Company as of December 31, 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	
	(in thousands of RMB)			RMB	HK$
Based on an Offer Price of HK$21.80 per Share . . .	8,618,127	11,661,067	20,279,194	7.63	9.11
Based on an Offer Price of HK$26.00 per Share . . .	8,618,127	13,927,613	22,545,740	8.49	10.13

Notes:

(1) The audited consolidated net tangible assets of our Company attributable to equity holders of our Company as of December 31, 2010 is extracted from the Accountants' Report of the Company set forth in Appendix I to this Prospectus, which is based on the audited consolidated net assets of our Company attributable to equity holders of the Company as of December 31, 2010 of RMB9,134.6 million with an adjustment for the intangible assets as at December 31, 2010 of RMB516.4 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price range of HK$21.80 and HK$26.00 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company and does not take into account any Shares which may be issued upon the exercise of the Over-Allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 2,656,857,338 Shares were in issue assuming the Global Offering had been completed on December 31, 2010, not taking into account any Shares which may be issued upon the exercise of the Over-Allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is translated into Hong Kong dollars at the rate of HK$1.00 to RMB0.8376. No representation is made that the RMB amount has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

As of February 28, 2011, our properties were revalued by Jones Lang LaSalle Sallmanns, an independent property valuer, and the relevant property valuation report is set out in Appendix VI to this Prospectus. The net valuation surplus, representing the excess of market value of the properties over their book value, as of February 28, 2011 is RMB85.5 million. Such revaluation surplus has not been included in our consolidated financial statements for the year ended December 31, 2010. The above adjustments do not take into account the revaluation surplus. Had the properties been stated at such valuation, an additional depreciation and amortization expense before income taxes of RMB3.7 million would be charged against our consolidated income statement for the year ended December 31, 2010.

(5) No adjustment has been made to reflect any trading results or other transactions of our Company entered into subsequent to December 31, 2010.

PROFIT FORECAST

Certain forecast data of the Company for the year ending December 31, 2011 are set forth below. We prepared these forecast data on the bases and assumptions set out in Appendix V — "Profit Forecast" to this Prospectus and after taking into account the one-time net gain (after taxation) of RMB333.5 million in the first quarter of 2011 relating to the change of accounting treatment for Techpool Bio-Pharma from a consolidated subsidiary to an associate as a result of our loss of control over this entity, as well as assuming the absence of unforeseen circumstances. For example, we assumed that there will be no material changes in laws and regulations relating to our products, such as price control policies, and that the Antibiotics Business acquisition will be completed in the first half of 2011. In addition, our profit forecast was partially based on our understanding of future trends in the PRC pharmaceutical industry. Furthermore, demand for our products and services may fluctuate in the future, and we generally do not have confirmed long-term sales orders from our customers.

Unaudited forecast consolidated profit attributable to equity holders of the Company . . . . . .Not less than RMB2,100 million(1)(3)
(approximately HK$2,507 million)

Unaudited pro forma forecast earnings per Share based on forecast consolidated profit attributable to equity holders of the Company . . . . .Not less than RMB0.79(2)(3)
(approximately HK$0.94)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 has been prepared and summarized in Appendix V — "Profit Forecast" to this Prospectus. Although not all of the assumptions are of equal significance to our profit forecast (for example, should we fail to complete the Antibiotics Business acquisition in the first half of 2011 in accordance with our current timetable, we do not expect our profit forecast for 2011 to be materially affected), if one or more of these assumptions turned out to be not true, our business may be materially and adversely affected and our actual profit in 2011 may be materially less than our forecast. See "Risk Factors — Risks Relating to Our Business Operations — Our profit forecast contained in this Prospectus is subject to numerous risks, uncertainties and assumptions and our actual results of operation may differ significantly from the forecast."

(2) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2011, on a fully diluted basis, is calculated by dividing the unaudited forecast consolidated profit attributable to equity holders of the Company for the year ending December 31, 2011 by 2,656,857,338 Shares assumed to be issued and outstanding during the entire year, adjusted as if the Global Offering had occurred on January 1, 2011, but without taking into account any H Shares which may be issued upon the exercise of the Over-Allotment Option.

(3) The unaudited forecast consolidated profit attributable to equity holders of the Company for the year ending December 31, 2011 and the unaudited pro forma forecast earnings per Share for the year ending December 31, 2011, on a fully diluted basis, are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8376. No representation is made that the RMB amount has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in our financial and trading position or prospects since December 31, 2010, being the date to which our latest audited consolidated financial statements have been prepared.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

We confirm that as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure under Rules 13.13 to 13.19 of Chapter 13 of the Hong Kong Listing Rules.

We are subject to periodic financial reporting requirements under the Shanghai Listing Rules. We are required to publish our quarterly (for the first and third quarters of each year), interim (for the first six months of each year) and annual reports with respect to our A Shares on the Shanghai Stock Exchange within one month, two months and four months, respectively, of the end of the relevant reporting period. We will disclose the same information in both English and Chinese in Hong Kong simultaneously under Rule 13.09(2) of the Hong Kong Listing Rules. Our annual and interim financial statements for A Shares and H Shares will be prepared based on PRC GAAP and HKFRS, respectively. Our quarterly financial statements will be prepared based on PRC GAAP for A Shares.

Our reporting accountants for the Global Offering are PricewaterhouseCoopers (with respect to the Accountants' Report of the Company in Appendix I and the Accountants' Report of Shanghai New Asiatic and Shanghai Huakang in Appendix IIB) and SHINEWING (with respect to the Accountants' Report of CHS in Appendix IIA). We have not determined which accounting firm will be retained post-Listing as, in accordance with the Articles of Association, the engagement and replacement of an accounting firm are subject to Shareholders' resolutions. The Company will carefully consider and select a qualified, reputable accounting firm as our external auditors post-Listing.

FUTURE PLANS

See the section headed "Business — Our Strategies" in this Prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive from the Global Offering net proceeds of approximately HK$15,275.2 million (assuming an Offer Price of HK$23.90 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus, and assuming the Over-Allotment Option is not exercised) after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering.

Assuming an Offer Price of HK$23.90 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus, and assuming the Over-Allotment Option is not exercised, we currently intend to use such net proceeds from the Global Offering as follows:

- approximately 40% of the net proceeds, or approximately HK$6,110.1 million, is expected to be used for expanding and strengthening our distribution network and for consolidating our existing distribution network, primarily in the Eastern China Region, Northern China Region and Southern China Region. This will be an ongoing initiative of the Company for the next several years. We will seek to fill geographic gaps as well as increase the penetration of our distribution network by setting up new operations and by acquiring existing third party regional distributors in these areas. The specific locations for these new operations or third party regional distributors to be acquired will depend on a variety of cost-related factors as well as potential market opportunities. In the meantime, we will also make adjustment to the capital structures of our distribution entities. As of the Latest Practicable Date, the Directors have confirmed that we have not made any specific plans (including with respect to locations and numbers) for establishing any such new operations, and have not made any specific acquisition plans or identified any acquisition targets with respect to any potential acquisitions of regional distributors, other than the following:

  Our Board of Directors approved, on December 13, 2010 and January 28, 2011, resolutions for the acquisition of 100% of the total issued share capital of CHS, whose assets consist of its 100% interest in CITIC Pharma, a PRC company with pharmaceutical distribution networks located primarily in the Northern China Region. The acquisition of CHS was completed on April 1, 2011. See the section headed "History, Restructuring and Corporate Structure — History and Development — Strategic Acquisitions and Investment by the Company — Acquisition of CHS" for more information. We intend to use the proceeds from the Global Offering to pay the full purchase price for the acquisition of CHS and the financing costs for the relevant bridge loans;

- approximately 30% of the net proceeds, or approximately HK$4,582.6 million, is expected to be used for strategic acquisitions of pharmaceutical manufacturing businesses both within the PRC and internationally and for internal integration of our current pharmaceutical business. In accordance with our commitment made as part of our 2009 Restructuring, we entered into an agreement in December 2010 to acquire the Antibiotics Business from Shanghai Pharmaceutical (Group), for which we will spend approximately RMB1,487.8 million of the net proceeds to fund the full purchase price of such acquisition. We will also continue to seek other strategic acquisition opportunities to improve our manufacturing capabilities. In the meantime, we will also make adjustment to the capital structures of our pharmaceutical manufacturing entities in order to further consolidate our internal resources. However, as of the Latest Practicable Date, the Directors have confirmed that we have no specific acquisition plans for other pharmaceutical manufacturing businesses and have not identified any acquisition targets, other than the acquisition of the Antibiotics Business from Shanghai Pharmaceutical (Group) as described above;

- approximately 10% of the net proceeds, or approximately HK$1,527.5 million, is expected to be used for investments in the product research and development platform so as to further strengthen our product portfolio and pipeline;

- approximately 10% of the net proceeds, or approximately HK$1,527.5 million, is expected to be used for investments in the information technology system and platform, including the establishment of a central data center, in order to improve our operations management, internal control and communications capabilities; and

- the balance of approximately 10% of the net proceeds, or approximately HK$1,527.5 million, is expected to be used for our working capital requirements and general corporate purposes.

In the event the Over-Allotment Option is exercised in full and assuming an Offer Price of HK$23.90 per Share (being the mid-point of the indicative Offer Price range stated in this Prospectus), we will receive total net proceeds of approximately HK$17,584.8 million, including additional net proceeds of approximately HK$2,309.6 million.

If the Offer Price is fixed at HK$26.00 per Share (being the high end of the Offer Price range stated in this Prospectus), we will receive total net proceeds from the Global Offering of approximately HK$16,628.1 million if the Over-Allotment Option is not exercised, or approximately HK$19,140.6 million if the Over-Allotment Option is exercised in full.

If the Offer Price is fixed at HK$21.80 per Share (being the low end of the Offer Price range stated in this Prospectus), we will receive total net proceeds from the Global Offering of approximately HK$13,922.3 million if the Over-Allotment Option is not exercised, or approximately HK$16,029.0 million if the Over-Allotment Option is exercised in full.

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-Allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds into short-term interest-bearing accounts, such as savings accounts or money market funds, with licensed commercial banks or other authorized financial institutions.

GENERAL

Our Board currently consists of nine Directors, comprising three executive Directors, two non-executive Directors and four independent non-executive Directors. The Directors were all elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment.

The board of Supervisors of the Company currently consists of three members. Except for the employee representative Supervisor elected by employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment.

Save as disclosed in this Prospectus, none of our Directors has any other directorships in listed companies.

DIRECTORS

The following table sets forth information regarding the Directors.

Name	Age	Position
Mr. LU Mingfang (吕明方)	54	Executive Director and Chairman
Mr. ZHANG Jialin (張家林)	56	Executive Director and Vice Chairman
Mr. XU Guoxiong (徐國雄)	55	Executive Director and President
Mr. LU Shen (陸申)	55	Non-executive Director
Mr. JIANG Ming (姜鳴)	54	Non-executive Director
Mr. ZENG Yixin (曾益新)	49	Independent non-executive Director
Mr. BAI Huiliang (白慧良)	68	Independent non-executive Director
Mr. CHEN Naiwei (陳乃蔚)	54	Independent non-executive Director
Ms. Tommei TONG (湯美娟)	46	Independent non-executive Director

Executive Directors

Mr. LU Mingfang (吕明方), aged 54, joined the Company as Chairman and executive Director in December 2008. He has over 30 years of working experience in corporate management and capital markets, over 16 years of which are experience in the pharmaceutical and healthcare products industry. Mr. Lu obtained his bachelor's degree in economics and his master's degree in economics from Fudan University in June 1993 and July 1996, respectively. He obtained a Master of professional accountancy degree from the Chinese University of Hong Kong in December 2004, and is recognized by Shanghai Title Reform Leading Group (上海市職稱改革工作領導小組) as a senior economist. Mr. Lu was the director and deputy general manager of SIIC asset management department and executive deputy general manager of Shanghai SIIC Asset Management Co., Ltd. (上海上實資產經營有限公司) from August 1995 to October 1999; director and general manager of Shanghai Industrial United Holdings Co., Ltd. (上海實業聯合集團股份有限公司) from December 1997 to August 1999; general manager of the finance and planning department and assistant president of SIIC from September 1999 to January 2002; vice president of SIIC from January 2002 to October 2005; chief executive officer of Shanghai Industrial Holdings (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code of 0363) from January 2002 to December 2005; vice chairman of Lianhua Supermarket (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code of 0980) from April 1997 to June 2009; chairman of Shanghai Industrial Pharma (which has been merged into the Company) from November 2005 to February 2010; director of Semiconductor Manufacturing

International Corporation (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code 0981 and the NYSE under the ticker symbol "SMI") from January 2002 to May 2004. Mr. Lu has been chairman of SIIC Medical Science and Technology (Group) Co., Ltd. since December 2001; executive director of Shanghai Industrial Holdings (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code 0363) since January 2002; executive director of SIIC since September 2005; chairman and executive director of Shanghai Pharmaceutical (Group) since December 2008; and director of Shanghai Shangshi since January 2010. He has also been the vice chairman of China Pharmaceutical Industry Association (中國化學製藥工業協會) since March 2009. Save as disclosed above, Mr. Lu was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Mr. ZHANG Jialin (張家林), aged 56, joined the Company in October 2008 and is our Vice Chairman and executive Director. He has approximately 36 years of working experience, over 23 years of which are management experience in the pharmaceutical and healthcare products industry. Mr. Zhang finished his undergraduate and graduate education majoring in management engineering from China Textile University (中國紡織大學) (currently known as Dong Hua University) in July 1996 and December 1995, respectively, and was recognized by Shanghai Municipal Personnel Bureau as a senior economist in April 1996. Mr. Zhang was previously the deputy director and director of the supply department of Shanghai Pharmaceutical Administration Bureau from August 1987 to November 1996; vice manager and manager of Shanghai Pharmaceutical Materials Supply and Marketing Co. from August 1987 to November 1996; head of the department of organization (組織幹部部), president assistant and vice president of Shanghai Pharmaceutical (Group) Corporation (the predecessor of Shanghai Pharmaceutical (Group)) from November 1996 to June 1999, from June 1998 to June 1999 and from November 1998 to December 2008, respectively; and executive vice president of Shanghai Pharmaceutical (Group) from December 2008 to May 2010. Mr. Zhang has been the vice chairman and president of Shanghai Pharmaceutical (Group) since June 2010 and July 2010, respectively. He has been the executive director of the Shanghai Business Association (上海市企業聯合會) and Shanghai Entrepreneurs Association (上海市企業家協會) and Shanghai Safety Production Association (上海市安全生產協會) since March 2003 and December 2008, respectively. Save as disclosed above, Mr. Zhang was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Mr. XU Guoxiong (徐國雄), aged 55, joined the Company as President and executive Director in March 2010. In addition, Mr. Xu is the chairman of the following key subsidiaries of the Company: Shanghai No.1 Biochemical (since October 2007), Sine Pharmaceutical (since December 2008), and Changzhou Pharmaceutical (since November 2009). He is also the chairman of Shanghai Roche. He has approximately 36 years of working experience, over 8 years of which are management experience in the pharmaceutical and healthcare products industry. Mr. Xu obtained his master of business administration degree from Asia International Open University (Macau) (亞洲(澳門)國際公開大學) in March 2000 and finished his associate education from the Evening School of Shanghai Normal University (上海師範大學) majoring in Chinese language and literature in June 1987, and is recognized by Shanghai Business Association (上海市企業聯合會) as a senior management consultant. Mr. Xu was the chairman of Shanghai Si Bi Ke Automobile Transport Service Company (上海斯必克汽車運輸服務公司) from March 1994 to May 1994, general manager's assistant, deputy general manager of Shanghai Bicycle Group Co., Ltd (上海自行車(集團)公司) from May 1994 to December 1995 and from December 1995 to July 1999, respectively. Mr. Xu was general manager of the department of industry, as well as president assistant of China Hua Yuan Group Co., Ltd (中

國華源集團有限公司**)** from July 1999 to July 2000 and from January 2002 to May 2003, respectively; vice chairman and general manager of Hua Yuan Kai Ma Machinery Co., Ltd. (華源凱馬機械股份有限公司) (currently known as Kama Co., Ltd. (恒天凱馬股份有限公司) and listed on the Shanghai Stock Exchange with stock code 900953) from April 2000 to February 2002; director of Shanghai Pharmaceutical (Group) and vice director of the strategic and investment committee of the same company from September 2002 to August 2003 and from December 2002 to May 2003, respectively; president and general manager of the prescription drugs division and vice president of the same company from August 2007 to August 2009 and from May 2003 to March 2010, respectively. He has been the vice chairman of the Shanghai Pharmaceutical Profession Association (上海醫藥行業協會) since March 2008. He has been the vice chairman of the China Nonprescription Medicines Association (中國非處方藥物協會) since August 2008 and the director of the Shanghai Medical Insurance Association (上海市醫藥保險協會) since December 2010. Save as disclosed above, Mr. Xu was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Non-Executive Directors

Mr. LU Shen (陸申), aged 55, our non-executive Director, joined the Company in March 2010. He has approximately 35 years of working experience, over 8 years of which were management experience in the pharmaceutical and healthcare products industry. Mr. Lu obtained his doctor of business administration's degree from West Coast University of the United States in December 2009, his master of business administration's degree from Shanghai Jiao Tong University (上海交通大學) in June 1997 and a bachelor's degree in radio electronics from Shanghai University of Science and Technology (上海科技大學) (currently known as Shanghai University (上海大學)) in July 1982. Mr. Lu was chairman of the City Hotel Shanghai (上海城市酒店) from March 1992 to April 1997; director and vice general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd. (上實置業集團(上海)有限公司) from April 1997 to August 1997; director and general manager of Shanghai Industrial United Holdings Co., Ltd. (上海實業聯合集團股份有限公司) from July 1997 to October 2005 and from August 1999 to October 2005, respectively; and president and vice chairman of Shanghai Industrial Development Co., Ltd. (上海實業發展股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 600748) from August 2007 to July 2008 and from November 2006 to July 2008, respectively. Mr. Lu has been the vice president of SIIC since September 2005; and has been the chairman of Shanghai Industrial Development Co., Ltd. (上海實業發展股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600748) since July 2008. Save as disclosed above, Mr. Lu was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Mr. JIANG Ming (姜鳴), aged 54, our non-executive Director of the Company, joined the Company in March 2010. He has over 30 years of working experience. Mr. Jiang received a bachelor of arts degree in history from Fudan University (復旦大學) in July 1984. Mr. Jiang was a teaching assistant in the Department of Social Science at Fudan University from August 1984 to November 1985; member of the organization department of the Shanghai Municipal Committee of the Communist Party of China from December 1985 to June 1992; the general manager of the securities business department of China Rural Development and Trust Investment Corporation (中國農村發展信托投資公司) from July 1992 to January 1997 and general manager of the department of securities of China Xinda Trust and Investment Corporation (中國信達信托投資公司) from January 1997 to August 2000. He was the general manager of the securities business department of China Galaxy Securities Co., Ltd. (中國銀河

證券股份有限公司) from August 2000 to August 2001; and was the deputy general manager and general manager of the Shanghai headquarters of China Galaxy Securities Co., Ltd. from August 2001 to May 2004 and from September 2006 to May 2008, respectively. He was also the vice chairman of the Shanghai Securities Association from November 2005 to January 2010. Mr. Jiang has been the vice president of Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司) since May 2008, chairman of Shanghai Light Industry Science and Education Development Co., Ltd. (上海輕工科教發展有限公司) since July 2008, dean of Shanghai Art and Design Academy (上海工藝美術職業學院) since July 2008, vice chairman of Shanghai Infrastructure Construction and Development Co., Ltd. (上海基礎設施建設發展有限公司) since June 2009 and director of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since January 2010. Save as disclosed above, Mr. Jiang was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Independent Non-Executive Directors

Mr. ZENG Yixin (曾益新), aged 49, has been our independent non-executive Director since March 2010. He has approximately 20 years of working experience, over 14 years of which are management experience in the PRC healthcare industry. Mr. Zeng obtained his doctorate and master's degrees from the Sun Yat-Sen Medical University (中山醫科大學) (currently known as the Sun Yat-Sen University) through a Master-Doctor joint program in September 1990, and a bachelor of medicines degree from Hunan Hengyang Medical College (湖南衡陽醫學院) (currently known as University of South China) in July 1985. Mr. Zeng was a visiting researcher at Tokyo Metropolitan Institute of Gerontology from July 1992 to December 1994. Mr. Zeng was a research assistant and an attending physician of Guangdong People's Hospital (廣東省人民醫院) from September 1990 to June 1992; associate of Howard Hughes Medicine Institute of the School of Medicine of the University of Pennsylvania from February 1995 to February 1997; and vice president of the affiliated cancer hospital of Sun Yat-Sen University from March 1997 to September 1997. He was also the head person in charge of the project of the molecular typing and individual treatment of PRC's major diseases from December 2006 to December 2010, which is a major project in the 863 program (also known as the State High-Tech Development Plan). Mr. Zeng was awarded the second prize of China Natural Science Award (國家自然科學獎) in 2005, of Chinese Medical Science and Technology Award (中華醫學科技獎) in 2003, and of Guangdong Science and Technology Award (廣東省科學技術獎) in 2003. He was also awarded the Young Expert with Outstanding Contributions recognized by the Ministry of Health in 2004, and the Grand Silver Medal from Karolinska Institutet in 2010. He was awarded a special expert allowance from the State Council in 2005. Mr. Zeng is a professor, and a supervisor of doctor of philosophy in the Sun Yat-Sen University. Mr. Zeng has also been the director of the Cancer Center of, the president of the affiliated cancer hospital of, and head of the cancer institute of, the director of the national key laboratory in oncology in south China at the Sun Yat-Sen University since September 1997, September 1997, September 1997, and March 2006, respectively. He was appointed as a Foreign Adjunct Professor in Karolinska Institutet in Sweden in 2006 and has been an Honorary Professor at The Chinese University of Hong Kong since the same year. Mr. Zeng has been an academician in, a standing committee member of, deputy director and the head of medical group of the Department of Life Science and Medicine of the Chinese Academy of Sciences (中國科學院生命科學和醫學學部) since November 2005, June 2006 and June 2008, respectively. He has also been an academician at The Academy of Sciences for the Developing World since 2008. Save as disclosed above, Mr. Zeng was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Mr. BAI Huiliang (白慧良), aged 68, has been our independent non-executive Director since March 2010. He has over 35 years of working experience, approximately 28 years of which are management experience in the pharmaceutical and healthcare products industry. Mr. Bai finished his undergraduate education in organic chemistry from Beijing University of Technology in August 1968 and is recognized by SFDA as a senior engineer. Mr. Bai was working with State Administration of Medicine (the predecessor of SFDA) from January 1979 to August 1998, during which time he worked as the deputy director and director of the office of technical personnel in the department of personnel, deputy director of the department of personnel, deputy director and director of the department of policy and regulations and director of the general office of the bureau. He was the director of department of safety supervision of SFDA from August 1998 to March 2005, and a visiting researcher at the China Center for Pharmacoeconomics and Outcomes Research of Peking University (北京大學中國醫藥經濟研究中心) from January 2005 to January 2007. Mr Bai was also an executive vice president of the China Nonprescription Medicines Association from April 2005 to August 2009. Mr. Bai has been the vice president of the China Pharmaceutical Enterprises Association since March 2005, the vice president of the China Pharmaceutical Industry Association since November 2005, and the president of the China Nonprescription Medicines Association since August 2009. He has also been an independent non-executive director of Gansu Duyiwei Biological Pharmaceutical Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002219) since December 2006 and of Sihuan Pharmaceutical Holdings Group Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code 0460) since October 2010. Save as disclosed above, Mr. Bai was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Mr. CHEN Naiwei (陳乃蔚), aged 54, has been our independent non-executive Director since March 2010. He has approximately 35 years of working experience. Mr. Chen obtained his doctorate degree in civil and commerce law from Macau University of Science and Technology in January 2008, and his bachelor's degree in law from East China University of Political Science and Law (華東政法大學) in August 1983. He was teaching at the Faculty of Law at East China University of Political Science and Law from September 1983 to June 1993. Mr. Chen was a Fulbright researching scholar in the Law School of the University of Pennsylvania from 2001 to 2002. He is a PRC practicing lawyer. Mr. Chen has been an independent non-executive director of ZTE Corporation (中興通訊股份有限公司) (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code 0763 and on the Shenzhen Stock Exchange with the stock code 000063) since July 2009. He was also the head of the Faculty of Law and the director of the Center for the Study of Intellectual Property Law at the Shanghai Jiao Tong University from September 1995 to September 2002. Mr. Chen has been a professor of law at Fudan University since August 2004 and has been a senior partner of Allbright Law Offices since September 1999. He has been the vice president of the Shanghai Bar Association since April 2008; a director of All China Lawyers Association since October 2008; the vice president of China Law Association on Science and Technology since October 2010; the vice president of the Technology Law and Intellectual Property Law Research Center of Shanghai Law Society since March 2005; and an arbitrator of the China International Economic and Trade Arbitration Commission since October 2005, of Shanghai Arbitration Commission since October 1999 and of the Court of Arbitration for Sport of the International Olympics Committee since December 2002. Mr. Chen was recognized as an Advanced Individual by the Shanghai Justice Bureau in 2009, which is an honor awarded to selected individuals who have performed the administration of justice, legal services and other functions and made significant contributions. Save as disclosed above, Mr. Chen was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Ms. Tommei TONG (湯美娟), aged 46, has been our independent non-executive Director since March 2010. She has over 20 years experience in accounting, financial management and corporate governance. Ms. Tong obtained a bachelor's degree in Social Sciences from the University of Hong Kong in November 1986 and is a senior member of the Chartered Association of Certified Accountants and of Hong Kong Institute of Certified Public Accountants. Ms. Tong was the chief financial officer of Ping An Insurance (Group) Company of China., Ltd. (a company listed on the Shanghai Stock Exchange with stock code 601318 and on the Main Board of the Hong Kong Stock Exchange with stock code 2318) from September 2000 to February 2003; chief executive officer and executive director of Tom Group Limited (which is listed on the Main Board of the Hong Kong Stock Exchange with stock code 2383 and is an associated company of Hutchison Whampoa Limited) from January 2006 to March 2008 and from April 2003 to March 2008, respectively. Ms. Tong received the "Top Ten Private Female Entrepreneurs" award from the All-China Federation of Industry and Commerce and the All-China Women's Federation in June 2006. Save as disclosed above, Ms. Tong was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Save as disclosed in this Prospectus, there are no other matters that need to be brought to the attention of the Shareholders of the Company in connection with the appointment of our Directors and there is no other information relating to our Directors that should be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

Supervisors

The following table sets forth information regarding the Supervisors.

Name	Age	Position
Mr. ZHOU Jie (周杰)	44	Chief Supervisor
Mr. WU Junhao (吳俊豪)	46	Supervisor
Ms. CHEN Xin (陳欣)	48	Employee Supervisor

Mr. ZHOU Jie (周杰), aged 44, was appointed as our Chief Supervisor in March 2010. He has approximately 19 years of working experience. Mr. Zhou obtained his master's degree in engineering and his bachelor's degree in engineering from Shanghai Jiao Tong University in March 1992 and July 1989, respectively. Mr. Zhou was the chairman and general manager of Shanghai SIIC Asset Management Co., Ltd. (上海上實資產經營有限公司) from September 1999 to December 2001, vice chairman of Bright Dairy and Food Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code 600597) from November 2000 to January 2004 and executive director of Shanghai Industrial Holdings Limited (上海實業控股有限公司) (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code 0363) from January 2002 to January 2004. Mr. Zhou has been the executive director and executive vice president of SIIC since May 2008 and November 2007, respectively; and has been reappointed as the executive director and deputy chief executive officer of Shanghai Industrial Holdings (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code 0363) since November 2007. Mr. Zhou has also been a non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on the GEM Board of the Hong Kong Stock Exchange with stock code 8231) since June 2005. He has been the non-executive director of Semiconductor Manufacturing International Corporation (a company listed on the Main Board of the Hong Kong Stock Exchange with stock code 0981 and the NYSE under the ticker symbol "SMI") since January 2009. Save as disclosed above, Mr. Zhou was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Mr. WU Junhao (吳俊豪), aged 46, was appointed as our Supervisor in March 2010. He has over 20 years of working experience. Mr. Wu obtained his master's degree in Management and his bachelor's degree in economics from East China Normal University (華東師範大學) in July 2000 and July 1986, respectively. Mr. Wu was the deputy principal of Shanghai Shenergy Assets Management Co., Ltd. (上海申能資產管理有限公司) from September 2003 to January 2006; deputy principal, principal and senior principal of assets management department of Shenergy from February 2006 to February 2007, March 2007 to February 2009 and March 2009 to August 2009, respectively; Mr. Wu has been the vice manager of the finance management department of Shenergy since August 2009. Save as disclosed above, Mr. Wu was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Ms. CHEN Xin (陳欣), aged 48, was appointed as our employee Supervisor in March 2010. Ms. Chen joined Shanghai Pharmaceutical (Group) Corporation (the predecessor of Shanghai Pharmaceutical (Group)) since July 1998 and was appointed as director of the department of organization (組織幹部部)in June 1999. She has over 20 years of working experience. Ms. Chen finished her graduate education in politics from the Party School of the Central Committee of the Communist Party of China (CCCPC) in July 2002 and her undergraduate education in economic management from the Open College of Party School of the CCCPC in December 2000. Ms. Chen was vice chairman of Shanghai Pharmaceutical Trade Unions (上海醫藥工會副主席) from November 1996 to July 2001 and was a director of Shanghai Pharmaceutical (Group) from July 2001 to December 2008. Ms. Chen has been the chairman of Shanghai Pharmaceutical Trade Union (上海市醫藥工會) since July 2001. She has been appointed as a member of the standing committee of China Energy Chemistry Trade Union (中國能源化學工會), Shanghai Federation of Trade Unions (上海市總工會) since February 2003 and May 2008, respectively. Save as disclosed above, Ms. Chen was not a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Senior Management

The following table sets forth information regarding the senior management of the Company.

Name	Age	Position
Mr. XU Guoxiong (徐國雄)	55	President
Mr. JIANG Yuanying (姜遠英) . .	48	Vice President
Mr. REN Jian (任健)	46	Vice President
Mr. GE Jianqiu (葛劍秋)	41	Vice President
Mr. LI Yongzhong (李永忠)	41	Vice President
Mr. SHEN Bo (沈波)	38	Chief Financial Officer
Ms. HAN Min (韓敏)	34	Secretary to the Board and Joint Company Secretary

Mr. XU Guoxiong (徐國雄) is our President. Please refer to the section headed "Directors, Supervisors and Senior Management" in this Prospectus for his biography.

Mr. JIANG Yuanying (姜遠英), aged 48, our Vice President, joined the Company in June 2010. He has over 20 years of working experience in pharmaceutical research and development. Mr. Jiang obtained his master's degree majoring in pharmacology from the Second Military Medical University ("SMMU") (第二軍醫大學) in July 1988 and obtained his bachelor's degree majoring in medicine from the SMMU in July 1985. Mr. Jiang was a teaching assistant, lecturer and associate professor of the SMMU from July 1988 to September 1997; vice president and president of the school of pharmacy of the SMMU from September 1997 to December 2009. He was also a professor, Ph.D. supervisor in the department of pharmacy and director of the New Drug Research Center (新藥研究中心) of the SMMU from January 2010 to June 2010. Mr. Jiang has been the vice chairman of the Shanghai Pharmaceutical Association since December 2001. He obtained a sponsorship from the China National Funds for Distinguished Young Scientists (國家傑出青年科學基金) in 2008.

Mr. REN Jian (任健), aged 46, our Vice President, joined the Company in 1987 through Shanghai No.1 Biochemical Pharmaceutical Co., Ltd. He has approximately 23 years of working experience. Mr. Ren obtained an executive master of business administration's degree from the China Europe International Business School in April 2002 and a bachelor's degree majoring in inorganic non-metal materials from the East China Institute of Chemical Technology (華東化工學院) (currently known as the East China University of Science and Technology) in July 1987. Mr. Ren was the general manager of Shanghai No.1 Biochemical from May 1998 to May 2002; director of human resources department of, director of organization department of, director of leader management department of, deputy director of the personnel and remuneration committee of the board, and a vice president, of Shanghai Pharmaceutical (Group) from April 2003 to March 2009, from May 2002 to March 2009, from March 2009 to September 2009, from December 2002 to December 2008, and from May 2009 to March 2010, respectively. Mr. Ren has been the chairman of Zhongxi Sunve, Shanghai Ajinomoto, Shanghai New Asiatic and Liaoning Herbapex Pharmaceutical (Group) Co., Ltd (遼寧好護士藥業(集團)有限責任公司) since June 2010, November 2010, December 2010 and February 2011, respectively. Mr. Ren has been the vice chairman (副主任委員) of the Committee of Quality Responsible People and Quality Authorizing People of Shanghai Medical Products Manufacturing Enterprises (上海市藥品生產企業質量負責人和質量受權人專業委員會) since April 2011.

Mr. GE Jianqiu (葛劍秋), aged 41, joined the Company as Vice President in March 2010. He has approximately 19 years of working experience. Mr. Ge obtained a master of laws degree from the Law School of Columbia University in May 2004 and a bachelor of laws degree from the East China University of Political Science and Law in July 1992. Mr. Ge was the board secretary of Shanghai Industrial United Holdings Co., Ltd. (上海聯合實業股份有限公司) from March 1998 to September 2000; a partner of the Grandall Legal Group (國浩律師集團事務所) from October 2000 to May 2003; senior vice president in the Shanghai representative office of BNP Paribas from October 2004 to March 2006; executive director and principal of the Shanghai representative office of UBS AG from April 2006 to February 2009; and assistant president of Shanghai Pharmaceutical (Group) from March 2009 to March 2010. He has been working with Shanghai No.1 Biochemical and Sine Pharmaceutical since April 2009, both of which are now merged into the Company.

Mr. LI Yongzhong (李永忠), aged 41, our Vice President, joined the Company since July 1989. He has over 23 years of working experience. Mr. Li obtained an executive master of business administration's degree from the China Europe International Business School in September 2009 and is a pharmacist. Mr. Li was the general manager of Siful Limited from February 2000 to July 2002; deputy manager of the New Drug Branch (新藥分公司) of Shanghai Pharmaceutical Joint Stock Company (上海市醫藥股份有限公司) (the predecessor of the Company) from July 2002 to December 2003; deputy general manager and general manger of pharmaceutical distribution business department of the same company from August 2003 to November 2005 and from November 2005 to March 2010, respectively; and general manager assistant and deputy general manager of the same company from August 2003 to September 2005 and from October 2005 to December 2008, respectively. Mr. Li has been director of Shanghai Pharmaceutical Distribution Co. since April 2010 and chairman of Shanghai Traditional Chinese Medicine Co. since September 2010.

Mr. SHEN Bo (沈波), aged 38, our Chief Financial Officer joined the Company in March 2010, and was appointed as the general manager of our financial department in April 2010. He has approximately 14 years of working experience. Mr. Shen obtained a master's degree in professional accountancy from the Chinese University of Hong Kong in December 2007 and a bachelor's degree of economics majoring in accounting from the Shanghai Institute of Construction Materials Industry (currently merged into Tongji University) in July 1996, and passed the PRC Certified Public Accountant Exam. Mr. Shen was a deputy manager of the finance department of Shanghai Jinling Co., Ltd. (上海金陵股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600621) from July 1996 to December 2000; chief financial officer of Shanghai Industrial Pharma (which is now merged into the Company) from November 2006 to May 2010; and general manager of the finance department of Shanghai Pharmaceutical (Group) from March 2009 to March 2010. Mr. Shen has been director of Changzhou Pharmaceutical since April 2003.

Ms. HAN Min (韓敏), aged 34, our Joint Company Secretary, joined the Company in September 2010 as the Secretary to the Board and director of the Board office of the Company. She has over 10 years of working experience. Ms. Han obtained a master's degree of arts majoring in finance and investment from the Business School of the University of Nottingham in December 2001 and a bachelor's degree in accountancy from the Shanghai University in July 1999, and has passed the PRC Certified Public Accountants exam. Ms. Han was a manager of the risk control department of the China Construction Bank Shanghai Branch (中國建設銀行上海分行) from May 1999 to August 2000. She was working with The Hongkong and Shanghai Banking Corporation Limited (香港上海滙豐銀行有限公司) from November 2001 to December 2003 and was a business development officer of its Shanghai branch's corporate banking department from November 2002 to December 2003. She was working with China International Capital Corporation Limited (中國國際金融有限公司) from March 2004 to September 2010 and was a vice president of its investment banking department from January 2008 to September 2010.

We are applying for listing using the market capitalization/revenue test in Rule 8.05(3) of the Hong Kong Listing Rules, and, accordingly, pursuant to Rule 8.05A of the Hong Kong Listing Rules, have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the three-year management continuity requirement under Rule 8.05(3)(b) of the Hong Kong Listing Rules.

JOINT COMPANY SECRETARIES

Ms. HAN Min (韓敏), one of our joint company secretaries, is also our Secretary to the Board and director of our Board office. Please refer to the section headed "Directors, Supervisors and Senior Management" in this Prospectus for her biography.

Ms. MOK Mingwai (莫明慧), was appointed as one of our joint company secretaries. She has over 15 years of professional and in-house experience in the company's secretarial field. Ms. Mok is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Mok is currently an Associate Director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees. In accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, we have formed three board committees, namely the audit committee, the remuneration and assessment committee and the strategy committee.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and paragraph C3 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules. The audit committee consists of three independent non-executive Directors: Ms. Tommei TONG (湯美娟), an independent non-executive Director with the appropriate professional qualifications who serves as the chairman of the committee, Mr. BAI Huiliang (白慧良) and Mr. CHEN Naiwei (陳乃蔚). The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

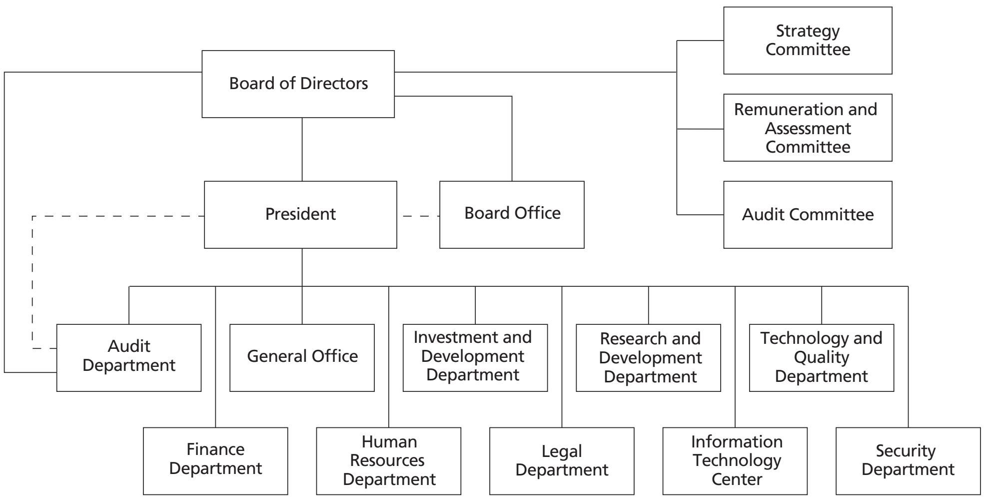
Remuneration and Assessment Committee

We have established a remuneration and assessment committee with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules. The remuneration and assessment committee consists of three independent non-executive Directors: Mr. CHEN Naiwei (陳乃蔚), who is the chairman of the remuneration and assessment committee, Mr. ZENG Yixin (曾益新) and Mr. BAI Huiliang (白慧良). The primary duties of the remuneration and assessment committee are to evaluate the performance of Directors and senior management, make recommendations on the remuneration package of our Directors and senior management, and evaluate and make recommendations on employee benefit arrangements.

Strategy Committee

We have established a strategy committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules. The strategy committee consists of three Directors: Mr. LU Mingfang (呂明方), who is the chairman of the strategy committee, Mr. BAI Huiliang (白慧良) and Ms. Tommei Tong (湯美娟), both of whom are our independent non-executive Directors. The primary duties of the strategy committee are conducting study and submitting proposals regarding our mid-to-long term development strategies and related issues.

ORGANIZATIONAL CHART



Note: The dotted line means that, in addition to reporting formally to the Board of Directors, the Board Office and the Audit Department also report to the President on the day-to-day matters managed by them.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, an issuer must have sufficient management presence in Hong Kong, normally meaning that at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. Currently, none of our executive Directors reside in Hong Kong. Since our principal operations are located in the PRC, we do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange.

We have appointed two authorized representatives, namely Mr. LU Mingfang (呂明方) and Ms. HAN Min (韓敏), who will act at all times as our principal channel of communication with the Hong Kong Stock Exchange. The authorized representatives will be readily contactable by telephone, facsimile and email to deal promptly with inquiries from the Hong Kong Stock Exchange.

Each of our authorized representatives has access to our Board of Directors and senior management at all times. Each of our Directors, through the authorized representatives, will be readily contactable by telephone, facsimile or email. Each of our executive Directors, non-executive Directors and independent non-executive Directors who are not ordinarily residents of Hong Kong will have valid travel documents for travel to Hong Kong, and will make themselves available in Hong Kong if required to meet with the Hong Kong Stock Exchange within a reasonable period of time.

We will, in compliance with Hong Kong Listing Rule 3A.19, retain Goldman Sachs (Asia) L.L.C. as our compliance advisor who will, among other things, act as our principal channel of communication with the Hong Kong Stock Exchange in addition to our authorized representatives. The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report with respect to our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement. The contact persons of our compliance advisor will be fully available to respond to enquiries from the Hong Kong Stock Exchange.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration our Directors have received (including fees, salaries, discretionary bonuses, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) in 2008 and 2009 as well as 2010 were approximately RMB801,000, RMB934,000 and RMB1,482,000, respectively.

The aggregate amount of fees, salaries, discretionary bonuses, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to the five highest paid individuals of our Company, including Directors, during each of 2008, 2009 and 2010 were approximately RMB3,000,000, RMB3,900,000 and RMB4,189,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join, or upon joining, us or as compensation for loss of office in 2008, 2009 and 2010. Furthermore, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable in 2008, 2009 and 2010 by us or any of our subsidiaries to our Directors. Under the arrangement currently in force, the aggregate amount of remuneration of our Directors in 2011 (excluding discretionary bonuses for our Directors who are also members of the senior management) is estimated to be approximately RMB1,220,000.

Each member of our senior management has unilaterally undertaken to invest 50% of his or her 2011, 2012 and 2013 annual performance bonuses based on the Board's determination into our A Shares through open market purchases within certain period upon receiving such bonus payments in compliance with applicable PRC laws, rules and regulations, including but not limited to the Shanghai Listing Rules. Each of them has also unilaterally undertaken not to dispose of the A Shares so purchased until six month after the expiration or termination of his or her term of office.

COMPLIANCE ADVISOR

We will appoint Goldman Sachs (Asia) L.L.C. as our compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction, is contemplated, 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 deviated from any estimate or other information in this Prospectus; and

- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report with respect to our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER(S) AND DIRECTORS

BACKGROUND

Prior to the Global Offering, our Controlling Shareholders exercised control over an aggregate of 48.55% of the issued share capital of the Company. Immediately after the completion of the Global Offering, our Controlling Shareholders will exercise control over the exercise of an aggregate of 34.81% of the enlarged issued share capital of the Company (assuming the Over-Allotment Option is not exercised).

Pursuant to the Decision on Authorizing Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate Shanghai Overseas Companies, its Major Overseas Companies and the State-owned Assets under Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] Document No.6) promulgated by the Shanghai SASAC in the year 1998, SIIC has been authorized to be the effective controller of Shanghai Shangshi although it does not hold any shares in Shanghai Shangshi. Both Shanghai Shangshi and SIIC are wholly-owned by the Shanghai SASAC. The Controlling Shareholders and the Group are subject to regulatory oversight by, among other regulatory authorities, the Shanghai SASAC. The Controlling Shareholders obtained control over the Company in June 2008 following the allocation of 30% of the equity interest in Shanghai Pharmaceutical (Group) originally held by Shanghai Huayi (Group) Company (上海華誼集團) and Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資 (集團)有限公司) to Shanghai Shangshi as instructed by the Shanghai SASAC.

Through the 2009 Restructuring and the subsequent acquisition of Antibiotic Business, the pharmaceutical businesses of the Controlling Shareholders and the Company were consolidated into the Company to create a vertically-integrated leading pharmaceutical company. Certain companies and businesses held by the Controlling Shareholders relating to the pharmaceutical industry (the "Excluded Companies") were excluded from the reorganization and were not consolidated into the Group. See "Relationship with Controlling Shareholders and Directors — Competition — The Excluded Companies" for information on the Excluded Companies and the rationale for their non-inclusion. Following the 2009 Restructuring and the subsequent acquisition of the Antibiotics Business, except for the Excluded Companies, all companies and businesses of the Controlling Shareholders related to the pharmaceutical industry will be transferred to the Company, and the Controlling Shareholders will be mainly engaged in real property investment, property management, international trading and certain medical advertising businesses (i.e. designing, producing and publishing medical advertisements), which are not relevant to the business of our Group, and therefore do not compete with our business. See the section headed "History, Restructuring and Corporate Structure" for further information on the reorganization.

COMPETITION

Our Core Business

We are an integrated pharmaceutical company in the PRC and engage in both pharmaceutical manufacturing and distribution businesses. We primarily operate in the following three business segments in the PRC:

- *Pharmaceutical business*. We are engaged in the research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products.

- *Pharmaceutical distribution and supply chain solutions*. We provide distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies.

- *Pharmaceutical retail*. We operate and franchise a network of retail pharmacies across nine provinces, municipalities and autonomous regions.

The Directors consider that, other than the Excluded Companies and our Company, the Controlling Shareholders do not engage in businesses which directly or indirectly compete with our businesses. The Excluded Companies represent all the companies and businesses of the Controlling Shareholders that compete with our Company. The Excluded Companies have not been included in our Company for the reasons described below.

The Excluded Companies

The Excluded Companies are as follow:

(i) Shanghai Asia Pioneer (上海新先鋒);

(ii) Shanghai Celgen Bio-Pharmaceutical Co., Ltd. (上海賽金生物醫藥有限公司);

(iii) E-COM Technology Co., Ltd. (珠海友通科技有限公司);

(iv) Xin Hua Lian Pharmaceutical Factory (新華聯製藥廠);

(v) Shanghai TCM Pharmaceutical Technology Co., Ltd. (上海中藥製藥技術有限公司);

(vi) Shanghai Guojia Biochemical Engineering Research Center Co., Ltd. (上海國佳生化工程技術研究中心有限公司);

(vii) Shanghai Medical Instrument Factory (上海醫用儀錶廠);

(viii) Jicheng Pharmaceutical Co., Ltd. (集成藥廠);

(ix) Shanghai Solmag Pioneer Pharmaceutical Co., Ltd. (上海索瑪格先鋒藥業有限公司);

(x) Shanghai Wuzhou Pharmaceutical Co., Ltd. (上海五洲藥業股份有限公司); and

(xi) No.1 Affiliated Factory of Shanghai Wuzhou Pharmaceutical Factory (上海五洲藥廠一分廠).

Shanghai Asia Pioneer

Shanghai Asia Pioneer is owned as to 60.99% by Shanghai Pharmaceutical (Group) and 39.01% by China Great Wall Asset Management Corporation (中國長城資產管理公司), and on completion of a sale and purchase agreement entered into between Shanghai Pharmaceutical (Group) and China Great Wall Asset Management Corporation, Shanghai Asia Pioneer will be wholly-owned by Shanghai Pharmaceutical (Group).

Shanghai Asia Pioneer primarily engages in the manufacture of antibiotics. Antibiotics are used to cure illnesses caused by viruses, bacteria and other micro-organisms. The target customers of Shanghai Asia Pioneer are the Company's distributors as well as other third party distributors. In 2008, 2009 and 2010, the revenues of Shanghai Asia Pioneer as derived from relevant public information (prepared in accordance with PRC GAAP) were approximately RMB772 million, RMB928 million and RMB960 million, respectively. Shanghai Asia Pioneer recorded a loss of approximately RMB151 million in 2008, a loss of approximately RMB29 million in 2009, and a net profit of approximately RMB28 million in 2010, respectively, each in accordance with PRC GAAP.

Certain significant pending litigations involving Shanghai Asia Pioneer and the consequent contingency liabilities may have an adverse impact on the financial conditions of the Company should Shanghai Asia Pioneer be included in the Group.

Outstanding litigations involving Shanghai Asia Pioneer Pharmaceutical Co., Ltd. are as follows:

1. According to the civil judgment ((2009) Pu Min Er (Shang) Chu Zi No. 7267) issued by the People's Court of Shanghai Pudong New District on December 22, 2009, which involves proceedings brought by Shanghai Asia Pioneer, as plaintiff, against Shanghai Solmag Pioneer Pharmaceutical Co., Ltd. ("Shanghai Solmag"), as defendant, relating to loans made by Shanghai Asia Pioneer to Shanghai Solmag between 2004 and 2008, that have remained unpaid by Shanghai Solmag, the court ruled that Shanghai Solmag should repay Shanghai Asia Pioneer the total outstanding loan principal in the amount of RMB16,980,954.02 and accrued and unpaid interest in the amount of RMB2,972,491.53. This judgment is now in the process of being enforced.

2. According to the civil judgment ((2010) Min Min Er (Shang) Chu Zi No. 1173) issued by the People's Court of Shanghai Minhang District on November 12, 2010, regarding a corporate borrowing dispute in which Shanghai Asia Pioneer Pharmaceutical Co., Ltd., as the plaintiff, sued Shanghai Xinya Yifu Biologic Engineering Co., Ltd. (上海新亞逸馥生物工程有限公司), as the defendant, the People's Court of Shanghai Minhang District delivered the following judgment: Shanghai Xinya Yifu Biologic Engineering Co., Ltd. should repay Shanghai Asia Pioneer Pharmaceutical Co., Ltd. borrowings totaling RMB2 million within ten days from the effective date of the judgment. The Court dismissed the other appeals from Shanghai Asia Pioneer Pharmaceutical Co., Ltd. This judgment is now being enforced.

3. According to the civil judgment ((2010) Hu Yi Zhong Min Si (Shang) Chu Zi No. 16) issued by the No. 1 Intermediate People's Court of Shanghai on December 22, 2010, regarding a contract for work dispute in which Beijing Huashi Kangyuan Medical Science and Technology Co., Ltd. (北京華氏康源醫藥科技有限公司), as the plaintiff, sued Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd., and Shanghai Asia Pioneer Pharmaceutical Co., Ltd., as the defendants, the No. 1 Intermediate People's Court of Shanghai delivered the following judgment: Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd., and Shanghai Asia Pioneer Pharmaceutical Co., Ltd. should continue to perform the "Agreement for product processing and general agency" dated April 25, 2006 and the "Statement" dated December 8, 2006 of which they entered into with Beijing Huashi Kangyuan Medical Science and Technology Co., Ltd.. Shanghai Asia Pioneer Huakang

Pharmaceutical Co., Ltd., and Shanghai Asia Pioneer Pharmaceutical Co., Ltd. should compensate Beijing Huashi Kangyuan Medical Science and Technology Co., Ltd. the loss of obtainable profits (RMB644,938 per month, from February 2010 to the effective date of the judgment) within ten days from the effective date of the judgment. Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd., and Shanghai Asia Pioneer Pharmaceutical Co., Ltd. have filed an appeal to the Higher People's Court of Shanghai, and a second trial is currently underway.

4. Anhui Huayuan Pharmaceutical Co., Ltd. (安徽華源醫藥股份有限公司) has submitted a lawsuit to the People's Intermediate Court of Fuyang City on December 12, 2010, requesting the court to order Shanghai Asia Pioneer Pharmaceutical Co., Ltd. to pay damages totaling RMB15,047,168.25, including rebates, loss on the sale, promotion expenses, loss on products quality and other matters. Shanghai Asia Pioneer Pharmaceutical Co., Ltd. submitted an application objecting to jurisdiction to the People's Intermediate Court of Fuyang City on January 28, 2011.

5. Shanghai Asia Pioneer Pharmaceutical Co., Ltd. has submitted a civil lawsuit to the People's Court of Shanghai Fengxian District, requesting the court to order Shanghai Whyte Asia Pioneer Pharmaceutical Ltd. to repay the borrowings totaling RMB15,386,671.38 to Shanghai Asia Pioneer Pharmaceutical Co., Ltd., together with interest totaling RMB1,744,567.56 as of June 30, 2010. This case is now under trial.

6. Pivot Pharma Tech (Shanghai) Co., Ltd. has applied to China International Economic and Trade Arbitration Commission Shanghai Sub-Commission for arbitration on December 6, 2010, requesting Shanghai Pharmaceutical Co., Ltd. to pay an investment fee of RMB1 million and a fixed fee of RMB3 million in accordance with the Pharmaceutical Development Cooperation Agreement Regarding Ordinary Chemical Names In US Markets (《針對美國市場之普通化學名藥品開發合作協議》). This case is now under arbitration.

One of the requirements in Article 10 of Administrative Measures for the Material Asset Reorganizations of Listed Companies (《上市公司重大資產重組管理辦法》) effective from May 18, 2008 is that there should be clear ownership and no legal obstacles in the transfer of assets in connection with the reorganization of listed companies in the PRC. Shanghai Asia Pioneer has therefore not been transferred to the Company, but all the equity interest held by Shanghai Pharmaceutical (Group) in Shanghai Asia Pioneer as well as all the assets and business of Shanghai Asia Pioneer for the manufacture of antibiotics (collectively, the "Target Assets") have been entrusted to the management of our Company under the Entrustment Agreement. See "Connected Transactions — Non-Exempt Continuing Connected Transactions — Entrustment Agreement" for further information on such Entrustment Arrangement. The Target Assets of Shanghai Asia Pioneer are not consolidated into the accounts of the Group and will not be consolidated into the accounts of the Group post-Listing. Transactions between Shanghai Asia Pioneer and our Company (including the Entrustment Agreement) will comply with the applicable rules relating to connected transactions set forth in Chapter 14A of the Hong Kong Listing Rules.

We expect to improve the operations of Shanghai Asia Pioneer through our management of the Target Assets pursuant to the Entrustment Agreement, and to have Shanghai Asia Pioneer injected into our Group when it meets the requirements under Article 10 of the PRC's Administrative Measures for the Material Asset Reorganizations of Listed Companies, which requires a listed company (such as the Company) that undergoes asset transfers in a material asset reorganization to ensure that the ownership of the assets involved in the reorganization is clear, there is no legal obstacles in the transfer of such assets and the reorganization is good for strengthening such listed company's sustained operation capacity. If Shanghai Asia Pioneer fails to properly solve its pending litigation and satisfy such other relevant requirements by December 31, 2011, Shanghai Pharmaceutical (Group) intends to sell Shanghai Asia Pioneer to Independent Third Parties or to cease the business of Shanghai Asia Pioneer in order to avoid competition with our business.

See the section headed "History, Restructuring and Corporate Structure" for further information on our acquisition of other antibiotics business from Shanghai Pharmaceutical (Group).

The following companies were excluded from our Group as their respective businesses are not relevant to our business:

E-COM Technology Co., Ltd.

SIIC holds a minority interest of 24.35% in E-COM Technology Co., Ltd., a company that engages, among other things, in the production and sale of medical devices and the development of medical information databases. The target customers of E-COM Technology Co., Ltd. are the hospitals in the PRC. In 2008, 2009 and 2010, the revenues of E-COM Technology Co., Ltd. as prepared in accordance with PRC GAAP were approximately RMB6.92 million, RMB8.54 million and RMB3.58 million, respectively. The Directors considered it was in the best interests of the Company to exclude E-COM Technology Co., Ltd., as its business is not relevant to the Company's core business, and a minority interest in E-COM Technology Co., Ltd. would not permit the Company to control its management and operations. In addition, any transfer of such minority interests to the Company requires the consent of the other shareholders under PRC law, which may be difficult to obtain.

Shanghai Guojia Biochemical Engineering Research Center Co., Ltd

Shanghai Guojia Biochemical Engineering Research Center Co., Ltd is owned as to 11% by Shanghai Pharmaceutical (Group) and 89% by East China University of Science and Technology. It is primarily engaged in the research and production of bio-sensor products. In particular, it focuses on the research of fermentation engineering and large-scale cell culture technology which our Group is not engaged in and thus does not compete with our pharmaceutical business. The Group's business does not rely on the research and development of Shanghai Guojia Biochemical Engineering Research Center Co., Ltd. In 2008, 2009 and 2010, the revenues of Shanghai Guojia Biochemical Engineering Research Center Co., Ltd. as prepared in accordance with PRC GAAP were approximately RMB1.04 million, RMB2.49 million and RMB1.58 million, respectively.

The following companies were excluded from our Group as their respective businesses do not form part of our core business:

Shanghai Celgen Bio-Pharmaceutical Co., Ltd.

Shanghai Celgen Bio-Pharmaceutical Co., Ltd. is owned as to 25% by Shanghai Pharmaceutical (Group) and 75% by Kangda Bio-Tech Holding Co., Ltd. (康達生物技術控股有限公司). Shanghai Celgen Bio-Pharmaceutical Co., Ltd. is primarily engaged in the research and development of two biopharmaceutical products (protein and hormonal injections to treat joint infections and bone loss) which our Group is not engaged in and thus does not compete with our pharmaceutical business. The Group's business does not rely on the research and development of Shanghai Celgen Bio-Pharmaceutical Co., Ltd. In 2008, 2009 and 2010, the revenues of Shanghai Celgen Bio-Pharmaceutical Co., Ltd. were approximately RMB0.25 million, RMB0.50 million and nil, respectively.

Shanghai Pharmaceutical (Group) is in the process of selling its stake in Shanghai Celgen Bio-Pharmaceutical Co., Ltd. The sale is expected to be completed by December 31, 2011. The Company did not acquire Shanghai Celgen Bio-Pharmaceutical Co., Ltd. from Shanghai Pharmaceutical (Group) as the Company is of the view that limited synergy would be achieved by acquiring a minority interest in Shanghai Celgen Bio-Pharmaceutical Co., Ltd. since the Company would not have control over its management and operations. In addition, any transfer of such minority interests to the Company requires the consent of the other shareholders under PRC law, which may be difficult to obtain.

Xin Hua Lian Pharmaceutical Factory

Xin Hua Lian Pharmaceutical Factory is wholly owned by Shanghai Pharmaceutical (Group). It is primarily engaged in the production of active pharmaceutical ingredients and hormonal pharmaceutical products. However, its products target medical abortions and are mainly marketed in hospitals, whereas our hormonal pharmaceutical products are used as oral contraceptives and are marketed in pharmacies. Thus, Xin Hua Lian Pharmaceutical Factory's business does not compete with our pharmaceutical business. In 2008, 2009 and 2010, the revenues of Xin Hua Lian Pharmaceutical Factory as prepared in accordance with PRC GAAP were approximately RMB149.11 million, RMB218.66 million and RMB125.33 million, respectively. Xin Hua Lian Pharmaceutical Factory is undergoing restructuring due to losses, and Shanghai Pharmaceutical (Group) intends to dispose of all the assets of Xin Hua Lian Pharmaceutical Factory by the end of 2012. The Directors are of the view that it would not be in the interest of the Company to acquire the assets of Xin Hua Lian Pharmaceutical Factory as there is no prospect of Xin Hua Lian Pharmaceutical Factory becoming profitable in the foreseeable future and its business does not conform to the development strategy of our Group.

Shanghai TCM Pharmaceutical Technology Co., Ltd.

Shanghai TCM Pharmaceutical Technology Co., Ltd., is owned as to 5.03% by Shanghai Traditional Chinese Medicine Co., 36.16% by Shanghai Zhangjiang Biomedicine Base Company Co., Ltd. (上海張江生物醫藥基地開發公司), 20.99% by Shanghai Modern Biological and Pharmaceutical Research and Development Centre (上海新藥研究開發中心), 7.55% by Zhejiang Research Institute of Traditional Chinese Medicine Co., Ltd. (浙江省中藥研究所有限公司), 2.52% by Shanghai University of T.C.M. Asset Management Co., Ltd. (上海中醫大資產經營有限公司), 2.52% by Beijing Institute of New Technology Application (北京新技術應用研究所), and 25.23% by Shanghai Pharmaceutical (Group). It is primarily engaged in the research and development of manufacturing technology for traditional Chinese medicines, such as technology related to resin-type ointments and penicillin-streptomycin preparations. Its target customers are individuals and traditional Chinese medicine manufacturing companies, while the target customers of the Company are primarily distributors who sell our products to hospitals. Shanghai TCM Pharmaceutical Technology Co., Ltd. does not compete with our Group because it does not engage in the manufacturing and distribution of pharmaceutical products, and the Group's business does not rely on the research and development of Shanghai TCM Pharmaceutical Technology Co., Ltd. In 2008, 2009 and 2010, the revenues of

Shanghai TCM Pharmaceutical Technology Co., Ltd. as prepared in accordance with PRC GAAP were approximately RMB1.57 million, RMB1.50 million and RMB3.25 million, respectively. The Company did not acquire Shanghai TCM Pharmaceutical Technology Co., Ltd. from Shanghai Pharmaceutical (Group), as the Company is of the view that limited synergy would be achieved by acquiring a minority interest in Shanghai TCM Pharmaceutical Technology Co., Ltd. since the Company would not have control over its management and operations. Shanghai Pharmaceutical (Group) plans to sell its interest in Shanghai TCM to unrelated third parties by December 31, 2011.

The following companies were excluded from our Group as they have ceased or will cease production:

Shanghai Medical Instrument Factory

Shanghai Medical Instrument Factory is wholly-owned by Shanghai Pharmaceutical (Group). It was primarily engaged in the manufacture of thermometers. In 2008, 2009 and 2010, the revenues of Shanghai Medical Instrument Factory prepared in accordance with PRC GAAP were approximately RMB7.44 million, RMB3.03 million and RMB1.41 million, respectively. Shanghai Medical Instrument Factory is in the process of winding down its production (expected to be completed by June 2011) and is expected to be dormant in the near future.

Jicheng Pharmaceutical Co., Ltd.

Jicheng Pharmaceutical Co., Ltd is a collectively-owned enterprise. It was primarily engaged in the manufacture of eye drops. Jicheng Pharmaceutical Co., Ltd. has ceased production since before the Track Record Period, and its revenue during the Track Record Period was nil.

Shanghai Solmag Pioneer Pharmaceutical Co., Ltd.

Shanghai Solmag Pioneer Pharmaceutical Co., Ltd is owned as to 38% by Shanghai Pharmaceutical (Group), 31% by Italian Sier Industrial Co., Ltd. and 31% by Fidia Farmaceutici S.p.A., Division SOLMAG. It was primarily engaged in the manufacture and export of active pharmaceutical ingredients and intermediates. Other than trial operations in 2008, Shanghai Solmag Pioneer Pharmaceutical Co., Ltd. has not been engaged in any production due to losses incurred in the course of the trial operations and will be deregistered in the near future. In 2008, the revenue of Shanghai Solmag Pioneer Pharmaceutical Co., Ltd. was approximately RMB2.62 million, and the revenue for the remainder of the Track Record Period was nil as it had ceased production.

Shanghai Wuzhou Pharmaceutical Co., Ltd

Shanghai Wuzhou Pharmaceutical Co., Ltd is owned as to 57% by Shanghai Pharmaceutical (Group), 35% by Shanghai Asia Pioneer and 8% by Shanghai Ivy Derivative Investment Co., Ltd. (上海常春藤衍生投資有限公司). It is primarily engaged in the manufacture, distribution and export of active pharmaceutical ingredients and solid agents. In 2008, 2009 and 2010, the revenues of Shanghai Wuzhou Pharmaceutical Co., Ltd. as prepared in accordance with PRC GAAP were approximately RMB165.54 million, RMB23.96 million and RMB9.18 million, respectively. Shanghai Wuzhou Pharmaceutical Co., Ltd. has ceased production due to losses, and Shanghai Pharmaceutical (Group) and Shanghai Asia Pioneer are in the process of selling their stake in Shanghai Wuzhou Pharmaceutical Co., Ltd. through public bid. The sale is expected to be completed by December 31, 2011. The Directors are of the view that it would not be in the interest of the Company to acquire Shanghai Wuzhou Pharmaceutical Co., Ltd. as there is no prospect of Shanghai Wuzhou Pharmaceutical Co., Ltd. becoming profit-making in the foreseeable future.

No. 1 Affiliated Factory of Shanghai Wuzhou Pharmaceutical Factory

No. 1 Affiliated Factory of Shanghai Wuzhou Pharmaceutical Factory is wholly-owned by Shanghai Pharmaceutical (Group). It was primarily engaged in the manufacture and sale of active pharmaceutical ingredients. No. 1 Affiliated Factory of Shanghai Wuzhou Pharmaceutical Factory has ceased production since before the Track Record Period. Thus, its revenue during the Track Record Period was nil.

NON-COMPETITION DEEDS

Even though the Directors consider that there is no competition between the Controlling Shareholders and the Company following the 2009 Restructuring and the subsequent acquisition of Antibiotic Business, each of Shanghai Pharmaceutical (Group) and SIIC has given a Non-Competition Deed dated December 22, 2009 to the Company to mitigate any existing or future competition between the Controlling Shareholders and the Company. Pursuant to the Non-Competition Deeds, each of Shanghai Pharmaceutical (Group) and SIIC undertakes, among other things, that (i) in the event it acquires, procures or otherwise comes to possess businesses or assets that competes or could potentially compete with the business of the Company, it thereby, pursuant to the Non-Competition Deed, irrevocably gives the Company the first right of refusal to acquire in whole all of such businesses or assets at any time, (ii) it and its subsidiaries shall avoid any business or operations that may compete with the Company, (iii) it shall avoid investing in any other company or enterprise that competes with the business and operations of the Company and (iv) it shall bear all losses and expenses directly or indirectly incurred by the Company as a result of a breach by it of its undertakings set forth in the Non-Competition Deeds.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors are of the view that the Company is capable of carrying on its business independently from the Controlling Shareholders, after the H Shares are listed on the Hong Kong Stock Exchange.

Management Independence

Our Company

Our Board is comprised of three executive Directors, two non-executive Directors and four independent non-executive Directors. The senior management of the Company consists of seven members. All members of senior management are full-time employees of the Company. The daily operational decisions of the Company are made by our executive Directors and senior management, led by Mr. LU Mingfang, an executive Director and Chairman of the Company. The positions currently held by Mr. Lu within other companies, which are mostly holding companies, require no full-time commitment, and as a result Mr. Lu is able to devote sufficient time and effort to the Company's affairs as is necessary for the Company's interests and to properly discharge his functions as the Chairman and executive Director of the Company. More than one third of the Board of the Company is made up of independent non-executive Directors. Therefore, the management of the Company is effectively independent of the management of the Controlling Shareholders.

The Controlling Shareholders

The board of directors of SIIC, Shanghai Pharmaceutical (Group) and Shanghai Shangshi comprises nine, four and six directors, respectively. Two, two and one of the Company's nine Directors hold directorships or management positions in SIIC, Shanghai Pharmaceutical (Group) and Shanghai Shangshi, respectively.

The following table sets forth the directorships and management positions in the Controlling Shareholders and their respective subsidiaries held by those Directors as of the Latest Practicable Date:

Name	Positions held with our Company	Positions held with the Controlling Shareholders or their subsidiaries	Relationship between the Controlling Shareholders and the Company	Principal business
Mr. LU Mingfang	Executive Director and Chairman	Executive director of Shanghai Industrial Holdings	Shanghai Industrial Holdings is a subsidiary of SIIC, one of our Controlling Shareholders	Infrastructure facilities, real estate and consumer products
		Executive director of SIIC	SIIC is the de facto controller of Shanghai Shangshi	Investment holding
		Chairman and director of Shanghai Pharmaceutical (Group)	Shanghai Pharmaceutical (Group) is our immediate Controlling Shareholder	Investment holding
		Director of Shanghai Shangshi	Shanghai Shangshi is one of our Controlling Shareholders	Investment holding
Mr. ZHANG Jialin	Executive Director and Vice-Chairman	Director and president of Shanghai Pharmaceutical (Group)	Shanghai Pharmaceutical (Group) is our immediate Controlling Shareholder	Investment holding
Mr. LU Shen	Non-Executive Director	Vice president of SIIC	SIIC is the de facto controller of Shanghai Shangshi	Investment holding
		Chairman and director of Shanghai Industrial Development Co., Ltd (上海實業發展股份有限公司)	Shanghai Industrial Development Co., Ltd is a subsidiary of Shanghai Shangshi, one of our Controlling Shareholders	Property development, operation and distribution

Notwithstanding the fact that the above Directors are directors and/or members of senior management of one or more of the Controlling Shareholders and/or their respective subsidiaries, our Directors are of the view that our Company is managed independently of the Controlling Shareholders for the following reasons:

- the Controlling Shareholders do not operate any business that competes or potentially competes, directly or indirectly, with the business of our Company;
- save for Mr. Zhang Jialin, none of the other executive Directors is involved in the day-to-day management of the Controlling Shareholders or their respective subsidiaries;
- in the event of conflicts of interest, the Directors are required under the Articles of Association of the Company to recuse themselves from voting;
- the Directors have fiduciary duties towards the Company and are required to act in the interests of the Company and the Shareholders as a whole;
- connected transactions between the Controlling Shareholders and the Company are subject to the rules and regulations under the Hong Kong Listing Rules including rules relating to announcement, reporting and independent shareholders' approval; and
- save for the Excluded Companies, the pharmaceutical businesses and companies of the Controlling Shareholders have been consolidated into our Group. Therefore, there is limited competition issues that would adversely affect management independence.

Operational Independence

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

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

- the Company is not reliant on the research and development or manufacturing capabilities of the Controlling Shareholders;
- the Company is not reliant on the sales and distribution network of the Controlling Shareholders;
- the Company is not reliant on the trademarks of the Controlling Shareholders; and
- the Company has its own administrative and corporate governance infrastructure (including its own accounting, legal and human resources departments).

Financial Independence

The Company has an outstanding obligation under a loan of RMB8 million, which is for a term of 15 years that is guaranteed by Shanghai Pharmaceutical (Group). As at the Latest Practicable Date, the outstanding amount of the loan was RMB5.81 million. The Directors consider that this loan amount that is guaranteed by Shanghai Pharmaceutical (Group) is not material to our Group and therefore does not affect the financial independence of the Company from Shanghai Pharmaceutical (Group).

The Directors consider that our Company will be financially independent from the Controlling Shareholders upon listing as all non-trade balances (save as disclosed above) between the Controlling Shareholders and our Company would have been settled and the Company has no borrowings, which are secured by guarantees or assets provided by the Controlling Shareholders.

Corporate Governance Measures

Following the Listing, our Company will continue to enter into connected transactions with the Controlling Shareholders and its associates. Each of Shanghai Pharmaceutical (Group) and SIIC has also undertaken to the Company under the Non-Competition Deeds that it shall not, and shall procure that its subsidiaries (other than our Company) shall not, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes, or may compete, with our core business. In order to further avoid potential conflicts of interests between our Company and the Controlling Shareholders, the Company has implemented the following measures:

- In preparation for the Listing, the Company has amended its Articles of Association to comply with the Hong Kong Listing Rules. In particular, the Articles of Association provide that, except for certain exceptions permitted under the Hong Kong Listing Rules or the Hong Kong Stock Exchange, a Director shall not vote on any board resolution approving any contract if he has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in the Controlling Shareholders or any of its subsidiaries (other than the Company or any member of our Group) shall not vote on any board resolution regarding any transaction proposed to be entered into between any member of our Company and the Controlling Shareholders or any of its subsidiaries (other than the Company and any member of our Group), nor shall such Director be counted in the quorum present at such meeting.

  Each Director has been appointed because he possesses the requisite qualifications, experience and knowledge for the proper functioning of the Board and to manage the affairs of the Company. Each Director has also attended the necessary training and is aware of his fiduciary duties as director. The Directors and the Joint Sponsors are of the view that notwithstanding any abstinence from voting by any conflicted Director, the non-conflicted Directors will be able to properly discharge their duties as Directors.

- The Company has agreed to appoint Goldman Sachs (Asia) L.L.C. as its compliance advisor, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Hong Kong Listing Rules, including but not limited to various requirements relating to directors' duties and internal controls.

- The transfer, exercise or non-exercise of any right of first refusal pursuant to the Non-Competition Deeds would constitute a connected transaction pursuant to the Hong Kong Listing Rules. The Company shall comply with all applicable disclosure, reporting and/or independent shareholders' approval requirements under the Hong Kong Listing Rules in relation to such connected transactions.

The independent non-executive Directors will review, at least on an annual basis, the compliance with the Non-Competition Deeds by Shanghai Pharmaceutical (Group) and SIIC and the first rights of refusal provided by Shanghai Pharmaceutical (Group) and SIIC on their existing or future competing businesses.

Each of Shanghai Pharmaceutical (Group) and SIIC has undertaken to provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-Competition Deeds.

The Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Deeds (e.g., the exercise of the first rights of refusal) either through the annual report, or by way of announcements to the public.

Shanghai Pharmaceutical (Group) and SIIC will make an annual declaration of compliance with the Non-Competition Deeds in the annual report of the Company.

Any decision to exercise or not exercise the first rights of refusal that may arise for determination under the Non-Competition Deeds shall be made by the independent non-executive Directors.

When considering whether or not to exercise or not exercise the first rights of refusal pursuant to the Non-Competition Deeds, the independent non-executive Directors will take into consideration the following factors: (i) whether we have already established a business presence in the relevant location; (ii) whether the relevant business or company has a good and broad client base; (iii) whether the relevant business is expected to present a sustainable level of profitability; (iv) whether the relevant business accords with the then current development strategy of our Company; and (v) whether the relevant business in other respects would be in the best interests of the Company and its shareholders as a whole.

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

RELATIONSHIP WITH OUR DIRECTORS

Mr. BAI Huiliang is an independent non-executive director of Gansu Duyiwei Biological Pharmaceutical Co., Ltd. since March 2008 and of Sihuan Pharmaceutical Holdings Group Ltd. since October 2010. Mr. Bai will recuse himself from voting at any directors' meeting in the event there is a conflict of interest between his role as an independent non-executive Director of our Company and his role as an independent non-executive director of Gansu Duyiwei Biological Pharmaceutical Co., Ltd. or Sihuan Pharmaceutical Holdings Group Ltd.

As of the Latest Practicable Date, Mr. LU Mingfang, our executive Director and Chairman, held 37,674 A Shares in the Company and Mr. LU Shen, our non-executive Director, held 6,440 A Shares in the Company. Save as disclosed herein, none of our Directors, Supervisors or senior management held any Shares in our Company.

Except as disclosed above, the Directors are not engaged in any businesses which compete or are likely to compete, either directly or indirectly, with the Company's business under Rule 8.10(2) of the Hong Kong Listing Rules.

Upon the Listing of the H Shares on the Hong Kong Stock Exchange, the transactions listed below between us and our Connected Persons will constitute "connected transactions" within the meaning of the Hong Kong Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Non-Competition Deeds

Pursuant to the 2009 Restructuring, each of Shanghai Pharmaceutical (Group) and SIIC has entered into a Non-Competition Deed dated December 22, 2009 in favor of the Company, undertaking, among other things, that:

(i) in the event Shanghai Pharmaceutical (Group) or SIIC acquires, procures or otherwise comes to possess businesses or assets that compete or could potentially compete with the business of the Company, Shanghai Pharmaceutical (Group) and SIIC, pursuant to the Non-Competition Deeds, irrevocably grant the Company the right of first refusal to acquire all of such businesses or assets at any time;

(ii) Shanghai Pharmaceutical (Group), SIIC and their respective subsidiaries shall avoid any business or operations that may compete with the Company;

(iii) Shanghai Pharmaceutical (Group) and SIIC shall avoid investing in any other companies or enterprises that compete with the business and operations of the Company; and

(iv) each of Shanghai Pharmaceutical (Group) and SIIC shall bear all losses and expenses directly or indirectly incurred by the Company as a result of a breach by Shanghai Pharmaceutical (Group) or SIIC (as the case may be) of its undertakings set forth in the respective Non-Competition Deed.

As the Non-Competition Deeds were entered into in favor of the Company and there is no consideration payable by the Company to Shanghai Pharmaceutical (Group) or SIIC in respect of the Non-Competition Deeds, the Non-Competition Deeds constitute *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Raw Material and Product Purchases

For the three years ended December 31, 2010, our Group has, in the ordinary course of business, purchased raw materials and products from the following entities (or their Associates), which are Substantial Shareholders of the Company's various non-wholly owned subsidiaries:

(i) Shanghai Yiyao Industrial Co., Ltd. (上海億曜實業有限公司);

(ii) Shanghai Fengbang Traditional Chinese Medicine Factory (上海封浜中藥廠);

(iii) Shanghai Guhua Medicine (Group) Co., Ltd. (上海古華藥業 (集團)有限公司);

(iv) Huqingyutang Group (胡慶餘堂集團);

(v) Zhejiang Jianfeng Pharmaceutical Co., Ltd. (浙江尖峰藥業有限公司);

(vi) Xiamen Light Industry Group Co., Ltd. (廈門輕工集團有限公司);

(vii) Chifeng Pharmaceutical (Group) Co., Ltd. (赤峰製藥 (集團)有限責任公司); and

(viii) Fimet OY.

We expect that our Group will continue to purchase raw materials and products from the above Connected Persons on an ongoing basis after the Listing. Pursuant to the ordinary business practice in the pharmaceutical industry, written purchase agreements are not executed until shortly before the actual demands arise. For the three years ended December 31, 2010, these purchases would have constituted *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, as each of the historical percentage ratios (other than profit ratio), where applicable, in relation to the aggregate considerations paid by our Group to the same party or to the parties connected or otherwise associated with one another under these transactions was, on an annual basis, less than 1% as set out in Rule 14A.33(3)(b) of the Hong Kong Listing Rules. We expect that these ratios will remain under the 1% threshold after the Listing. In the event that the aforesaid raw material and product purchases cease to satisfy the threshold under Rule 14A.33(3)(b) of the Hong Kong Listing Rules, the Company will comply with the disclosure and/or independent shareholders' approval requirements relating to continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The Directors are of the view that our Group's purchases of raw materials and products from the above Connected Persons are in the interest of the Company and its Shareholders as a whole. The transactions were entered into on normal commercial terms, and the terms and conditions were no less favorable to our Group than those offered to Independent Third Parties.

Raw Material and Product Sales

For the three years ended December 31, 2010, our Group has, in the ordinary course of business, sold raw materials and products to the following entities (or their Associates), which are Substantial Shareholders of the Company's various non-wholly owned subsidiaries:

(i) Shanghai Fengbang Traditional Chinese Medicine Factory (上海封浜中藥廠);

(ii) Shanghai No.1 People's Branch Hospital (上海市第一人民醫院分院);

(iii) Shanghai Changning District Central Hospital (上海長寧區中心醫院);

(iv) Shanghai Guhua Medicine (Group) Co., Ltd. (上海古華藥業(集團)有限公司);

(v) Shanghai Xinhua Medical Development Company (上海新華醫療開發公司);

(vi) Shanghai Yisheng Operation Company (上海醫盛經營公司);

(vii) Shanghai Institute of Materia Medica, Chinese Academy of Science (中國科學院上海藥物研究所);

(viii) Huqingyutang Group (胡慶餘堂集團); and

(ix) Fimet OY.

We expect that our Group will continue to sell raw materials and products to the above Connected Persons on an ongoing basis after the Listing. Pursuant to the ordinary business practice in the pharmaceutical industry, written sales agreements are not executed until shortly before the actual demands arise. For the three years ended December 31, 2010, these sales would have constituted *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, as each of the historical percentage ratios (other than profit ratio), where applicable, in relation to the aggregate considerations received by our Group from the same party or from the parties connected or otherwise associated with one another under these transactions was, on an annual basis, less than 1% as set out in Rule 14A.33(3)(b) of the Hong Kong Listing Rules. We expect that these ratios will remain under the 1% threshold after the Listing. In the event that the aforesaid raw material and product sales cease to satisfy the threshold under Rule 14A.33(3)(b) of the Hong Kong Listing Rules, the Company will comply with the disclosure and/or independent shareholders' approval requirements relating to continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The Directors are of the view that our Group's sales of raw materials and products to the above Connected Persons are in the interest of the Company and its Shareholders as a whole. The transactions were entered into on normal commercial terms, and the terms and conditions were no less favorable to our Group than those offered to Independent Third Parties.

Property Leases

Our Group as Lessee

In the ordinary course of business, our Group has entered into:

1. a property lease agreement with Shanghai Pharmaceutical (Group), under which Shanghai Pharmaceutical (Group) has leased to the Company a property located at 200 Taicang Road, Shanghai with an area of 2,695.03 square meters for office uses by the Company's headquarters. The term of the lease is five years from February 1, 2010 to January 31, 2015, and the annual rental under the lease agreement is RMB5,410,300. In relation to this lease agreement, the Company has entered into a property management contract with Shanghai Indu-Pharm Property Co., Ltd. (上海英達方物業有限公司), a subsidiary of Shanghai Pharmaceutical (Group), under which Shanghai Indu-Pharm Property Co., Ltd. has provided property management services for the Company's headquarters for a term of five years from February 1, 2010 to January 31, 2015, for an annual management fee of RMB1,180,423;

2. a property lease agreement with Shanghai Pharmaceutical (Group), under which Shanghai Pharmaceutical (Group) has leased to the Company's various subsidiaries 15 properties located in Shanghai and Kunshan with a total area of approximately 140,000 square meters for manufacturing, raw material cultivation, warehousing and employees' accommodation uses. The term of the lease is 20 years from February 10, 2011 or will expire on the date when a relevant property is condemned by the government, whichever is earlier. The lease agreement is renewable if agreed by both parties, and the Company has the right of first refusal to lease the relevant properties upon expiry of the original lease term. The aggregate annual rental under the lease agreement is approximately RMB10,150,000;

3. a property lease agreement with Shanghai Pharmaceutical (Group) (as amended), under which Shanghai Pharmaceutical (Group) has leased to Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司) ("Shanghai Medical Instruments"), a subsidiary of the Company, five properties located in Shanghai with a total area of 30,543 square meters for manufacturing uses. The term of the lease is from September 7, 2001 to the date when Shanghai Medical Instruments ceases to exist. As the maximum lease term under PRC law is 20 years, the actual term of this lease will expire in September 2021 or when Shanghai Medical Instruments ceases to exist, whichever is earlier. The lease agreement is renewable if agreed by both parties, and Shanghai Medical Instruments has the right of first refusal to lease the property upon expiry of the original lease term. The annual rental under the lease agreement is RMB3,912,800; and

4. two property lease agreements with Shanghai Pharmaceutical (Group) and its subsidiary, Shanghai Indu-Land Real Estate Management Co., Ltd. (上海英達萊置業有限公司), under which Shanghai Pharmaceutical (Group) has leased to Zhonghua Pharmaceutical, a subsidiary of the Company, five properties located in Changning District, Shanghai with a total area of approximately 16,531 square meters for manufacturing and office uses, and Shanghai Indu-Land Real Estate Management Co., Ltd. has provided property management services for Zhonghua Pharmaceutical. The term of each lease is five years from January 1, 2011 to December 31, 2015, renewable upon the parties' agreement, and Zhonghua Pharmaceutical has the right of first refusal to lease the properties upon expiry of the original lease term. Under the lease agreements, the aggregate annual rental is approximately RMB2,287,152, and the aggregate annual property management fee is approximately RMB120,376.

In addition, in the ordinary course of business, our Group has entered into the following property lease agreements involving Substantial Shareholders of the Company's non-wholly owned subsidiaries:

5. a property lease agreement and a land lease agreement between Shanghai Jiading Pharmaceutical Co., Ltd. (上海醫藥嘉定藥業有限公司) ("Jiading Pharmaceutical"), a subsidiary of the Company, and its Substantial Shareholder, Shanghai Jiading District Supply and Marketing Cooperative (上海市嘉定區供銷合作總社) ("Jiading Supply & Marketing Cooperative"), under which Jiading Supply & Marketing Cooperative has leased to Jiading Pharmaceutical a property located at 496 Tacheng Road, Jiading Township, Jiading District, Shanghai with an area of 6,167 square meters for commercial uses, and the land use right to a land plot located at 82 Meiyuan Road, Jiading Township, Jiading District, Shanghai, with an area of 319 square meters for housing uses. The term of each lease is three years from January 1, 2009 to March 31, 2012, and the total annual rental under the lease agreements is RMB840,000; and

6. a land lease agreement between Shanghai Ziyuan Pharmaceutical Co., Ltd. (上海紫源製藥有限公司) ("Ziyuan Pharmaceutical"), a subsidiary of the Company, and its Substantial Shareholder, Shanghai Zhuanqiao Asset Investment and Operation Co., Ltd. (上海顓橋資產投資經營有限公司) ("Zhuanqiao Asset Investment & Operation"), under which Zhuanqiao Asset Investment & Operation has leased to Ziyuan Pharmaceutical the land use right pertaining to a land plot located at 749 Guanghua Road, Zhuanqiao Township, Minhang District, Shanghai with an area of 13.59 Mu, i.e. approximately 9,060 square meters, for manufacturing uses. The term of the lease is 20 years from February 3, 1999 to February 2, 2019, and the annual rental under the lease agreement is RMB81,540, to be increased to RMB97,848 from 2015 to 2019.

The above property leases constitute *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, as each of the percentage ratios (other than profit ratio), where applicable, in relation to the aggregate rental and property management fees payable by our Group to the same party or to the parties connected or otherwise associated with one another under these leases is, on an annual basis, less than 0.1% as set out in Rule 14A.33(3)(a) (with respect to the leases from Shanghai Pharmaceutical (Group)) or 1% as set out in Rule 14A.33(3)(b) (with respect to the leases from our subsidiaries' Substantial Shareholders) of the Hong Kong Listing Rules.

The Directors are of the view that our Group's leases of properties from the above Connected Persons are in the interest of the Company and its Shareholders as a whole. The leases were entered into on normal commercial terms, and the terms and conditions were no less favorable to our Group than those offered to Independent Third Parties.

Our Group as Lessor

In the ordinary course of business, Shanghai Huashi Medicine Warehousing and Transportation Co., Ltd. (上海華氏醫藥儲運有限公司) ("Huashi Medicine Warehousing & Transportation"), a subsidiary of the Company, has entered into a property lease agreement with Sifu Liquor (Shanghai) Co., Ltd. (思富酒類 (上海)有限公司) ("Sifu Liquor"), a subsidiary of Shanghai Pharmaceutical (Group), under which Huashi Medicine Warehousing & Transportation has leased to Sifu Liquor a property located at 1065 Chuanqiao Road, Pudong New Area, Shanghai with an area of 160 square meters for office and warehousing uses. The term of the lease is five years from January 1, 2010 to December 31, 2014, and the annual rental under the lease agreement is RMB120,000.

The above property lease constitutes a *de minimis* continuing connected transaction exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, as each of the percentage ratios (other than profit ratio), where applicable, in relation to the annual rental received by our Group from the lessee under the lease is, on an annual basis, less than 0.1% as set out in Rule 14A.33(3)(a) of the Hong Kong Listing Rules.

The Directors are of the view that our Group's lease of property to the above Connected Person is in the interest of the Company and its Shareholders as a whole. The lease was entered into on normal commercial terms, and the terms and conditions were no less favorable to our Group than those offered to Independent Third Parties.

Financial Assistances

1. On September 16, 2003, Shanghai Xingling Pharmaceutical Technology Co., Ltd. (上海杏靈科技藥業股份有限公司) ("Xingling Pharmaceutical Technology"), a subsidiary of the Company, entered into a loan agreement with the Shanghai Finance Bureau (which has no connection with our Group), under which the Shanghai Finance Bureau has provided to Xingling Pharmaceutical Technology a loan of RMB8 million out of the treasury bond fund for a term of 15 years. The loan is used for the application of high-tech in the manufacturing of pharmaceutical products extracted from gingko biloba leaves. Xingling Pharmaceutical Technology's outstanding obligation under the loan is guaranteed by Shanghai Pharmaceutical (Group). The annual interest is the one-year deposit rate published by the PBOC for the current year plus 0.3%, lower than the interest rate that would have been charged by a lender without Shanghai Pharmaceutical (Group)'s guarantee. As of the Latest Practicable Date, the outstanding amount of the loan owed by Xingling Pharmaceutical Technology to the Shanghai Finance Bureau was RMB5.81 million.

2. On December 30, 2008 and May 12, 2009, Jiading Pharmaceutical, a subsidiary of the Company, entered into two loan agreements with its Substantial Shareholder, Jiading Supply & Marketing Cooperative, under which Jiading Supply & Marketing Cooperative has provided to Jiading Pharmaceutical two loans with an aggregate amount of RMB4 million, secured by mortgages on a property owned by Jiading Pharmaceutical at 82 Meiyuan Road, Jiading Township, Jiading District, Shanghai. The term of each loan is one year, from December 30, 2008 to December 31, 2009 and from May 13, 2009 to May 12, 2010, respectively, each automatically renewable for a one-year term if the loans are not repaid by the expiry dates. The annual interest of each loan is 6.372%. As of the Latest Practicable Date, the aggregate outstanding amount of the loans owed by Jiading Pharmaceutical to Jiading Supply & Marketing Cooperative was RMB4 million.

3. In October 2009, Fujian Pharmaceutical, a subsidiary of the Company, obtained from Shanghai Pudong Development Bank, Fuzhou Branch a maximum credit line of RMB43.33 million, available for drawdown from October 16, 2009 to October 16, 2010. The outstanding obligations of Fujian Pharmaceutical under the credit line are guaranteed by its Substantial Shareholder, Fujian Province Overseas Chinese Industrial Group Co., Ltd. (福建省華僑實業集團有限責任公司). As of the Latest Practicable Date, the outstanding amount of the loans owed by Fujian Pharmaceutical to Shanghai Pudong Development Bank, Fuzhou Branch under the credit line was RMB20 million.

4. On April 22, 2010, Guangzhou Z.S.Y., a subsidiary of the Company, entered into a comprehensive credit line agreement with China Citic Bank, Guangzhou Branch, under which China Citic Bank, Guangzhou Branch granted to Guangzhou Z.S.Y. a maximum credit line of RMB160 million, available for drawdown from April 22, 2010 to April 22, 2011. Up to RMB50 million of Guangzhou Z.S.Y.'s outstanding obligations under the credit line is guaranteed by Guangzhou Zhongda Holding Co., Ltd. (廣州中大控股有限公司) ("Guangzhou Zhongda Holding"), an Associate of Guangzhou Zhongda Industrial Group Co., Ltd. (廣州中大產業集團有限公司), which is a Substantial Shareholder of Guangzhou Z.S.Y. As of the Latest Practicable Date, the outstanding amount of the loans owed by Guangzhou Z.S.Y. to China Citic Bank, Guangzhou Branch under the credit line was RMB115 million, of which RMB50 million is guaranteed by Guangzhou Zhongda Holding.

5. On July 2, 2010, Guangzhou Z.S.Y. entered into a comprehensive credit line agreement with Shanghai Pudong Development Bank, Guangzhou Branch, under which Shanghai Pudong Development Bank, Guangzhou Branch granted to Guangzhou Z.S.Y. a maximum credit line of RMB60 million, available for drawdown from June 28, 2010 to June 28, 2011. The outstanding obligations of Guangzhou Z.S.Y. under the credit line are guaranteed by Guangzhou Zhongda Holding. As of the Latest Practicable Date, the outstanding amount of the loans owed by Guangzhou Z.S.Y. to Shanghai Pudong Development Bank, Guangzhou Branch under the credit line was RMB36 million.

The above financial assistances constitute *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, as each of the percentage ratios (other than profit ratio), where applicable, in relation to the aggregate amount of the financial assistances provided by the same party or by the parties connected or otherwise associated with one another is less than 0.1% as set out in Rule 14A.33(3)(a) (with respect to the financial assistance by Shanghai Pharmaceutical (Group)) or 1% as set out in Rule 14A.33(3)(b) (with respect to the financial assistances by our subsidiaries' Substantial Shareholders or their Associates) of the Hong Kong Listing Rules.

The Directors are of the view that the financial assistances provided by the above Connected Persons are in the interest of the Company and its Shareholders as a whole. The guarantees and loans were entered into on normal commercial terms, and the terms and conditions were no less favorable to our Group than those offered to Independent Third Parties.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Entrustment Agreement

On December 13, 2010, Shanghai New Asiatic (which will become a subsidiary of the Company following completion of our acquisition of the Antibiotics Business), entered into the Entrustment Agreement with Shanghai Pharmaceutical (Group), under which Shanghai Pharmaceutical (Group) has entrusted to Shanghai New Asiatic all the Target Assets of Shanghai Asia Pioneer, a subsidiary of Shanghai Pharmaceutical (Group). The Entrustment Agreement will expire on December 31, 2011. We expect to improve the operations of Shanghai Asia Pioneer through our management of the Target Assets pursuant to the Entrustment Agreement, and to have Shanghai Asia Pioneer injected into our Group when it meets the relevant requirements for such injection. If Shanghai Asia Pioneer fails to properly solve its pending litigation and satisfy such other relevant requirements by December 31, 2011, Shanghai Pharmaceutical (Group) intends to sell Shanghai Asia Pioneer to Independent Third Parties or to cease the business of Shanghai Asia Pioneer in order to avoid competition with our business. See "Relationship with the Controlling Shareholders and Directors — Competition — Shanghai Asia Pioneer" for further information.

Shanghai New Asiatic does not collect any entrustment fee from Shanghai Pharmaceutical (Group) but is entitled to be present at Shanghai Asia Pioneer's shareholders' meetings and to exercise the voting right, right to appoint directors and hire senior managers of Shanghai Asia Pioneer and run day-to-day business of Shanghai Asia Pioneer in the name of shareholder of Shanghai Asia Pioneer (although subject to the requests of the legitimate shareholder, Shanghai Pharmaceutical (Group)), except for the rights to dispose of the Target Assets, receive revenue generated from the Target Assets and lease the real properties involved in the Target Assets as the landlord thereof. In addition, under the Entrustment Agreement, Shanghai New Asiatic is entitled to, subject to prior communications with Shanghai Pharmaceutical (Group) and without prejudice to the legitimate interests of Shanghai Pharmaceutical (Group), exercise veto right with respect to the Target Assets in the event of any potential competition with the business of the Company. All products manufactured by Shanghai Asia Pioneer shall be exclusively sold to third party customers through Shanghai New Asiatic or its subsidiaries, and Shanghai Asia Pioneer is not allowed to sell any products. The Entrustment Agreement enables Shanghai New Asiatic to manage the manufacturing and sales of Shanghai Asia Pioneer's products so as to prevent Shanghai Asia Pioneer from competing with the business of our Group following completion of our acquisition of the Antibiotics Business.

The term of the Entrustment Agreement is one year from December 2010 to December 2011, and will not be renewed upon its expiry.

The Entrustment Agreement was entered into in favor of the Company and there is no consideration payable under the agreement pursuant to the general practice with respect to similar entrustment arrangements in the PRC. The Directors and the Joint Sponsors are of the view that the Entrustment Agreement is in the interest of the Company and its Shareholders as a whole. However, as the Entrustment Agreement may not constitute a *de minimis* continuing connected transaction exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules due to the special arrangements thereunder, we have applied for and have obtained a waiver from the Hong Kong Stock Exchange from compliance with the announcement requirement under the Hong Kong Listing Rules.

Framework Connected Transactions Agreement

Pursuant to the 2009 Restructuring, Shanghai Pharmaceutical (Group) and the Company entered into a comprehensive framework agreement for connected transactions in the ordinary course of business (the "Framework Connected Transactions Agreement"), which became effective on November 5, 2009. The Framework Connected Transactions Agreement sets forth the scope and principles of transactions in the ordinary course of business including supply of raw materials, products, entrusted manufacturing services and other services between Shanghai Pharmaceutical (Group) and the Company (each including its subsidiaries). The parties agree to strictly follow fair market principles, including without limitation to supplying products and services at fair and reasonable market prices, in the course of performing the Framework Connected Transactions Agreement and the specific contracts to be further executed thereunder. In particular, Shanghai Pharmaceutical (Group) undertakes to not obtain any improper benefits from or impose any improper obligations on the Company through its transactions with the Company. The Company will analyze whether the raw materials, products and services supplied under the Framework Connected Transactions Agreement are at fair and reasonable market prices based on then-prevailing market prices for similar products and services that the Company may receive from other suppliers, as well as market information that is available to pharmaceutical industry participants (such as the Company) through trade associations.

The initial term of the Framework Connected Transactions Agreement is three years from November 2009 to November 2012, and is renewable for terms of three years if approved by the Company's Shareholders' meeting (as required by the Shanghai Stock Exchange) and not objected to by Shanghai Pharmaceutical (Group). The renewal of the term of the Framework Connected Transactions Agreement will have to comply with the rules applicable to connected transactions under the Hong Kong Listing Rules.

Continuing Connected Transactions Unrelated to the Entrustment Agreement

In 2008, 2009 and 2010, the amount received by our Group from Shanghai Pharmaceutical (Group) for supply of products (mainly cooling ointment and anti-heatstroke drugs) was approximately RMB8,000 every year, and the amount received by our Group for supply of raw materials and sales agency services was nil because no raw materials or sales agency services will be provided by our Group for Shanghai Pharmaceutical (Group) until completion of our acquisition of the Antibiotics Business by the end of June 2011, following which Shanghai New Asiatic and/or its subsidiaries will be the entities within our Group to supply raw materials and sales agency services for Shanghai Asia Pioneer, a subsidiary of Shanghai Pharmaceutical (Group), pursuant to the Entrustment Agreement.

Without taking into account any connected transaction amount in relation to the Entrustment Agreement following completion of our acquisition of the Antibiotics Business, the aggregate annual amount to be received by our Group from Shanghai Pharmaceutical (Group) for supply of products (mainly cooling ointment and anti-heatstroke drugs) would be approximately RMB8,000 in 2011 and 2012, respectively, in which case each of the percentage ratios (other than profit ratio), where applicable, in relation to such annual aggregate amounts would be less than 0.1% as set out in Rule 14A.33(3)(a) of the Hong Kong Listing Rules and therefore our supply of products to Shanghai Pharmaceutical (Group) would constitute *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In 2008, 2009 and 2010, the amount paid by our Group to Shanghai Pharmaceutical (Group) for purchases of raw materials and products (mainly imported drugs such as coaprovel purchased from Shanghai Zhenshen Pharmaceutical Import and Export Co., Ltd., a subsidiary of Shanghai Pharmaceutical (Group)) was approximately RMB6.3 million, RMB21 million and RMB22 million, respectively, and the amount paid by our Group for purchase of entrusted manufacturing services was nil because no entrusted manufacturing services will be provided by Shanghai Pharmaceutical (Group) for our Group until completion of our acquisition of the Antibiotics Business by the end of June 2011, following which Shanghai New Asiatic and/or its subsidiaries will be the entities within our Group to entrust Shanghai Asia Pioneer to manufacture certain antibiotic pharmaceutical products pursuant to the Entrustment Agreement.

Without taking into account any connected transaction amount in relation to Entrustment Agreement following completion of our acquisition of the Antibiotics Business, the aggregate annual amount to be paid by our Group to Shanghai Pharmaceutical (Group) for purchases of products (mainly imported drugs to be purchased from Shanghai Zhenshen Pharmaceutical Import and Export Co., Ltd.) would be approximately RMB23 million in 2011 and 2012, respectively, in which case each of the percentage ratios (other than profit ratio), where applicable, in relation to such annual aggregate amounts would be less than 0.1% as set out in Rule 14A.33(3)(a) of the Hong Kong Listing Rules and therefore our purchases of products from Shanghai Pharmaceutical (Group) would constitute *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Continuing Connected Transactions Related to the Entrustment Agreement

Prior to the completion of our acquisition of the Antibiotics Business, both the Antibiotics Business and Shanghai Asia Pioneer were part of Shanghai Pharmaceutical (Group). Therefore, during the Track Record Period, there were no continuing connected transactions between the Group and Shanghai Pharmaceutical (Group) in respect of the Antibiotics Business pursuant to the Entrustment Agreement.

Following completion of our acquisition of the Antibiotics Business and pursuant to the Entrustment Agreement, our Group will provide raw materials and sales agency services to Shanghai Asia Pioneer, and will purchase antibiotic pharmaceutical products and entrusted manufacturing services from Shanghai Asia Pioneer. In accordance with the Framework Connected Transactions Agreement, these connected transactions will be entered into at fair and reasonable market prices.

As the Entrustment Agreement will expire on December 31, 2011 and our acquisition of the Antibiotics Business is expected to be completed by the end of June 2011, after the Listing, the maximum aggregate amount to be received by our Group from Shanghai Pharmaceutical (Group) for supply of raw materials, products (minimal amount of cooling ointment and anti-heatstroke drugs) and sales agency services under the Framework Connected Transactions Agreement for the six months ending December 31, 2011 shall not exceed RMB69 million, and the maximum aggregate amount for the full year ending December 31, 2011 also shall not exceed RMB69 million. The substantial increase as compared to the Group's connected transaction amounts during the Track Record Period is mainly attributed to our acquisition of the Antibiotics Business, following which we will supply raw materials (such as ceftriaxone sodium and cefoperazone sodium) to Shanghai Asia Pioneer in the value of approximately RMB53 million, and will provide sales agency services for Shanghai Asia Pioneer at a consideration of approximately RMB16 million. In arriving at the above caps, our Directors have considered our historic and expected product sales volume to Shanghai Pharmaceutical (Group), the expected fluctuations in the price of pharmaceutical products, the volume of raw materials that our Group will sell to Shanghai Pharmaceutical (Group) and the volume of pharmaceutical products that our Group will sell on behalf of Shanghai Pharmaceutical (Group) on a commission basis following our acquisition of the Antibiotics Business, and the expected price that will be charged for similar sales agency services provided to Independent Third Parties. In particular, as certain governmental authorities apply restrictions in respect of the total number of invoices that can be issued before each batch of products reach the end customer, our Directors have considered the expected commission to be received by our Group for the sales agency services provided by Shanghai New Asiatic or its subsidiaries for Shanghai Asia Pioneer in the course of selling antibiotic pharmaceutical products on behalf of Shanghai Asia Pioneer to third party customers designated by Shanghai New Asiatic or its subsidiaries pursuant to the arrangements under the Entrustment Agreement.

Similarly, as the Entrustment Agreement will expire on December 31, 2011 and our acquisition of the Antibiotics Business is expected to be completed by the end of June 2011, after the Listing, the maximum aggregate amount to be paid by our Group to Shanghai Pharmaceutical (Group) for purchases of products (including antibiotic pharmaceutical products from Shanghai Asia Pioneer and imported drugs from Shanghai Zhenshen Pharmaceutical Import and Export Co., Ltd.) and entrusted manufacturing services under the Framework Connected Transactions Agreement for the six months ending December 31, 2011 shall not exceed RMB428 million, and the maximum aggregate amount for the full year ending December 31, 2011 shall not exceed RMB440 million. The substantial increase as compared to the Group's connected transaction amounts during the Track Record Period is mainly attributed to our acquisition of the Antibiotics Business, following which we will purchase antibiotic pharmaceutical products (such as amphotericin B liposome and cefmenoxime) from Shanghai Asia Pioneer in the value of approximately RMB400 million, and will entrust Shanghai Asia Pioneer to manufacture certain antibiotic pharmaceutical products at a commission of approximately RMB16.5 million. In arriving at the above caps, our Directors have considered the historic and expected purchase volumes from Shanghai Pharmaceutical (Group), the expected fluctuations in the prices of pharmaceutical products, the volume of pharmaceutical products our Group will entrust Shanghai Pharmaceutical (Group) to manufacture in order to meet the market demand for our Group's products, and the expected price for receipt of similar services from Independent Third Party contract manufacturers. In particular, following our acquisition of the Antibiotics Business, where there are no restrictions of the governmental authorities with respect to the total number of invoices that can be issued before each batch of products reach the end customer, our Directors have considered the expected volume of antibiotic pharmaceutical products that Shanghai New Asiatic or its subsidiaries will purchase from Shanghai Asia Pioneer and subsequently sell to third party customers selected by Shanghai New Asiatic or its subsidiaries pursuant to the arrangements under the Entrustment Agreement.

The table below sets forth the semi-annual and annual caps applicable under the Framework Connected Transactions Agreement:

	Six months ending December 31, 2011	**Full year ending December 31, 2011**
Maximum Amount to be Received by our Group from Shanghai Pharmaceutical (Group)	RMB69 million	RMB69 million
Maximum Amount to be Paid by our Group to Shanghai Pharmaceutical (Group)	RMB428 million	RMB440 million

Following completion of our acquisition of the Antibiotics Business, the highest applicable ratio, as defined under Rule 14.07 of the Hong Kong Listing Rules, in relation to our Group's supply of raw materials, products and sales agency services and in relation to our Group's purchases of products and entrusted manufacturing services, respectively, under the Framework Connected Transactions Agreement is, on an annual basis, expected to be more than 0.1% but less than 5% under Rule 14A.34 (1) of the Hong Kong Listing Rules. Accordingly, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting, annual review and announcement requirements set out in Rules 14A.37 to 14A.40 and 14A.45 to 14A.47 of the Hong Kong Listing Rules. We have applied for and have obtained a waiver from the Hong Kong Stock Exchange from compliance with the announcement requirement under the Hong Kong Listing Rules.

If our acquisition of the Antibiotics Business fails to be completed, the above continuing connected transactions under the Framework Connected Transactions Agreement will constitute *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, as each of the percentage ratios (other than profit ratio), where applicable, in relation to the aggregate amount of these transactions will be, on an annual basis, less than 0.1% as set out in Rule 14A.33(3)(a) of the Hong Kong Listing Rules. In such event, the Hong Kong Stock Exchange will revoke the waiver it has granted to us from compliance with the announcement requirement under the Hong Kong Listing Rules as the waiver will be unnecessary.

The Directors (including the independent non-executive Directors) are of the view that the transactions under the Framework Connected Transactions Agreement and the Entrustment Agreement have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole, and the proposed caps for the non-exempt continuing connected transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

No Waiver Sought for Certain Transactions

No waiver is sought for the Non-Competition Deeds, raw material and product purchases, raw material and product sales, property leases and financial assistances described above in the paragraph headed "Exempt Continuing Connected Transactions," as each of them is exempt under the Hong Kong Listing Rules from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Scope of Waiver

The Entrustment Agreement as described under the paragraph headed "Non-exempt Continuing Connected Transactions" may not constitute a *de minimis* continuing connected transaction due to the special arrangements thereunder. In addition, following completion of our acquisition of the Antibiotics Business, the highest applicable ratio in relation to our Group's supply of raw materials, products and sales agency services and in relation to our Group's purchases of products and entrusted manufacturing services, respectively, contemplated under the Framework Connected Transactions Agreement as described under the paragraph headed "Non-exempt Continuing Connected Transactions" is, on an annual basis, expected to be more than 0.1% but less than 5%. As such, these transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting, annual review and announcement requirements set out in Rules 14A.37 to 14A.40 and 14A.45 to 14A.47 of the Hong Kong Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver expiring on December 31, 2011 from compliance with the announcement requirement relating to the Entrustment Agreement and the continuing connected transactions under the Framework Connected Transactions Agreement. We will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39, 14A.40, 14A.45 and 14A.46 of the Hong Kong Listing Rules.

If our acquisition of the Antibiotics Business fails to be completed, the continuing connected transactions under the Framework Connected Transactions Agreement will constitute *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, as each of the percentage ratios (other than profit ratio), where applicable, in relation to the aggregate amount of these transactions will be, on an annual basis, less than 0.1% as set out in Rule 14A.33(3)(a) of the Hong Kong Listing Rules. In such event, the Hong Kong Stock Exchange will revoke the waiver it has granted to us in respect of the continuing connected transactions under the Framework Connected Transactions Agreement as the waiver will be unnecessary.

In the event of any future amendments to the Hong Kong Listing Rules imposing more stringent requirements than those existing as of the date of this Prospectus on the continuing connected transactions referred to in this section, the Company will take immediate steps to ensure compliance with such requirement within a reasonable time.

The term of the Entrustment Agreement is one year from December 2010 to December 2011, and will not be renewed upon its expiry. The initial term of the Framework Connected Transactions Agreement referred to in the paragraph headed "Non-exempt Continuing Connected Transactions" is three years from November 2009 to November 2012, renewable for terms of three years if approved by the Company's Shareholders' meeting (as required by the Shanghai Stock Exchange) and not objected to by Shanghai Pharmaceutical (Group). The renewal of the term of the Framework Connected Transactions Agreement will have to comply with the rules applicable to connected transactions under the Hong Kong Listing Rules.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transactions described above, for which a waiver has been sought and granted, have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole, and the proposed caps for these non-exempt continuing connected transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

REGULATORY FRAMEWORK

As a manufacturer, distributor and retailer 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. Our products are subject to regulatory controls governing pharmaceutical products and medical appliances and equipment. The Law of the PRC on the Administration of Pharmaceuticals (中華人民共和國藥品管理法), as amended, together with its implementation regulations, provides the legal framework for the administration of the production and sale of pharmaceutical products in the PRC which covers the manufacturing, distributing, packaging, pricing and advertising of pharmaceutical products in the PRC.

We are also subject to other PRC laws and regulations that regulate the manufacturing and distribution of pharmaceutical products, as well as chemical reagents and logistics.

Principal Administrative Authorities

As the competent authority of the industry, the SFDA is responsible for administrative supervision and technical supervision over the research, production, circulation and usage of drugs, including Chinese medicines. The local drug administrative authorities at the level of provinces, autonomous regions and municipalities directly under the PRC central government are responsible for supervision and administration of drugs within their respective administrative regions.

In accordance with the state laws, rules, regulations and policies relating to health and drugs and in light of the characteristics of the traditional Chinese medicine industry, the State Administration of Traditional Chinese Medicine (國家中醫藥管理局) is responsible for the guidance and implementation of fundamental works such as guidelines, policies, development strategies, qualification management and techniques of the Chinese medicine industry.

The Ministry of Health is responsible for multiple supervisions over drug regulation, including, but not limited to, enforcing the healthcare system reform, formulating and implementing the National Essential Drugs System (國家基本藥物制度), formulating the National Drug Code (國家藥物代碼) and the National List of Essential Drugs, proposing the pricing policy of drugs within the National List of Essential Drugs and supervising medical institutions.

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

MANUFACTURE

Research and Development

Institutions engaging in research for applications 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 engaged in conducting clinical trials of medicines are required to carry out their clinical trials in accordance with the Administrative Standards of Pharmaceuticals Clinical Trials (藥物臨床試驗質量管理規範), which apply to the design, organization, implementation, supervision, recording, analysis and reporting of clinical trials conducted following 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 apply to research on, among others, synthetic techniques, extraction method, chemical nature and purity, forms of intake, production methods, examination methods, quality standards, 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 anything in the application procedures for registration of medicines are in violation of the relevant rules and regulations, the SFDA is authorized to handle such cases pursuant to the Measures regarding Noncompliance with Relevant Rules of Research and Application for Registration of Medicines (藥品研究和申報註冊違規處理辦法 (試行)).

Pharmaceutical Products and Materials' Manufacturing

Manufacturing Licenses and Approvals

Each pharmaceutical manufacturing enterprise is required to obtain a pharmaceutical manufacturing permit (藥品生產許可證) and a business license. Pursuant to the Law of the PRC on the Administration of Pharmaceuticals, its implementation regulations (中華人民共和國藥品管理法實施條例) and the 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 drug administrative authorities at the provincial level. The grant of such permit is subject to an inspection of the manufacturing facilities, and a finding that their sanitary conditions, quality assurance systems, management structure and equipment meet the required standards. Each permit is valid for five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

In accordance with the Regulations on the Supervision and Administration of Medical Devices (醫療器械監督管理條例), manufacture of class II and/or class III medical devices is subject to inspection and approval by the local drug administrative authority of the provinces, autonomous regions and municipalities and required to obtain the Medical Device Manufacturing Enterprise License (醫療器械生產企業許可證). The list of each class of medical devices is set forth in the Medical Device Product Categories (醫療器械分類目錄), which is promulgated and updated by the SFDA from time to time. The term of the validity of the Medical Device Manufacturing Enterprise License is five years. Re-inspection is required for the renewal of the license.

Good Manufacturing Practices or GMP

A GMP certificate is required for the production of each dosage form of pharmaceutical products and materials. GMP is a set of detailed guidelines on practices governing the production of pharmaceutical products. Formulated by the World Health Organization, the guidelines were designed to protect consumers by minimizing production errors and the possibility of contamination. GMP comprises a set of detailed guidelines on practices governing the production of pharmaceutical products. GMP certification criteria include institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, maintenance of sales records, manner of handling customer complaints and adverse reaction reports.

Under the the Administrative Measures for Certification of the Good Manufacturing Practices (藥品生產質量管理規範認證管理辦法), a GMP certificate is valid for 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 the expiry of a GMP certificate. Such renewal is only granted upon re-examination by the relevant authority.

Approval and Registration

Registration of New Pharmaceutical Products

According to the Measures on the Administration of Pharmaceutical Products Registration (藥品註冊管理辦法), promulgated by the SFDA in 2007, new pharmaceutical products refer to those products which have not been launched in the 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 pharmaceutical products are registered under three different types: Chinese medicines, chemical pharmaceutical products and biochemical products, each of which are divided into different categories. Different requirements are applicable to the registration under different types.

All new pharmaceutical products must undergo four phases before the launching: pre-clinical research, application for clinical trials, clinical trials and approval of production.

Upon the completion of pre-clinical research, pharmaceutical product manufacturers are required to obtain approval from the SFDA prior to commencement of clinical trials of any new pharmaceutical product. Application materials, including relevant pre-clinical research information, must first be submitted to the provincial drug administrative authorities. The provincial drug administrative authorities will conduct production site visits. For biological products, the SFDA will collect three sets of drug samples for examination. The SFDA will consolidate the review opinions, on-site inspection report, drug inspection report (if any) and pre-clinical research information from the provincial authorities, and then organize 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 trials should be granted.

Pharmaceutical manufacturers may conduct clinical trials after obtaining approval to do so. Clinical trials comprise four phases: phase I (preliminary pharmacology and human safety trials), phase II (preliminary assessment on efficacy), phase III (confirmation of efficacy) and phase IV (research on applications after launching of new pharmaceutical products). The number of tested cases of clinical trials shall accord with the aim of each phase of clinical trials and relevant statistical requirements, and shall not be less than the minimum number of clinical trial cases set forth in the Measures on the Administration of Pharmaceutical Products Registration. In the case of rare diseases, special diseases and other exceptional circumstances, application for reducing the number of clinical trial cases or exemption from clinical trials may be submitted to SFDA for approval.

Upon the completion of clinical trials, 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 provincial drug administrative authorities and the drug inspection bureau. The provincial SFDA 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 provincial drug administrative authorities and the drug inspection bureau will report to the assessment center of the SFDA, which will conduct a final assessment. If the new pharmaceutical product passes the technical assessment, the assessment center of the SFDA would notify the applicant to apply for on-site examination of production and inform the certification center of the SFDA. The certification center of the SFDA will conduct an on-site inspection, within 30 days after receipt of the application, 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 center of the SDFA. The assessment center will then consolidate the results from the on-site examination and sample examination to form an opinion to report to the SDFA. The SDFA will then 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 any new pharmaceutical product approved for production to monitor the safety of such new pharmaceutical product on an ongoing basis. The SFDA will not approve the production, change and import of such new pharmaceutical product by other enterprises during the monitoring period. No applications for the registration of similar pharmaceutical products by other applicants shall be accepted after the commencement of the monitoring period for such new pharmaceutical product. Applications for the registration of pharmaceutical products of similar products 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 their generic pharmaceutical products or for the import of similar pharmaceutical products.

On January 7, 2009, the SFDA promulgated the Administrative Measures on the Special Examination and Approval of New Pharmaceutical Products Registration (新藥註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 for clinical trials or the application of production. Under the special examination and approval process, the new pharmaceutical products which fulfil the prescribed criteria will enjoy priorities such as accelerated approval processes and extra supplementary information submission methods with respect to the registration.

Registration of Generic Pharmaceutical Products

Generic pharmaceutical products are those that have already been launched in the PRC market and are in compliance with applicable national standards set by the PRC government.

For generic pharmaceutical products, the applicants only need to go through two processes, which are pre-clinical research and the application of production. For oral solid agents, a bio-equivalence test must also be conducted in accordance with the requirements of the SFDA (approval from the SFDA is required before undergoing this test), while other agents would directly obtain the production approval after assessment and approval by the SFDA.

The assessment procedure for applications of production of generic pharmaceutical products is simpler compared to that of new pharmaceutical products. Upon submission of pre-clinical research information to the provincial drug administrative authorities by applicants, it 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 provincial drug administrative authorities and the drug inspection bureau will submit review opinions, on-site inspection reports, drug inspection reports and pre-clinical research information to the assessment center of the SFDA, which will conduct a final assessment. The assessment center will then consolidate the results from the review of opinions and submission materials to form an opinion to report to the SFDA. The SFDA will then arrange a technical assessment to determine whether such application should be approved.

Registration of Medical Devices Manufacturing

In accordance with the Regulations on the Supervision and Administration of Medical Devices (醫療器械監督管理條例) effective from April 1, 2000, a product registration system for manufacturing medical devices was implemented. Class I medical devices shall be inspected, approved and issued a registration certificate by the local drug administrative authority. Class II medical devices shall be inspected, approved and issued registration certificates by the drug regulatory agency of provinces, autonomous regions and municipalities. Class III medical devices shall be inspected, approved and issued registration certificates by the drug regulatory agency directly under the State Council. The term of validity for the registration certificate of medical devices is four years, which must be renewed within six months prior to expiration. The registration certificate shall be invalidated if the production has been terminated for more than two consecutive years. The list of each class of medical devices is set forth in the Medical Device Product Categories (醫療器械分類目錄), which is promulgated and updated by SFDA from time to time. The term of validity of the medical device manufacturing enterprise license is five years. Upon expiration, re-inspection and license renewal shall be conducted.

Continuing SFDA Regulation

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

DISTRIBUTION

Pharmaceutical Operation Permit and Business License

The establishment of a wholesale pharmaceutical distribution company requires the approval of the provincial drug administrative authorities. Upon approval, the authority will grant a pharmaceutical operation permit in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local drug administrative authorities at or above the county level. Upon approval, the authority will grant a pharmaceutical operation permit in respect of the retail pharmacy store. Once these permits are received, the wholesale or retail pharmaceutical company (as the case may be) shall be registered with the relevant administration for industry and commerce. The grant of such permit is subject to an inspection of the operator's facilities, warehouse, hygiene environment, quality control systems, personnel (including whether pharmacists and other professionals have the relevant qualifications) and equipment. Under the Measures for the Administration of Pharmaceutical Operation Permit (藥品經營許可證管理辦法) effective from April 1, 2004, the pharmaceutical operation permit is valid for five years. Each operation permit holder must apply for an extension of its permit six months prior to expiration, and extensions are granted only after a re-examination of the permit holder by the authority which issued the permit. In addition, a pharmaceutical operator must obtain a business license from the relevant administration for industry and commerce prior to commencing its business.

Good Supply Practices

Each retail or wholesale operator of pharmaceutical products is required to obtain a GSP certificate from the relevant drug administrative authorities prior to commencing its business. GSP standards, which comprise a set of quality guidelines for operations related to pharmaceutical products, regulate pharmaceutical wholesale and retail operators to ensure the quality of pharmaceutical products in the PRC. The current applicable GSP standards require pharmaceutical operators to implement strict controls on its operation of pharmaceutical products, including standards regarding staff qualifications, premises, warehouses, inspection equipment and facilities, management and quality control. Under 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) promulgated on and effective from April 24, 2003, the GSP certificate is valid for five years and may be extended three months prior to its expiration upon a re-examination by the relevant authority.

Medical Device Operation Permit

In accordance with the Regulations on the Supervision and Administration of Medical Devices (醫療器械監督管理條例) effective from April 1, 2000 and the Measures for the Administration of Permits for Medical Devices Operation Enterprises (醫療器械經營企業許可證管理辦法) effective from August 9, 2004, an enterprise engaged in the wholesale or retail distribution of medical devices must obtain an operation permit from the provincial drug administrative authorities before commencing the distribution of Class II and Class III medical devices. The list of Class II and Class III medical devices are set forth in the Medical Device Product Categories (醫療器械分類目錄), which is promulgated and updated by the SFDA from time to time. An operation permit is valid for five years and is renewable upon expiration. To renew an operation permit, a distributor needs to submit to the provincial drug administrative authorities an application to renew the operation permit, along with required information, six months before the expiration date of the permit.

In December 2008, the SFDA and the Ministry of Health jointly released the Measures on the Adverse Events Monitoring and Re-Evaluation of Medical Devices (Trial) (醫療器械不良事件監測和再評估管理辦法 (試行)) which specifies the process and timelines for reporting, monitoring and investigating adverse incidents involving medical devices.

Anti-psychotic Drugs Distribution Approval

In the PRC, anti-psychotic drugs are classified into two different categories, category I and category II, with category I being subject to the highest level of regulation. Under these regulations, an enterprise engaged in the wholesale distribution of anesthetics and category I anti-psychotic drugs across a province, autonomous region or municipality directly under the PRC central government (a "National Wholesale Enterprise") must obtain the prior approval of the SFDA. An enterprise engaged in the wholesale distribution of anesthetics and category I anti-psychotic drugs entirely within its own province, autonomous region or municipality (a "Regional Wholesale Enterprise") must obtain the prior approval of the provincial drug administrative authorities. An enterprise engaged in the wholesale distribution of category II anti-psychotic drugs, whether or not across provincial boundaries, must obtain the prior approval of the provincial drug administrative authorities. National Wholesale Enterprises and Regional Wholesale Enterprises may engage in the wholesale distribution of category II anti-psychotic drugs. A National Wholesale Enterprise may sell anesthetics and category I anti-psychotic drugs to Regional Wholesale Enterprises, or to the hospitals and other medical institutions that have obtained the appropriate qualification for prescribing anesthetics and anti-psychotic drugs under an approval of the provincial food and drug administration in the jurisdiction where the hospital or other medical institution is located, or to such other organizations as permitted under applicable law.

Supervision and Management of Drug Distribution

To strengthen drug supervision and management, and maintain orderly circulation and qualities, the SFDA issued Decree No. 26 named Method of Supervision and Management of Drug Distribution (藥品流通監督管理辦法) on January 31, 2007, which is effective from May 1, 2007. Detailed provisions are imposed on aspects such as the purchase, sale, transportation and storage of medicines by pharmaceutical production and operation enterprises as well as the purchase and storage of medicines by pharmaceutical institutions.

Online Pharmaceutical Operation Permit

The Interim Regulations on the Examination and Approval of Providing Drug Transaction Services on the Internet (互聯網藥品交易服務審批暫行規定), which became effective from December 1, 2005, define providing drug transaction services on the Internet as online drug transactions between a wholesale pharmaceutical distribution company and unrelated third parties using the website of such distribution company. These transactions are subject to inspection by, and the pharmaceutical distribution company must obtain a qualification certificate from, the relevant provincial drug administrative authorities. The qualification certificate is valid for five years and may be renewed by filing for a renewal at least six months prior to its expiration date and undergoing a re-examination by the relevant authority.

The Measures regarding the Administration of Drug Information Service Over the Internet (互聯網藥品信息服務管理辦法), which became effective from July 8, 2004, define the delivery of free publicly available drug information services over the Internet as a non-profit online drug information service. This service requires a qualification certificate from the relevant provincial drug administrative authorities. The provincial drug administrative authorities must file its approval with the SFDA for its records and make a public announcement. The qualification certificate is valid for five years and may be renewed by filing for a renewal at least six months prior to its expiration date and undergoing a re-examination by the relevant authority.

Logistics Operation Permit

In accordance with the Regulations on Road Transport (道路運輸條例), which became effective from July 1, 2004, any enterprise engaged in the business of transporting goods must obtain a road transport business license from the road transport administration authority at the county level.

Commercial Franchise Regulations

The PRC State Council promulgated the Regulations on the Administration of Commercial Franchises (商業特許經營管理條例) (the "Franchise Regulations") on February 6, 2007. The Franchise Regulations, which became effective from May 1, 2007, are intended to further liberalize the regime governing commercial franchising activities in the PRC. In addition to the Franchise Regulations, the Ministry of Commerce has promulgated two implementing regulations, the Administrative Measures for Archival Filing of Commercial Franchises (商業特許經營備案管理辦法) (the "Archival Filing Measures") and the Administrative Measures on Information Disclosure Requirements for Commercial Franchises (商業特許經營信息披露管理辦法) (the "Disclosure Measures"), which are also effective from May 1, 2007. The Franchise Regulations, Archival Filing Measures and Disclosure Measures form the basic legal framework for the regulation of PRC franchise operations, and address the requirements, fees, qualifications, administrative reporting and compliance procedures and other issues related to franchising.

Statutory Tender Process Requirements for Hospital Purchase of Medicines

The Guiding Opinions concerning the Urban Medical and Health System Reform (關於城鎮醫藥衛生體制改革的指導意見), promulgated on February 21, 2000 by the State Commission for Restructuring Economic Systems and seven other ministries and commissions in the PRC, require public hospitals and healthcare institutions to purchase medicines through a statutory tender process. The Ministry of Health and other relevant PRC government authorities have promulgated a series of regulations and releases in order to implement the tender process requirements. On November 12, 2001, the Ministry of Health and five other ministries and commissions jointly promulgated the Working Regulations of Medical Institutions for Purchase of Medicines by Centralized and Price Negotiations (Trial) (醫療機構藥品集中招標採購和集中議價採購工作規範(試行)) (the "Working Regulations") to implement the tender process requirements and ensure the requirements are followed uniformly throughout the country.

In November 2001, the Ministry of Health also promulgated the Sample Document for Medical Institutions for Purchase of Medicines by Centralized and Price Negotiations (Trial) (醫療機構藥品集中招標採購和集中議價採購文件範本(試行)) (the "Sample Document") as the operational document of the Working Regulations. The Working Regulations and the Sample Document provide rules for the tender process and negotiations of the prices of pharmaceutical products, operational procedures, a code of conduct, and standards or measures for evaluating bids and negotiating prices.

On September 23, 2004 and January 17, 2009, the Ministry of Health and the other relevant PRC government authorities promulgated the Provisions on Further Regulating Purchase of Medicines by Medical Institutions through Centralized Tendering (關於進一步規範醫療機構藥品集中招標採購的若干規定) and the Opinions concerning Further Regulating Purchase of Medicines by Medical Institutions through Centralized Tendering (關於進一步規範醫療機構藥品集中採購工作的意見), respectively, to modify and perfect the tender process system.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Procurement of Pharmaceutical Products by Medical Organizations (關於印發醫療機構藥品集中招標採購試點工作若干規定的通知) promulgated on July 7, 2000 and the Notice on Further Improvement on the Implementation of Centralized Procurement of Pharmaceutical Products by Medical Organizations (關於進一步做好醫療機構藥品集中招標採購工作的通知) promulgated on July 23, 2001, non-profit medical institutions established by the PRC government at the county level or higher are required to implement a centralized tender system for the procurement of pharmaceutical products. Public hospitals and healthcare institutions belonging to the PRC government at the county level or above must comply with the centralized tender process requirements when purchasing medicines in the National Medical Insurance Drugs Catalog and medicines that are consumed in large volumes and commonly prescribed for clinical uses. The tender process is operated and organized by provincial and municipal government agencies such as provincial or municipal health departments. The centralized tender process is conducted once every year in the relevant province or city in the PRC. With the exception of medicines included in the National List of Essential Drugs and certain other special medicines, public hospitals and healthcare institutions that participate in the tender process in principle are required to use medicines included in the provincial medicine purchasing catalogs, as formulated by the relevant provincial and municipal government authorities. These public hospitals and healthcare institutions must only purchase these medicines through a public tender, online price bids, centralized price negotiations and direct online price listings, including through implementation of government-mandated price controls. The Sample Document must be included in the tender documents prepared in relation to the centralized tender process and may not be modified. To increase the transparency of medicine purchases, public hospitals and healthcare institutions are required to make their purchases of medicines through an online platform established by each provincial and municipal government authority.

The manufacturers of medicines that are on the medical institutions' formularies and are in demand by these hospitals are invited to bid and participate in the centralized tender process, which they must do directly. These manufacturers may, however, be advised by pharmaceutical distribution companies and they may use pharmaceutical distribution companies to distribute the medicines to the hospitals and healthcare institutions. A duly organized bid-evaluation committee, which is composed of pharmaceutical experts and clinical medical experts who will be randomly selected from a database of experts established by the relevant competent government authority, is responsible for bid evaluations. The selection is based on a number of factors, including bid price, quality, clinical effectiveness, and manufacturer's reputation and service quality.

OTHER RELATED REGULATIONS IN THE PHARMACEUTICAL INDUSTRY

National Drug Standard

National drug standard refers to the quality standards, inspection methods and manufacturing techniques established to ensure the quality of medicines, which include such standards as these included in the Drug Standards of the Ministry of Health of the PRC (中華人民共和國衛生部藥品標準), Pharmacopoeia of the PRC (中華人民共和國藥典) and National Drug Standard of State Drug Supervision and Administration Bureau (國家藥品監督管理局國家藥品標準). Chinese medicines must be brewed in accordance with applicable national drug standards, without which they must follow the standards stipulated by the relevant drug supervision and administration departments of its provinces, autonomous regions or municipalities. Brewing standards stipulated by drug supervision and administration departments of different provinces, autonomous regions or municipalities must be submitted to the relevant national drug supervision and administration department for its records.

Chinese Medicine Protection

According to the Regulations on the Protection of Chinese Medicines (中藥品種保護條例) promulgated by the State Council on October 14, 1992 and effective from January 1, 1993, for the purposes of improving the quality and promoting the development of traditional Chinese medicines, as well as protecting its manufacturers' legitimate rights and interests, protections are granted to a variety of domestically manufactured traditional Chinese medicines which have fulfilled national medicine standards ingredients. Different provisions have been stipulated for the prescription composition, production techniques and their overseas transfers.

Prescription Drugs and Over-the-Counter Drugs

In order to promote safety, efficacy and convenience in the use of pharmaceutical products, the SDA, the predecessor of the SFDA, published the Trial Administrative Measures regarding the Classification of Prescription Drugs 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 January 1, 2000. These administrative measures divide drugs according to their type, specification, the relevant disease or ailment which they are designed to treat, dosage and method of administration. Prescription drugs are those whose prescription, purchase and intake require prescription by practicing doctors or assistant doctors. Over-the-counter drugs are 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 State Non-Prescription Medicine Catalog (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 manufacturing permit and to obtain production approvals for the relevant drugs. Retailers and wholesalers of prescription drugs and over-the-counter drugs and retail outlets selling prescription medicines and type A over-the-counter drugs are required to obtain a pharmaceutical operation permit. Retail outlets selling type B over-the-counter drugs require approval from the provincial food and drug administration or the 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 operators holding the requisite permits and approvals.

National List of Essential Drugs

On August 18, 2009, the Ministry of Health and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National List of Essential Drugs (國家基本藥物目錄管理辦法(暫行)) (the "Measures on Essential Drugs"), and the Guidelines on the Implementation of the National List of Essential Drugs System (關於建立國家基本藥物制度的實施意見) (the "Essential Drugs Guidelines"), which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National List of Essential Drugs. On the same day, the Ministry of Health promulgated the National List of Essential Drugs (Catalog for the Basic Healthcare Institutions) (國家基本藥物目錄 (基層醫療衛生機構配備使用部分)), which applies only to basic healthcare institutions. Basic healthcare institutions primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics. Pharmaceutical product sales from basic healthcare institutions comprise a small part of the pharmaceutical market in the PRC.

Reimbursement under the National Medical Insurance Program

National Medical Insurance Drugs Catalog and Basic Medical Insurance System for Urban Worker

Pursuant to the Decision of the State Council on the Establishment of the Urban Worker Basic Medical Insurance Program (國務院關於建立城鎮職工基本醫療保險制度的決定) issued by the State Council on December 14, 1998, all employers in urban cities are required to enroll their employees in a basic medical insurance program with the payable insurance premium jointly contributed by the employers and employees. Participants in 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 Worker (關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知), jointly issued by several authorities including the Ministry of Labor and Social Security and the Ministry of Finance, among others, on May 12, 1999, further requires that a pharmaceutical product included in the National Medical Insurance Drugs Catalog must be clinically needed, safe, effective, reasonably priced, user-friendly, available in the market and must meet the following requirements:

- it is set forth in the Pharmacopoeia of the PRC;
- it meets standards promulgated by the SFDA; and
- it is approved by the SFDA for import.

Factors that affect the inclusion of medicines in the National Medical Insurance Drugs Catalog include whether the medicine is consumed in large volumes and commonly prescribed for clinical use in the PRC and whether it is considered to be important in meeting the basic healthcare needs of the general public.

The National Medical Insurance Drugs Catalog is divided into two parts, Part A and Part B. The drugs included in Part A are determined by the PRC government for general application and local authorities may not alter the list of drugs in Part A. The drugs in Part B are determined by the PRC government and local authorities at the provincial level may, based on local economic development, medical demand and medical treatment habit, alter up to 15% of the total number of Part B drugs.

As a result, the contents of Part B in the National Medical Insurance Drugs Catalog may differ from region to region in the PRC. Patients purchasing drugs included in Part A of the National Medical Insurance Drugs Catalog are entitled to reimbursement of the entire amount of the purchase price while patients purchasing drugs included in Part B of the National Medical Insurance Drugs Catalog are required to pay a deductible and obtain reimbursement for the remainder of the purchase price. The amount of the deductible differs from region to region in the PRC.

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

Medical Subsidy to Residents in Rural Areas

As part of the medical treatment and healthcare reform, the PRC central government initiated plans for the PRC central and local governments to share the costs of subsidizing the medical expenses of rural residents since 2003. On January 13, 2004, the State Council forwarded the Guiding Opinions regarding the Further Improvement of New Rural Cooperative Medical Insurance Scheme on a Trial Basis (國務院辦公廳轉發衛生部等部門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 ten PRC government authorities, including the Ministry of Health, pursuant to which every rural resident in the middle and western regions of the PRC participating in this New Rural Co-Op Insurance on a voluntary basis receives medical subsidies in the amount of RMB10 (equivalent to approximately US$1.50) per year from the PRC central government. In addition, local governments in the middle and western regions of the PRC are required to subsidize no less than RMB10.00 per person per year and those in the eastern regions of the PRC were encouraged to aim to subsidize up to RMB20.00 (equivalent to approximately US$3.00) 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 PRC central government further increased the amount of subsidy in 2006. On January 10, 2006, the Ministry of Health, NDRC and five other ministries and bureaus jointly promulgated the Notice Regarding Acceleration of Implementation of New Rural Cooperative Medical Insurance Scheme 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 PRC central government increased the amount of subsidy, for the rural residents in middle and western regions of the PRC, from RMB10.0 per person per year to RMB20.0 per person per year. In addition, local governments were required to increase the amount of subsidy by an additional RMB10.0 per person per year.

Urban Residents Basic Medical Insurance

Pursuant to the Guiding Opinion of the State Council on Developing Pilot Programs of Urban Residents Basic Medical Insurance (國務院關於開展城鎮居民基本醫療保險試點的指導意見), promulgated by the State Council on July 10, 2007, in order to achieve the objective of establishing a medical security system basically covering all urban and rural inhabitants, the State Council has decided to launch pilot programs of urban resident basic medical insurance, so as to cover the non-employed urban residents who have not been covered by any arrangements under the medical security system. The Opinion provides that urban resident basic medical insurance premiums shall be mainly paid by households and be properly subsidized by governments. The urban resident basic medical insurance fund will first be used for payment of the inpatient fees and outpatient fees of participating residents who have serious illness.

Safety and Credibility Rating

In order to increase the awareness of pharmaceutical product manufacturers and research institutions about 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 September 13, 2004, pursuant to which the SFDA, at the county level or above, regulates the safety and credibility rating of the pharmaceutical product manufacturers and research institutions in their jurisdiction by establishment of an information system through which the relevant pharmaceutical product manufacturers and research institutions may be rated and rewarded accordingly.

Advertising Restriction

Pursuant to the Law on the Administration of Pharmaceuticals Products of the PRC (中華人民共和國藥品管理法) promulgated on February 28, 2001 and effective from December 1, 2001 and the Measures on the Examination of Pharmaceuticals Products Advertisement (藥品廣告審查辦法) promulgated on March 13, 2007 and effective from May 1, 2007, 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.

Healthcare Fraud and Abuse

According to Anti Unfair Competition Law of the People's Republic of China (effective on December 1, 1993), business operator bribery by giving properties or using any other method in order to sell or purchase the commodities and violate the Criminal Law, shall be investigated in accordance with the Criminal Law; if the acts as first mentioned do not violate the Criminal Law, the supervisor may fine an amount from more than RMB10,000 to less than RMB200,000 in accordance with the facts and confiscate the illegal income.

The Interim Provisions on Banning Commercial Bribery ("Interim Provisions") (effective on November 15, 1996) provides a detailed scope of "properties or using any other method," the term "property" refers to cash and material objects, including property given by a business operator to another entity or individual in the name of promotion fee, publicity fee, sponsorship fee, scientific research fee, service charge, consulting fee, commissions, reimbursed expenses, etc., in order to sell or purchase commodities, and the term "other means" refers to any means other than giving property, such as offering domestic or international tours or surveys in various names. In addition, the Interim Provisions also made it clear that commercial bribery committed by any employee of a business operator for selling or purchasing commodities for the operator shall be regarded as the operator's act.

According to Criminal Law of the People's Republic of China (effective on October 1, 1997) and the Opinions of the Supreme People's Court and the Supreme People's Procuratorate on Issues Concerning the Application of Law in the Handling of Criminal Cases of Commercial Briberies (最高人民法院、最高人民檢察院關於辦理商業賄賂刑事案件適用法律若干問題的意見) (effective on November 20, 2008), business operators in the healthcare industry may be prosecuted with several charges due to commercial briberies, and these charges include: crime of acceptance of bribes by a non-state functionary, crime of offering bribes to a non-state functionary, crime of acceptance of bribes, crime of acceptance of bribes by an entity, crime of offering bribes, crime of offering bribes to an entity, crime of bribing as an intermediary and crime of offering bribes by an entity. If found guilty, such operator may be punished by term sentence, life sentence or even death sentence.

CLASSIFICATION OF MEDICAL INSTITUTIONS

According to the Measures on the Assessment of Medical Institutions (醫療機構評審辦法) promulgated by the Ministry of Health on July 21, 1995 and the Basic Standard of Medical Institution (醫療機構基本標準) promulgated by the Ministry of Health on September 2, 1994, medical institutions in the PRC are classified into three classes according to competent authorities' assessment. Each of the three classes is further divided. The highest class and rank is Rank I of Class III.

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 Ministry of Health regulates and leads the assessment of Class III-Rank I hospitals and aid centres and clinical inspection centres above the provincial level, while the medical institution assessment committee at the national level assesses institutions in other classes and ranks. 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 the city and county levels 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 institutions, nursing centers and medical institutions with 20 or more beds. The assessment cycle for other medical institutions is two years.

PRICE CONTROLS

Pursuant to the Announcement of the Opinion of the Bureau of State Planning Commission 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 the Bureau of State Planning Commission, the predecessor of the NDRC, on July 20, 2000 and the Circular of the NDRC on Issue of Price-controlled Pharmaceutical Products Catalog of the NDRC (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) effective from August 1, 2005, prices of pharmaceutical products are either determined by the PRC government or by market conditions. The prices of certain pharmaceutical products sold in the PRC, primarily those included in the National Medical Insurance Drugs Catalogs and Provincial Medical Insurance Drugs Catalogs, are subject to price controls mainly in the form of fixed prices or price ceilings. Manufacturers and operators are not allowed to set the actual price for any price-controlled product above the price ceiling or deviate from the fixed price imposed by the government. The prices of medicines that are not subject to price controls are determined freely at the discretion of the respective pharmaceutical product companies. Sales of pharmaceutical products by pharmaceutical product manufacturers in the PRC to overseas markets are not subject to any price control by the PRC government.

The prices of medicines that are subject to price controls are administered by the NDRC and provincial and regional price control authorities. From time to time, the NDRC publishes and updates a list of medicines that are subject to price controls. On March 5, 2010, the NDRC promulgated the Notice on Relevant Issues Regarding the Revising of the Catalog of Medicine Subject to NDRC Price Control (國家發改委辦公廳關於對部分藥品進行出廠價格調整的通知), which issued the 2009 version of the Catalog of Medicine subject to NDRC Price Control (國家發改委定價藥品目錄).

Fixed prices and price ceilings on medicines are determined based on profit margins that the relevant government authorities deem reasonable, the type and quality of the medicine, its average production costs, and the prices of substitute medicines. The NDRC directly regulates the price of a portion of the medicines on the list, and delegates to provincial and regional price control authorities the authority to regulate the pricing of the rest of the medicines on the list.

Further, pursuant to the Notice Regarding Further Improvement of the Order of Market Price of Pharmaceutical Products and Medical Services (關於進一步整頓藥品和醫療服務市場價格秩序的意見) jointly issued by the NDRC, the State Council, the Ministry of Health, the SFDA, the Ministry of Finance and the Ministry of Labor and Social Security on May 19, 2006, the PRC government exercises price control over pharmaceutical products included in the National Medical Insurance Drugs Catalog and Provincial Medical Insurance Drugs Catalog, and made an overall adjustment of their prices by reducing the retail price of certain overpriced pharmaceutical products and increased the retail price of certain underpriced pharmaceutical products in demand for clinical use but that have not been produced in large quantities by manufacturers due to their low retail price 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.

In addition, the NDRC 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的通知) on November 2, 2005 to regulate the maximum retail price as well as the maximum post-factory price of certain pharmaceutical products to treat diseases related to vitamin or mineral deficiencies.

On November 9, 2009, the NDRC, the Ministry of Health and the Ministry of Labor 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 this Notice, in addition to drugs included in the National Medical Insurance Drugs Catalog, Provincial Medical Insurance Drugs Catalog and certain drugs whose production or trading tend to create monopolies, drugs listed in the National List of Essential Drugs are subject to PRC government price control. The prices of other drugs are determined by the market conditions and are not subject to PRC government price control.

The manufacturer of a medicine or the distributor of an imported medicine may apply for an increase in the price of the medicine, and it must either apply to the provincial price control authorities in the province where it is incorporated, if the medicine is provincially regulated, or to the NDRC, if the medicine is centrally regulated. For a provincially regulated medicine, in cases where provincial price control authorities approve an application, the provincial price control authorities must file the new approved price with the NDRC for its records and make an announcement to the public through designated media.

In addition, if a particular pharmaceutical product is significantly superior to comparable products in terms of effectiveness, safety, treatment cycle and costs of treatment, its manufacturer or operator may apply to the NDRC for approval for separate pricing.

With respect to pharmaceutical products whose prices are determined by market conditions, the pharmaceutical product manufacturers are able to 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 product 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 product manufacturer provides a product with superior efficacy, safety, treatment cycle and treatment costs, such pharmaceutical product manufacturer may apply for an approval for exemption from price control, subject to a public hearing held by the PRC government.

According to the Notice of Investigation of Ex-factory Prices on Certain Medicines issued by NDRC (國家發展改革委辦公廳關於對部分藥品進行出廠價格調查的通知) on July 6, 2010, a survey of the wholesale prices of approximately 900 pharmaceutical products and the operations of the relevant pharmaceutical manufacturers will be conducted to understand the pricing structure of the selected pharmaceutical products, which may lead to further downward adjustments in the maximum retail prices of these pharmaceutical products based on the result of the survey.

PROTECTION OF PHARMACEUTICAL PRODUCTS IN THE PRC

Protection Under Patent Law

The PRC first allowed patents for the protection of proprietary rights as set forth in the PRC Patent Law (中華人民共和國專利法). Pharmaceutical inventions became patentable after the Patent Law was amended on January 1, 1993. Patents relating to pharmaceutical inventions are effective for 20 years from the initial date the patent application was filed. Patents relating to utility model patents and design patents are effective for ten years from the initial date the patent application was filed. Any persons and entities using the patent in the absence of authorization from the patent owner or conducting other activities which infringe upon patent rights will be held liable for compensation to the patent owner, subject to fines charged by relevant administrative authorities and may include criminal liabilities.

Protection Under Trademark Law

The PRC Trademark Law (中華人民共和國商標法) was promulgated in 1982 (later amended on October 27, 2001), and the PRC Trademark Implementing Regulations (中華人民共和國商標法實施條例) were promulgated on August 3, 2002 and effective from September 15, 2002. These laws provide the basic legal framework for the regulation of trademarks in the PRC. The Trademark Office is responsible for the registration and administration of trademarks throughout the country. Like patents, the PRC has adopted a "first-to-file" principle with respect to trademarks. The period of validity of a registered trademark is ten years from the date of registration; renewal is allowed thereafter and the period of validity of each renewal of registration is ten years. The SAIC has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to law; where the case is so serious as to constitute a crime, it shall be transferred to the judicial authority for handling.

ENVIRONMENTAL PROTECTION

The Ministry of Environmental Protection is responsible for the uniform supervision and control of environmental protection in the PRC. It formulates national environmental quality and discharge standards and monitors the PRC's environmental system. Environmental protection bureaus at the county level and above are responsible for environmental protection within their areas of jurisdiction.

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "Environmental Protection Law"), promulgated on and effective from December 26, 1989, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to incorporate environmental protection measures in its operations and establish an environmental protection responsibility system. Any entity that discharges pollution must register with the relevant environmental protection authority. Remedial measures for breaches of the Environmental Protection Law include a warning, payment of damages or imposition of a fine. Criminal liability may be imposed for a material violation of environmental laws and regulations that causes loss of property, personal injuries or death.

Pursuant to the Law on Environmental Impact Evaluation of the PRC (中華人民共和國環境影響評價法) promulgated on October 28, 2002 and effective from September 1, 2003, manufacturers must prepare and file an environmental impact report setting forth the impact that the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the relevant PRC 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 the 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 September 5, 1987, last amended on April 29, 2000 and effective from September 1, 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. 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 prescribed period of time and the manufacturer may be subject to penalties.

Pursuant to the 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 May 11, 1984, amended on May 15, 1996 and February 28, 2008, and effective from June 1, 2008, manufacturers must discharge water pollutants in accordance with national and local standards. If the water pollutants discharged exceed national or local standards, the manufacturer would be subject to fines amounting to two to five times the water pollutants treatment fees. In addition, 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 approval by the relevant level of the PRC government, shut down the manufacturer.

OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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

REGULATION ON ANTI-UNFAIR COMPETITION

To promote healthy economic development, encourage fair competition, impose sanctions against illegal competitive behavior and protect the interest of the business operators and consumers, the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) was promulgated on September 2, 1993 and effective from December 1, 1993. Pursuant to article 8 of the Anti-Unfair Competition Law of the PRC, business operators shall not use money or properties or other methods to bribe others in order to sell or purchase commodities. Business operators are guilty of bribery if they give secret commissions to other organizations or individuals without recording them in their normal accounting records. An organization or individual is guilty of receiving a bribe if it accepts secret discounts without recording them in their normal accounting records. Business operators may offer discounts publicly, or pay commissions to a middleman in the course of selling or purchasing commodities; however, the giving or receiving of such discount or commission shall be properly recorded in the operator's accounts.

PRODUCT LIABILITY AND PROTECTION OF CONSUMERS

Product liability claims may arise if the products sold have any harmful effects on consumers. The injured party may file claims for damages or compensation. The General Principles of the Civil Law of the PRC (中華人民共和國民法通則), which became effective from January 1, 1987, states that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities.

The Product Quality Law of the PRC (中華人民共和國產品質量量法) was promulgated in 1993 and amended in 2000 to strengthen quality control of products and protect consumers' rights. Under this law, manufacturers and operators who produce and sell defective products may be subject to the confiscation of earnings from such sales, the revocation of business licenses and imposition of fines, and in severe circumstances, may be subject to criminal liability.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) was promulgated on October 31, 1993 and effective from January 1, 1994 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and provide services to customers. In extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

On December 26, 2009, the Standing Committee of the National People's Congress of the PRC promulgated the PRC Tort Liability Law (中華人民共和國侵權責任法), which became effective from July 1, 2010. With respect to the environment, the PRC Tort Liability Law highlighted the principle that polluters are to assume liability in respect of harm caused by their environmental pollution, irrespective of whether they have breached national environmental protection regulations.

So far as our Directors are aware, immediately following the completion of the Global Offering (but not taking into account any H Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option), the following persons will hold interests or short positions in the H Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meetings of the Company:

Name of equity holder	Nature	Number of Shares held	% of shareholding in the issued share capital of the Company
SIIC[1]	A Shares	914,958,047	34.43%
	H Shares	10,000,000	0.38%
Shanghai Shangshi[2]	A Shares	914,958,047	34.43%
Shanghai Pharmaceutical (Group)	A Shares	752,008,452	28.30%
Huayuan Group[3]	A Shares	752,008,452	28.30%
Shanghai Shengrui	A Shares	162,850,536	6.13%
Shanghai Guosheng Group Co., Ltd.[4]	A Shares	162,850,536	6.13%
Maxwell (Mauritius) Pte Ltd.	H Shares	97,540,100[5]	3.67%[5]
Hong Leong Company (Malaysia) Berhad[6]	H Shares	48,769,900	1.84%

Notes:

(1) SIIC is a wholly owned subsidiary of the Shanghai SASAC. According to the Decision on Authorizing Shanghai Industrial Investment (Holdings) Co., Ltd to Operate Shanghai Overseas Companies, Major Overseas Corporations and State-owned Assets under Shanghai Industrial Investment (Holdings) Co., Ltd (Hu Guo Zi Wei Shou [1998] No.6) issued by Shanghai SASAC in 1998, SIIC was authorized to be the de facto controller of Shanghai Shangshi and is therefore deemed to hold state-owned equity interests in the Company through Shanghai Shangshi.

In addition, to reinstate the portion of its existing shareholding in our Company that is mandatorily transferred to NSSF, SIIC will subscribe for 10,000,000 H Shares through its Hong Kong incorporated subsidiary at the Offer Price in the International Offering, representing 0.38% of the total issued share capital of the Company immediately after the Global Offering (assuming the Over-Allotment Option is not exercised).

(2) Shanghai Shangshi is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shangshi holds a 60% equity interest in Shanghai Pharmaceutical (Group) and is therefore deemed to hold state-owned equity interests in the Company through Shanghai Pharmaceutical (Group). Upon completion of the Global Offering, out of 914,958,047 shares of state-owned shares in the Company held by Shanghai Shangshi, 162,949,595 shares will be held directly by Shanghai Shangshi, and 752,008,452 shares will be held indirectly by Shanghai Shangshi through Shanghai Pharmaceutical (Group).

(3) Huayuan Group is a state-controlled holding company directly under the SASAC of the State Council and holds a 40% equity interest in Shanghai Pharmaceutical (Group). Due to disputes regarding certain loan contracts among Huayuan Group, Shanghai Pudong Development Bank Co., Ltd, Bank of Shanghai Co., Ltd and the Shanghai Bund Branch of China Merchants Bank Co., Ltd, the 40% equity interest in Shanghai Pharmaceutical (Group) held by Huayuan Group has been frozen since September 2005 in the property preservation procedure executed by Shanghai Second Intermediate People's Court. As of the Latest Practicable Date, the freezing of the equity interest has not been lifted. The freezing of the equity interest does not change the legal status of Huayuan Group as a shareholder of the Shanghai Pharmaceutical (Group).

(4) Shanghai Guosheng Group is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shengrui is a wholly owned subsidiary of Shanghai Guosheng Group, and Shanghai Guosheng Group is therefore deemed to hold state-owned equity interests in the Company through Shanghai Shengrui.

(5) Maxwell (Mauritius) Pte Ltd., a subsidiary of Temasek Holdings (Private) Limited, is subscribing for approximately 97,540,100 H Shares as Cornerstone Investor, which H Shares represent approximately 13.35% of the H Shares immediately following the completion of the Global Offering (assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range stated in this Prospectus, and assuming the Over-Allotment Option is not exercised).

(6) Guoco Management Co. Ltd. and GuoLine Capital Limited, both indirect subsidiaries of Hong Leong Company (Malaysia) Berhad, are subscribing for approximately 32,513,300 and 16,256,600 H Shares, respectively, as Cornerstone Investors, which H Shares together represent approximately 6.67% of the H Shares immediately following the completion of the Global Offering (assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range stated in this Prospectus, and assuming the Over-Allotment Option is not exercised).

SHARE CAPITAL

Our registered capital immediately prior to the Global Offering is RMB1,992,643,338, divided into 1,992,643,338 A Shares of par value RMB1.00 each.

The following table sets forth a description of our share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Global Offering:

Description of Shares	Shares immediately before the Global Offering		Shares immediately after the Global Offering, assuming no exercise of the Over-Allotment Option		Shares immediately after the Global Offering, assuming full exercise of the Over-Allotment Option	
A Shares.	1,992,643,338	100%	1,926,221,938	72.50%	1,916,258,728	69.52%
H Shares to be converted from A Shares and held by NSSF .	—	—	66,421,400	2.50	76,384,610	2.77
H Shares to be issued under the Global Offering	—	—	664,214,000	25.00	763,846,100	27.71
Total	1,992,643,338	100%	2,656,857,338	100%	2,756,489,438	100%

As at the Latest Practicable Date, Mr. LU Mingfang, our Executive Director and Chairman, held 37,674 A Shares in the Company; Mr. LU Shen, our Non-Executive Director, held 6,440 A Shares in the Company. Except as disclosed herein, none of our Directors, Supervisors or senior management held any Shares in our Company.

RANKING

The A Shares and H Shares are both ordinary shares in our share capital. However, H Shares may only be subscribed for and traded in HK dollars. A Shares, on the other hand, may only be subscribed for and traded in Renminbi. We must pay all dividends in respect of H Shares in HK dollars and all dividends in respect of A Shares in Renminbi. Except as described in this Prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares on different parts of our register of shareholders, the method of share transfer and the appointment of dividend receiving agents, in accordance with the provisions in the Articles of Association of the Company and as summarized in Appendix IX to this Prospectus, our A Shares and our H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. However, the transfer of A Shares is subject to such restrictions as PRC law may impose from time to time.

Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within six months after the Listing Date. We have not been approved to carry out any share issue plan other than the Global Offering.

LOCK-UP PERIODS

Under the 2009 Restructuring, Shanghai Pharmaceutical (Group) received 455,289,547 A Shares, and Shanghai Shangshi received 169,028,205 A Shares, in each case as consideration for assets transferred to the Company. In addition, Shanghai Shengrui received 172,206,550 A Shares, and Shenergy received 86,103,275 A Shares, in each case in exchange for settling in cash, on behalf of the Company, with shareholders of the Company that chose to require the Company to repurchase their A Shares of the Company at the time of the 2009 Restructuring and with shareholders of Shanghai Industrial Pharma and Zhongxi Pharmaceutical that elected to receive their consideration for the mergers in cash instead of in A Shares of the Company. Shanghai Pharmaceutical (Group) and Shanghai Shangshi have undertaken that they will not transfer the A Shares they received under the 2009 Restructuring for a period of 36 months following the date of registration of such Shares in their names, which ends on February 10, 2013. Shanghai Shengrui and Shenergy have undertaken that they will not transfer the A Shares they received under the 2009 Restructuring for a period of 12 months following the date of registration of such Shares in their names, which ended on February 23, 2011.

Shanghai Pharmaceutical (Group) has 56,917,288 unrestricted and freely transferable A Shares subject to a lock-up period of 36 months, which ends on February 10, 2013.

TRANSFER OF THE A SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE[(1)]

Name of shareholder	Number of Shares (assuming the Over-Allotment Option is not exercised)	% of shareholding	Number of Shares (assuming the Over-Allotment Option is fully exercised)	% of shareholding
NSSF	66,421,400	2.50%	76,384,610	2.77%

Note:

(1) Pursuant to applicable PRC regulations (the Interim Measures of the State Council for the Administration of Reducing State-Owned Shares and Raising Social Security Funds (國務院《減持國有股籌集社會保障資金管理暫行辦法》), where a joint stock company in which the state holds shares makes an initial public offer of its shares to public investors outside the territory of the PRC, part of the state-owned shares of such listed company, which shall be equivalent to 10% of the total issuance amount, shall be transferred to the NSSF for holding; alternatively, such company may by way of secondary offerings sell part of the state-owned shares for an amount which shall be equivalent to 10% of the offering size, and the proceeds from the sale of the state-owned shares shall be turned over to the NSSF.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50 million.

We will make appropriate disclosure of the lower prescribed percentage of public float and confirm sufficiency of public float in successive annual reports after Listing. In addition, we will, with a view to ensuring compliance with our obligations under the Hong Kong Listing Rules in relation to the minimum number of our Shares which must be in public hands, (i) monitor our H Share register, relevant disclosures made under Part XV of the SFO and other relevant sources of information available to us and (ii) if at any time we become aware that the number of Shares which are in public hands is less than such minimum number, take such steps as are legally available to us to restore the number of Shares in public hands to such minimum number.

THE CORNERSTONE PLACING

We have entered into agreements with certain cornerstone investors (the "Cornerstone Investors" and each a "Cornerstone Investor") who have agreed to subscribe, at the Offer Price, for such number of Offer Shares (rounded down to the nearest board lot of 100 H Shares) that may be purchased for the Hong Kong dollar equivalent of an aggregate amount of approximately US$550 million (collectively, the "Cornerstone Placing"). Assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would be 178,823,200, which is approximately 6.73% of our share capital (including A Shares and H Shares), or approximately 24.48% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$26.00 per Share, being the high end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would be 164,380,000, which is approximately 6.19% of our share capital (including A Shares and H Shares), or approximately 22.50% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$21.80 per Share, being the low end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would be 196,049,700, which is approximately 7.38% of our share capital (including A Shares and H Shares), or approximately 26.83% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. Each Cornerstone Investor is an independent third party and is not a connected person of us, nor an existing shareholder of the Company.

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 investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid H Shares in issue and will be counted towards the public float of the Company. Immediately following completion of the Global Offering, none of the Cornerstone Investors will be a Substantial Shareholder of the Company or have representatives 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 the section headed "Structure of the Global Offering — The Hong Kong Public Offering."

OUR CORNERSTONE INVESTORS

Set forth below is a brief description of each of our Cornerstone Investors:

Temasek Holdings (Private) Limited

Maxwell (Mauritius) Pte Ltd ("Maxwell"), a subsidiary of Temasek Holdings (Private) Limited ("Temasek"), has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased, at the Offer Price, for the Hong Kong dollar equivalent of approximately US$300 million. Assuming an Offer Price of HK$23.90, being the mid-point of the indicative

Offer Price range stated in this Prospectus, the total number of H Shares that Maxwell would subscribe for would be 97,540,100, representing approximately 3.68% of our share capital (including A Shares and H Shares), or approximately 13.36% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$26.00 per Share, being the high end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that Maxwell would subscribe for would be 89,661,900, which is approximately 3.37% of our share capital (including A Shares and H Shares), or approximately 12.27% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$21.80 per Share, being the low end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that Maxwell would subscribe for would be 106,936,200, which is approximately 4.02% of our share capital (including A Shares and H Shares), or approximately 14.64% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. Maxwell is a company incorporated in Mauritius, and its principal business is investment holding.

Incorporated in 1974, Temasek is an Asian investment company headquartered in Singapore. Supported by 12 affiliates and offices in Asia and Latin America, Temasek owns a diversified 186 billion Singapore dollar (approximately US$133 billion) portfolio as of March 31, 2010, concentrated principally in Singapore, Asia and the emerging economies.

Guoco Management Co. Ltd. and GuoLine Capital Limited

Guoco Management Co. Ltd. (“Guoco”) and GuoLine Capital Limited (“GuoLine”) have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased, at the Offer Price, for the Hong Kong dollar equivalent of a total of approximately US$100 million and US$50 million, respectively. Assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that Guoco would subscribe for would be 32,513,300, representing approximately 1.22% of our share capital (including A Shares and H Shares), or approximately 4.46% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$26.00 per Share, being the high end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that Guoco would subscribe for would be 29,887,300, which is approximately 1.12% of our share capital (including A Shares and H Shares), or approximately 4.09% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$21.80 per Share, being the low end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that Guoco would subscribe for would be 35,645,400, which is approximately 1.34% of our share capital (including A Shares and H Shares), or approximately 4.88% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. Assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of H Shares that GuoLine would subscribe for would be 16,256,600, representing approximately 0.61% of our share capital (including A Shares and H Shares), or approximately 2.22% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$26.00 per Share, being the high end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that GuoLine would subscribe for would be 14,943,600, which is approximately 0.56% of our share capital (including A Shares and H Shares), or approximately 2.05% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$21.80 per Share, being the low end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that GuoLine would subscribe for would be 17,822,700, which is approximately 0.67% of our share capital (including A Shares and H Shares), or approximately 2.44% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.

Guoco is an investment and management company incorporated in Hong Kong wholly owned by Guoco Group Limited (listed on the Main Board of the Hong Kong Stock Exchange with stock code: 00053), which in turn is an indirect subsidiary of Hong Leong Company (Malaysia) Berhad. Guoco Group Limited has four core businesses, namely, principal investments, property development and investment, hospitality and leisure business and financial services. GuoLine is an investment holding company incorporated in Bermuda and is an indirect subsidiary of Hong Leong Company (Malaysia) Berhad.

Pfizer Corporation Hong Kong Limited

Pfizer Corporation Hong Kong Limited ("Pfizer HK") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased, at the Offer Price, for the Hong Kong dollar equivalent of a total of approximately US$50 million. Assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that Pfizer HK would subscribe for would be 16,256,600, representing approximately 0.61% of our share capital (including A Shares and H Shares), or approximately 2.22% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$26.00 per Share, being the high end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that Pfizer HK would subscribe for would be 14,943,600, which is approximately 0.56% of our share capital (including A Shares and H Shares), or approximately 2.05% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$21.80 per Share, being the low end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that Pfizer HK would subscribe for would be 17,822,700, which is approximately 0.67% of our share capital (including A Shares and H Shares), or approximately 2.44% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.

Pfizer HK, established in 1956, is a wholly owned subsidiary of Pfizer (a company listed on the NYSE under the ticket symbol "PFE") primarily responsible for the sales, distribution and promotion of Pfizer's products in Hong Kong and Macau. Pfizer is a leading global pharmaceutical company focusing on the treatment and prevention of life-threatening and debilitating illnesses. Pfizer manufactures and markets leading medicines for humans and animals throughout the world.

In addition, on April 15, 2011, we entered into a non-binding memorandum of understanding with Pfizer which sets out the principles on which the parties agree to explore opportunities for potential collaboration in the PRC in a number of areas. Please see the section headed "Business — Proposed Collaborations with Pfizer."

Bank of China Group Investment Limited

Bank of China Group Investment Limited ("BOCGI") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased for the Hong Kong dollar equivalent of a total of US$50 million at the Offer Price. Assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that BOCGI would subscribe for would be 16,256,600, representing approximately 0.61% of our share capital (including A Shares and H Shares), or approximately 2.22% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$26.00 per Share, being the high end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that BOCGI would subscribe for would be 14,943,600, which is approximately 0.56% of our share capital (including A Shares and H Shares), or approximately 2.05% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. If the Offer Price is fixed at HK$21.80 per Share, being the low end of the indicative Offer Price range stated in this Prospectus, the total number of H Shares that BOCGI would subscribe for would be 17,822,700, which is approximately 0.67% of our share capital (including A Shares and H Shares), or approximately 2.44% of our H Shares, immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.

BOCGI is a wholly-owned subsidiary of Bank of China Limited (a company listed on the Main Board of the Hong Kong Stock Exchange with the stock code of 3988) and has invested in a large number of large infrastructure and other major projects in Hong Kong, Macau, the PRC and overseas locations, covering such sectors as real estate, industry, energy, transportation, media, hotel and finance.

CONDITIONS PRECEDENT

The obligation of a Cornerstone Investor to purchase the Offer Shares is subject to, among other things, the following conditions precedent:

- the Hong Kong Underwriting Agreement and the International Purchase Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in those underwriting agreements or as subsequently waived or varied by agreement of the parties thereto;

- none of the aforesaid agreements having been terminated;

- the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked; and

- no Laws having been enacted, promulgated or amended as to prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting the consummation of such transactions.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of 12 months from the Listing Date, with respect to any of the Shares acquired by it pursuant to the Cornerstone Placing (or any interest in any company or entity holding any of such Shares) :

(i) offer, pledge, charge, sell, mortgage, lend, grant, transfer or otherwise dispose of any legal or beneficial interest (including by an agreement to create, grant or sell or create, grant or agree to sell or grant any option, contract to purchase, warrant or right to purchase) in such Shares or any securities convertible into or exercisable or exchangeable for such Shares, or contracting to do so, whether directly or indirectly, or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership of such Shares or securities,

nor shall it agree or contract to, or publicly announce any intention to enter into, any transaction with a third party for disposal of the Shares, in each case other than certain transfers to a wholly-owned subsidiary of the Cornerstone Investor or its ultimate holding company subject to specified conditions in the respective cornerstone investment agreements.

HONG KONG UNDERWRITERS

Joint Lead Managers

Goldman Sachs (Asia) L.L.C.
Deutsche Bank AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited

Co-Manager

BOCOM International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions of this Prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of 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 the 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 Purchase Agreement having been signed and becoming unconditional.

One of the conditions is that the Offer Price must be agreed between us and the Joint Global Coordinators, on behalf of the Underwriters. For applicants applying under the Hong Kong Public Offering, this Prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Purchasers. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, on behalf of the Underwriters, the Global Offering will not proceed.

Grounds for Termination

The Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice orally or in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any event, or circumstance, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear crisis, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or Canada (collectively, the "Relevant Jurisdictions"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in or representing 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 any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority) or New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union or Japan or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(vi) any new law, or any change or development involving a prospective change in existing laws in the interpretation or application thereof by any court or other competent authority, in each case, in or affecting any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in taxation, exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any actions of any third party being threatened or instigated against any member of the Group; or

(ix) a contravention by any member of the Group of the Hong Kong Listing Rules or applicable laws in connection with the application for Listing; or

(x) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the H Shares to be issued upon exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xi) non-compliance of this Prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable law; or

(xii) 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 Lead Managers (for themselves or on behalf of the Hong Kong Underwriters):

i. has or will result or is likely to result in a material adverse change; or

ii. has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

iii. makes or will make or is likely to make it inadvisable or impracticable for the Global Offering to proceed or to market the Global Offering; or

iv. has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof;

(b) there has come to the notice of the Joint Lead Managers:

(i) that any statement contained in any of this Prospectus and the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public 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 estimate, forecast, expression of opinion, intention or expectation contained in any of this Prospectus and the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, result in a misstatement in, or constitute an omission from any of this Prospectus and the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Purchase Agreement (other than upon any of the Hong Kong Underwriters or the International Purchasers); or

(iv) any material adverse change or development involving a prospective material adverse change in the business, management, prospects, shareholders' equity, results of operations, position or condition, financial or otherwise, of the Group; or

(v) any breach of, or any event rendering untrue or incorrect, any of the warranties set out in the Hong Kong Underwriting Agreement in any material respect; or

(vi) the Company withdraws this Prospectus and the Application Forms or the Global Offering; or

(vii) any person (other than the Joint Sponsors) has withdrawn or subject to withdraw its consent to being named in this Prospectus or to the issue of any of this Prospectus and the Application Forms.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange that, except pursuant to the Global Offering, it shall not and shall procure that the relevant registered holder shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of the Company in respect of which it is shown by this Prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder.

Each of the Controlling Shareholders has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any shares or other securities of our Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities of our Company so pledged or charged; and

(b) when it receives any indications, either verbal or written, from any such pledgee or chargee of shares or other securities pledged or charged that such shares or securities of our Company will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published as required under the Listing Rules.

Our Undertakings to the Underwriters

We have undertaken to the Joint Lead Managers, the Hong Kong Underwriters and each of them not to (except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Over-Allotment Option), and to procure each other member of the Group not to, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "Six-Month Period"), without the prior written consent of the Joint Lead Managers (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of the Company, 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 subscribe for or purchase, any equities of the Company); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other equity securities of the Company, 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 equities of the Company); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) and (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a) and (b) above,

in each case, whether any of the transactions specified in paragraphs (a) to (c) above is to be settled by delivery of H Shares or other equity securities of the Company, or in cash or otherwise (whether or not the allotment or issue of such H Shares or other equity securities of the Company, will be completed within the Six-month Period).

Pursuant to the Hong Kong Underwriting Agreement, we have further undertaken that we will not effect any purchase of H Shares, or agree to do so, which may reduce the holdings of H Shares held by the public to below 15% on or before the expiry of the Six-month Period without first having obtained the prior written consent of the Joint Global Coordinators and the Joint Lead Managers (on behalf of the Hong Kong Underwriters).

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this Prospectus and save for their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any shares or securities in our Company or any other member of the Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of the Group.

The International Offering

International Purchase Agreement

In connection with the International Offering, it is expected that our Company will enter into the International Purchase Agreement with the Joint Global Coordinators and the International Purchasers. Under the International Purchase Agreement, the International Purchasers would, subject to certain conditions set out therein, severally and not jointly agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Over-Allotment Option

Our Company will grant to the International Purchasers the Over-Allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Purchasers on or before Saturday, June 11, 2011, being the 30th day from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 99,632,100 additional H Shares, together representing approximately 15% of the Offer Shares initially under the Global Offering, at the same price per H Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

Commissions and Expenses

Under the terms and conditions of the Underwriting Agreements, the Underwriters will receive a gross underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering, and such commission will be paid to the Joint Global Coordinators and the relevant International Purchasers (but not the Hong Kong Underwriters).

Assuming the Over-Allotment Option is not exercised at all and based on an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range of HK$21.80 to HK$26.00 per Share, the fees and commissions in connection with the Hong Kong Public Offering and the International Offering, together with the Hong Kong Stock Exchange listing fees, Hong Kong Stock Exchange trading fee, SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, are estimated to amount to approximately HK$520 million in aggregate. In addition, we may, at our sole discretion, pay the Joint Global Coordinators an additional incentive fee for all the H Shares sold in the Global Offering.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our company of the Hong Kong Underwriting Agreement.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules is made within seven days of the expiration of the stabilizing period.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering — Stabilization" in this Prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that, when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of an aggregate of 33,210,800 H Shares (subject to adjustment as discussed below) in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offering;" and

(b) the International Offering of an aggregate of 631,003,200 H Shares (subject to adjustment and the Over-Allotment Option as discussed below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States only to QIBs as defined under Rule 144A.

Investors may apply for H Shares under the Hong Kong Public Offering or apply for or indicate an interest for H Shares under the International Offering, but may not do both.

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent approximately 25.00% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital of the Company immediately after completion of the Global Offering and the exercise of the Over-Allotment Option as set out in the section headed "Over-Allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed "Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

Our Company is initially offering 33,210,800 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5% of the total number of H Shares initially available under the Global Offering. Subject to the reallocation of H Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.25% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "Conditions of the Hong Kong Public Offering" below.

Allocation

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. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 16,605,400 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will consist of 16,605,400 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "subscription price" for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined). Applicants 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 16,605,400 Offer Shares, being the number of Offer Shares initially allocated to each pool, are liable to be rejected.

Applications

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$26.00 per Hong Kong Offer Share in addition to the brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing and Allocation" below, is less than the maximum price of HK$26.00 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 631,003,200 H Shares, representing approximately 95% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the H Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole. SIIC, one of our Controlling Shareholders will, through its Hong Kong incorporated subsidiary, subscribe for, and the Joint Global Coordinators will allocate to SIIC, 10,000,000 H Shares at the Offer Price in the International Offering pursuant to a waiver granted by the Hong Kong Stock Exchange. See the section headed "Waivers from Strict Compliance with the Hong Kong Listing Rules and the Companies Ordinance" for details of the waiver.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered International Offer 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 them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(a) the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering, including the additional H Shares which may be made available pursuant to the exercise of the Over-Allotment Option and any H Shares converted from A Shares, which are to be held by NSSF in connection with the Global Offering, and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

(c) the Offer Price having been fixed on or around the Price Determination Date;

(d) the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and

(e) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Purchasers under the International Purchase Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Purchase Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than June 4, 2011.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. In such eventuality, notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Company at **www.pharm-sh.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** on the next day following such lapse and 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 — Dispatch/Collection of H Share Certificates and Refund Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

H Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-Allotment Option to the Joint Global Coordinators, which is exercisable by the Joint Global Coordinators on behalf of the International Purchasers.

Pursuant to the Over-Allotment Option, the Joint Global Coordinators have the right, exercisable by the Joint Global Coordinators at any time from the Listing Date on or before Saturday, June 11, 2011, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to sell up to 99,632,100 H Shares, representing approximately 15% of the initial Offer Shares, at the same price per H Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. If the Over-Allotment Option is exercised in full, the additional International Offering Shares will represent approximately 3.6% of our enlarged total issued share capital immediately following the completion of the Global Offering and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, a public announcement will be made.

OVER-ALLOCATION

Following any over-allocation of H Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting for them may cover such over-allocation by (among other methods) using H Shares purchased by the Joint Global Coordinators, their affiliates or any person acting for them in the secondary market, exercising the Over-Allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of H Shares which can be over-allocated will not exceed the number of H Shares which may be issued upon exercise of the Over-Allotment Option, being 99,632,100 H Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

REALLOCATION

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-applications, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

(1) If the number of the H Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 49,816,200 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering.

(2) If the number of the H Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 66,421,400 H Shares, representing 10% of the Offer Shares initially available under the Global Offering.

(3) If the number of the H Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 132,842,800 H Shares, representing 20% of the Offer Shares initially available under the Global Offering. In each such case, the number of the H Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., as the stabilizing manager (the "Stabilizing Manager"), its affiliates or any person acting for it, on behalf of the International Purchasers, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate and/or effect any other transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Such over-allocations and/or transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

The Stabilizing Manager or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the H Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; and

(ii) in connection with any action described in paragraph (i) above:

   (a) (1) over-allocate the H Shares, or (2) sell or agree to sell the H Shares so as to establish a short position in them;

   (b) exercise the Over-Allotment Option and purchase or subscribe for or agree to purchase or subscribe for the H Shares in order to close out any position established under paragraph (a) above;

(c) sell or agree to sell any of the H Shares acquired by it in the course of the stabilizing action referred to in paragraph (b) above in order to liquidate any position that has been established by such action; or

(d) offer or attempt to do anything as described in paragraphs (a)(2), (b) or (c) above.

Specifically, prospective applications for and investors in the H Shares should note that:

- the Stabilizing Manager or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering, after which an announcement will be made pursuant to section 9 of, and schedule 3 to, the Securities and Futures (Price Stabilizing) Rules. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids must be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Determining the Offer Price

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, May 13, 2011 and in any event on or before Wednesday, May 18, 2011, by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

Offer Price will not be more than HK$26.00 per Offer Share and is expected to be not less than HK$21.80 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this Prospectus.**

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the offer price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Global Coordinators, on behalf of the Underwriters, and our Company. The Offer Price per Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Offering. The SFC transaction levy and the Hong Kong Stock Exchange trading fee otherwise payable by investors in the International Offering on Offer Shares purchased by them will be paid by us.

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, for any reason, we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, May 18, 2011, the Global Offering will not proceed and will lapse.

Reduction in the Indicative Offer Price Range and/or Number of Offer Shares

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range 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 day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Company at **www.pharm-sh.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** notices of the reduction in the indicative offer price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the Offering statistics as currently set out in the section headed "Summary" and any other financial information which may change as a result of such reduction. Upon issue of such a notice, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised offer price range. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares available under the Global Offering (assuming the Over-Allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Hong Kong Public Offering are expected to be announced on Thursday, May 19, 2011 on the website of the Company at **www.pharm-sh.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators, on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Purchase Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Purchase Agreement, are summarized in the section headed "Underwriting" in this Prospectus.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the listing committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering and any H Shares which may be issued pursuant to the exercise of the Over-Allotment Option.

Except for the A Shares of our Company which have been listed on the Shanghai Stock Exchange and our pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in the H Shares, no part of the share capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, May 20, 2011, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, May 20, 2011.

I. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three channels through which 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 **www.eipo.com.hk**, referred to herein as the "**White Form eIPO Service**;" or (iii) by giving **electronic application instructions** to 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 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.

II. 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 (within the meaning of Regulation S);
- are not a United States Person (as defined in paragraph h(3) of Rule 902 of Regulation S); and
- are not a legal or natural person of the PRC (except Qualified Domestic Institutional Investors).

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 authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Global Coordinators (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions we or 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 designated **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 giving any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, our Directors, Supervisors or President, the directors or chief executive officer of any of our subsidiaries, or their respective associates (as defined in the Hong Kong Listing Rules) or any other connected persons (as defined in the Hong Kong Listing Rules) of our Company, our subsidiaries or persons who will become our connected persons immediately upon completion of the Global Offering, or are within the United States (within the meaning of Regulation S) (other than a person described in paragraph h(3) of Rule 902 of Regulation S), or persons who do not have a Hong Kong address or legal or natural persons of the PRC (except Qualified Domestic Institutional Investors).

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

III. APPLYING BY USING AN APPLICATION FORM

Which Application Form 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** by submitting applications online through the designated website at **www.eipo.com.hk**. Use **White Form eIPO** if you want the 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's 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 Participant's stock account or your designated CCASS Participant's stock account.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Friday, May 6, 2011 until 12:00 noon on Thursday, May 12, 2011 from:

(1) any of the following addresses of the Hong Kong Underwriters

Underwriter	Address
Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Centre, 2 Queen's Road Central, Central, Hong Kong
Deutsche Bank AG, Hong Kong Branch	Level 52, International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong
Credit Suisse (Hong Kong) Limited	45/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong

or any of the following branches of the receiving banks for the Hong Kong Public Offering:

(2) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch

	Branch name	Branch address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Wanchai Sub-Branch	G/F., 32-34 Johnston Road
	Chaiwan Sub-Branch	G/F., 121-121A Wan Tsui Road
Kowloon	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Hunghom Sub-Branch	Flat/Rm A6, G/F., Wing Kwai Bldg, 1-3 Tak Man Street, Whampoa Estate
New Territories	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I
	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road

(3) any of the following branches of Bank of China (Hong Kong) Limited

	Branch name	Branch address
Hong Kong	Bank of China Tower Branch	3/F, 1 Garden Road
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
New Territories	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

(4) any of the following branches of Standard Chartered Bank (Hong Kong) Limited

	Branch name	Branch address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
New Territories	Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, May 6, 2011 until 12:00 noon on Thursday, May 12, 2011 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this Prospectus available.

How to Complete the WHITE and YELLOW Application Form

(i) Obtain an Application Form as described in the section headed "— Where to Collect the Application Forms" above.

(ii) Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(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.

(iii) Each Application Form must be accompanied by payment in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out in the Application Form carefully, as an application is liable to be rejected if the cheque or bankers' cashier order does not meet the requirements set out in the Application Form.

(iv) Lodge the **WHITE** or **YELLOW** Application Form in one of the collection boxes by 12:00 noon on Thursday, May 12, 2011 and at one of the locations as described in the section headed "Where to Collect the Application Forms" above.

You should note that by completing and submitting the **WHITE** and **YELLOW** Application Form, among other things:

(a) you agree with our Company and each of our Shareholders, and our Company agrees with each of our Shareholders, to observe and comply with the PRC Company Law, the Companies Ordinance, the Special Regulations, the Memorandum of Association and the Articles;

(b) you confirm that you have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this Prospectus;

(c) you agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this Prospectus (and any supplement thereto);

(d) 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 applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering nor otherwise have participated or will participate in the International Offering; and

(e) you agree to disclose to our Company, and/or our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective advisors and agents any personal data which they require about you and the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid, you, as an applicant(s), must complete the Application 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 in the Application Form.

(b) If the application is made by an individual CCASS Investor Participant:

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(c) If the application is made by a joint individual CCASS Investor Participant:

(i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; 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 details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For Nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each beneficial owner.

If your application is made through a duly authorized attorney, our Company and the Joint Global Coordinators and their respective agents or nominees as our Company's agents may accept it at their discretion, and subject to any conditions any of them may think fit, including evidence of the authority of your attorney. Our Company and the Joint Global Coordinators, in their capacity as our Company's agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

IV. HOW TO APPLY THROUGH WHITE FORM eIPO

General

You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria for this as set out in "II. WHO CAN APPLY FOR HONG KONG OFFER SHARES" on the same website. If you apply through **White Form eIPO**, the Hong Kong Offer Shares will be issued in your own name.

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.

If you give **electronic application instructions** through the designated website at **www.eipo.com.hk**, you will have authorized the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this Prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO Service**.

In addition to the terms and conditions set out in this Prospectus, 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.

By submitting an application to the designated **White Form eIPO Service** Provider through the designated **White Form eIPO Service**, you are deemed to have authorized the designated **White Form eIPO Service** Provider to transfer the details of your application to our Company and our H Share Registrar.

You may submit an application through the **White Form eIPO Service** in respect of a minimum of 100 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

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, May 6, 2011 until 11:30 a.m. on Thursday, May 12, 2011 or such later time as described under the paragraph headed "Effect of Bad Weather on the Opening of the Applications Lists" under this section below (24 hours daily, except on the last application day).

You will not be permitted to submit your application to the **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 am on Thursday, May 12, 2011, you will be permitted to continue the application process (by completing full payment of application monies) until 12:00 noon on the last day for submitting applications (that is Thursday, May 12, 2011), when the application lists close.

You should make payment for your application made through the **White Form eIPO Service** Provider 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 Thursday, May 12, 2011, or such later time as described under the paragraph headed "Effect of Bad Weather 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**.

Once you have completed 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 application reference number will not constitute an actual application.

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, Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers 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 for each "**Shanghai Pharmaceuticals Holding Co., 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 application through the **White Form eIPO Service**, you are advised not to wait until the last day for submitting applications in the Hong Kong 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** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS. See the paragraph entitled "— How Many Applications You May Make" under this section.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **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**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the section headed "— Refund of Application Monies" herein will be refunded in accordance with that section.

V. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

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.

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 Center
2/F Infinitus 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 authorized 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 the H Share Registrar.

Giving Electronic Application Instructions to HKSCC to Apply 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 does the following things 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 such 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 have participated or will participate 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 such person is duly authorized to give those instructions as that other person's agent;

(vi) understands that the above declaration will be relied upon by our Company, our Directors 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 such person may be prosecuted if he makes a false declaration;

(vii) authorizes our Company to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send H Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us 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, and that person agrees that none of our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters and any of the parties involved in the Global Offering will have any liability for any such other information or representation;

(x) agrees that our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters and any of our and their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this Prospectus and any supplement thereto;

(xi) agrees to disclose that person's personal data to our Company, the H Share Registrar, the receiving banks, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters and/or any of our and their respective advisors and agents and any information which they may require about that person for whose benefit the application is made;

(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 Saturday, June 4, 2011, such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before June 4, 2011, except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before June 4, 2011, 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;

(xvi) agrees with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the PRC Company Law, the Special Regulations, the Companies Ordinance and our Articles of Association;

(xvii) 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;

(xviii) agrees with our Company, for itself and for the benefit of each Shareholder of our Company and each Director, Supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of our Company and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

(a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

(xix) agrees with our Company (for our Company itself and for the benefit of each Shareholder of our Company) that H Shares in our Company are freely transferable by their holders; and

(xx) authorizes our Company to enter into a contract on its behalf with each director, supervisor, manager and officer of our Company whereby each such director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of our Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

(a) instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

(b) instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and

(c) instructed and authorized 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.

Minimum Subscription 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 100 Hong Kong Offer Shares. Such instructions in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** 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.

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.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form entitled "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, 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 subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers 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 Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, May 12, 2011.

VI. WHEN MAY APPLICATIONS BE MADE

Application on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, May 12, 2011, or, if the application lists are not open on that day, then by the time and date stated in the section headed "— Effect of Bad Weather on the Opening of the Application Lists" below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above in the section headed "— Applying by Using an Application Form — Where to Collect the Application Forms" at the specified times on the following dates:

Friday, May 6, 2011	—	9:00 a.m. to 5:00 p.m.
Saturday, May 7, 2011	—	9:00 a.m. to 1:00 p.m.
Monday, May 9, 2011	—	9:00 a.m. to 5:00 p.m.
Wednesday May 11, 2011	—	9:00 a.m. to 5:00 p.m.
Thursday, May 12, 2011	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, May 12, 2011.

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 after the closing of the application lists.

White Form eIPO

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. Friday, May 6, 2011 until 11:30 a.m. on Thursday, May 12, 2011 or such later time as described in the section headed "— Effect of Bad Weather on the Opening of the Application 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 Thursday, May 12, 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed "— Effect of Bad Weather on the Opening of the Application Lists" below. You will not be permitted to submit your application to the **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.

Time for Inputting Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing Participant/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, May 6, 2011	—	9:00 a.m. to 8:30 p.m.[1]
Saturday, May 7, 2011	—	8:00 a.m. to 1:00 p.m.[1]
Monday, May 9, 2011	—	8:00 a.m. to 8:30 p.m.[1]
Wednesday, May 11, 2011	—	8:00 a.m. to 8:30 p.m.[1]
Thursday, May 12, 2011	—	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 Participant/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, May 6, 2011 until 12:00 noon on Thursday, May 12, 2011 (24 hours daily, except the last application day).

Effect of Bad Weather on the Opening of the Application Lists

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, May 12, 2011, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 12, 2011, 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.

VII. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications or suspected multiple applications are liable to be rejected. You may make more than one application for the Hong Kong Offer Shares if and only if:

You are a **nominee**, in which case you may give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** and **YELLOW** Application Form in your own name if each application is made 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 or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and 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 purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to 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 **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, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO Service** Provider through the **White Form eIPO Service** (**www.eipo.com.hk**); or

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or 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 the **White Form eIPO Service** (**www.eipo.com.hk**) and that you are duly authorized to sign the Application Form or give **electronic application instructions** to HKSCC or the designated **White Form eIPO Service** Provider as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, 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 the **White Form eIPO Service** (**www.eipo.com.hk**); or

- apply both (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** (**www.eipo.com.hk**); or

- apply (whether individually or jointly) on one **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** (**www.eipo.com.hk**) for more than 16,605,400 Shares, being 50% of the Shares initially being offered for public subscription 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 applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application 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** (www.eipo.com.hk) is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VIII. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK$26.00 per H Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Shares you will pay HK$2,626.21. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of Shares up to 16,605,400 Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms or this Prospectus (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange, the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

IX. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of e-Refund payment instructions/refund checks will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK$26.00 per H Share, appropriate refund payments, including the brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005% attributable to the surplus application monies will be made to successful applicants, without interest. Details of the procedure for refund are set out below in the paragraph headed "Dispatch/Collection of H Share Certificates and Refund Monies."

All such interest accrued prior to the date of dispatch of e-Refund payment instructions/refund cheques will be retained for our Company's benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Global Coordinators, cheques for applications for certain small denominations of Hong Kong Offer Shares on Application Forms (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, May 19, 2011 in accordance with the various arrangements as described in this section.

X. PUBLICATION OF RESULTS

We expect to announce the results of applications in the Hong Kong Public Offering, including the indication of levels of interest in the International Offering, levels of the applications of the Hong Kong Public Offering, and the basis of allocation of the Hong Kong Offer Shares on the Company's website at (**www.pharm-sh.com.cn**) and the website of the Hong Kong Stock Exchange at (**www.hkexnews.hk**).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in our announcement to be posted on the Company's website at (**www.pharm-sh.com.cn**) and the website of the Hong Kong Stock Exchange at (**www.hkexnews.hk**) by Thursday, May 19, 2011;

- 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 Thursday, May 19, 2011 to 12:00 midnight on Wednesday, May 25, 2011. 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.pharm-sh.com.cn**) 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 Thursday, May 19, 2011 to Sunday, May 22, 2011; and

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, May 19, 2011 to Saturday, May 21, 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "— Applying by Using an Application Form — Where to Collect the Application Forms" above.

XI. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or through the designated website of the **White Form eIPO Service** Provider), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or the designated **White Form eIPO Service** Provider through **White Form eIPO Service**, you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO Service** Provider on your behalf cannot be revoked on or before Saturday, June 4, 2011.

This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or give your electronic application instruction to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Thursday, May 12, 2011 except by means of one of the procedures referred to in this Prospectus.

If any supplement to this 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 this Prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the **White Form eIPO Service** Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the 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 and the designated White Form eIPO Service Provider (where applicable) or its or their respective agents and nominees to reject or accept your application:

Our Company and the Joint Global Coordinators (as our agents), or the designated **White Form eIPO Service** Provider (where applicable), or their respective agents and nominees, 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 instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) You will not receive any allotment if:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and/or Offer Shares in the International Offering. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO Service** Provider through **White Form eIPO Service** (**www.eipo.com.hk**), you agree not to apply 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;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed 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;
- your application is for more than 50% of the Hong Kong Offer Shares initially offered for public subscription under the Hong Kong Public Offering;
- either of the Hong Kong Underwriting Agreement or the International Purchase Agreement does not become unconditional;
- either of the Hong Kong Underwriting Agreement or the International Purchase Agreement is terminated in accordance with their respective terms; or
- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed or signed.

XII. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of HK$26.00 per H Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" 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 the Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one H Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application but, subject to personal collection 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 Form:

(a) for applications on **WHITE** Application Forms or by giving **electronic application instructions** through **White Form eIPO Service**:

(i) H Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or

(ii) H Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms: H Share certificates for the H Shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) 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 offer price per H Share initially paid on application in the event that the Offer Price is less than the offer price per H Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies 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 cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per H Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and H Share certificates for wholly and partially successful applicants under **White** Application Forms or by giving **electronic application instructions** through **White Form eIPO Service** are expected to be posted on or before Thursday, May 19, 2011. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s).

H Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, May 20, 2011 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this Prospectus has not been exercised.

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and H Share certificate(s) (where applicable) 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 Thursday, May 19, 2011 or such other date as notified by us in the announcement as the date of collection/dispatch of e-Refund payment instructions/refund cheques/H Share certificates.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Shares or if you have applied for 1,000,000 Shares or more but have not indicated in your Application Form that you wish to collect your H Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person, or if your application is rejected, nor accepted or accepted in part only, or if the conditions of the Global Offering as set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this Prospectus are not fulfilled, or if your application is revoked or any allotment pursuant thereto has become void, your H Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the address on your Application Form on Thursday, May 19, 2011 by ordinary post and at your own risk.

(b) 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 H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly 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 Thursday, May 19, 2011 or in the event of a contingency, 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 allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to announce the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, May 19, 2011 in the manner as described in the section headed "— Publication of Results" above. You should check the announcement made by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, May 19, 2011 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 the number of Hong Kong Offer Shares allocated 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). 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.

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 cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for 1,000,000 Hong Kong Offer Shares or more and have not indicated on your **YELLOW** Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, or if your application is rejected, nor accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering as set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this Prospectus are not fulfilled, or if your application is revoked or any allotment pursuant thereto has become void your refund cheque(s) (if any) will be sent to the address on your **YELLOW** Application Form by ordinary post and at your own risk on Thursday, May 19, 2011.

(c) If you are applying 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 www.eipo.com.hk and your application is wholly or partially successful, you may collect your H Share certificate(s) 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 Thursday, May 19, 2011, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions 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 H Share Certificate(s) 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 Thursday, May 19, 2011 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price paid on your application, e-Refund payment instructions (if any) will be dispatched to the application payment account on or before Thursday, May 19, 2011.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO Service Provider** on or before Thursday, May 19, 2011, 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 above in the sub-paragraph entitled "Additional Information."

(d) If you apply by giving electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of H Share certificates into CCASS and Refund of application monies

No temporary document of title will be issued. No receipt will be issued for application monies received.

If your application is wholly or partially successful, your H 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 Thursday, May 19, 2011, 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), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner as described in the section headed "— Publication of Results" above on Thursday, May 19, 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, May 19, 2011 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 Thursday, May 19, 2011. Immediately following the credit of the public offer shares to your stock account and the credit of the 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 offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, May 19, 2011. No interest will be paid thereon.

XIII. COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares are expected to commence on Friday, May 20, 2011.

The H Shares will be traded in board lots of 100 Shares each. The stock code of the H Shares is 02607.

XIV. H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report 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.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

6 May 2011

The Directors
Shanghai Pharmaceuticals Holding Co., Ltd.

Goldman Sachs (Asia) L.L.C.
China International Capital Corporation
Hong Kong Securities Limited
Deutsche Bank AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited

Dear Sirs,

We report on the financial information (the "Financial Information") of Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2008, 2009 and 2010, the balance sheets of the Company as at 31 December 2008, 2009 and 2010, and the consolidated income statements, 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 2008, 2009 and 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. The Financial Information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 6 May 2011 (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 the People's Republic of China (the "PRC") on 18 January 1994 as a joint stock limited liability company under the Company Law of the PRC.

As at the date of this report, the Company has direct and indirect interests in the principal subsidiaries, jointly controlled entities and associates as set out in Note 40 of Section II of this report.

All subsidiaries, jointly controlled entities and associates of the Company have adopted 31 December as their financial year end date. The financial statements of these companies were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated in the PRC or other accounting principles applicable to these entities in their jurisdictions. The names of the respective auditors are set out in Note 40 of Section II of this report.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA under 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

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and of the Financial Information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

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 HKICPA.

Opinion

In our opinion, the Financial Information gives, for the purposes of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December 2008, 2009 and 2010 and of the Group's results and cash flows for each of the Relevant Periods then ended.

I. CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated Balance Sheets

	Section II Note	As at 31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Land use rights	6	793,996	805,161	782,933
Investment properties	7	551,533	600,033	261,056
Property, plant and equipment	8	4,077,385	4,051,959	4,100,592
Intangible assets	9	171,246	134,900	516,432
Investments in jointly controlled entities	11a	202,867	197,941	204,695
Investments in associates	11b	1,246,454	842,296	1,062,201
Deferred income tax assets	23	101,666	119,243	150,167
Available-for-sale financial assets	12	402,836	443,590	383,716
Other non-current receivables	15	25,790	2,735	—
Other long-term prepayments	13	—	—	816,236
		7,573,773	7,197,858	8,278,028
Current assets				
Inventories	14	3,431,341	3,700,720	5,040,729
Trade and other receivables	15	5,499,186	6,078,319	8,580,616
Financial assets at fair value through profit or loss		10,396	10,445	3,234
Restricted cash	16	80,983	110,717	298,764
Cash and cash equivalents	16	3,185,370	4,776,503	6,039,573
		12,207,276	14,676,704	19,962,916
Total assets		19,781,049	21,874,562	28,240,944
Equity attributable to owners of the parent				
Share capital	18	569,173	569,173	1,992,643
Share premium	19	4,300,235	4,760,996	3,282,151
Other reserves	19	831,583	766,795	742,742
Retained earnings	20	1,361,594	2,185,046	3,117,023
		7,062,585	8,282,010	9,134,559
Non-controlling interests		1,759,959	2,153,134	2,749,704
Total equity		8,822,544	10,435,144	11,884,263
Liabilities				
Non-current liabilities				
Borrowings	22	113,389	84,297	66,098
Deferred income tax liabilities	23	15,658	33,407	43,520
Termination benefit obligations	25	106,166	98,064	79,835
Other non-current liabilities	24	138,877	246,117	224,717
		374,090	461,885	414,170
Current liabilities				
Trade and other payables	21	6,684,588	7,460,901	10,912,154
Current income tax liabilities		129,007	184,682	211,980
Borrowings	22	3,770,820	3,331,950	4,818,377
		10,584,415	10,977,533	15,942,511
Total liabilities		10,958,505	11,439,418	16,356,681
Total equity and liabilities		19,781,049	21,874,562	28,240,944
Net current assets		1,622,861	3,699,171	4,020,405
Total assets less current liabilities		9,196,634	10,897,029	12,298,433

2 Company Balance Sheets

	Section II Note	As at 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Land use rights	6	56,755	55,497	25,778
Investment properties	7	196,626	190,383	57,705
Property, plant and equipment	8	358,324	349,554	120,350
Intangible assets		5,915	—	903
Investments in subsidiaries	10	1,021,275	1,053,673	6,473,753
Investments in jointly controlled entities	11a	105,317	105,317	—
Investments in associates	11b	136,346	73,408	234,243
Deferred income tax assets		37,514	64,551	—
Available-for-sale financial assets	12	70,521	71,663	153,492
		1,988,593	1,964,046	7,066,224
Current assets				
Inventories	14	802,877	1,045,061	2,146
Trade and other receivables	15	2,248,064	2,396,646	725,554
Restricted cash	16	4,743	1,807	24,500
Cash and cash equivalents	16	315,700	367,562	245,271
		3,371,384	3,811,076	997,471
Total assets		5,359,977	5,775,122	8,063,695
Equity attributable to owners of the parent				
Share capital	18	569,173	569,173	1,992,643
Share premium	19	546,095	544,181	4,689,309
Other reserves	19	238,916	253,478	345,408
Retained earnings	20	389,249	480,905	512,974
Total equity		1,743,433	1,847,737	7,540,334
Liabilities				
Non-current liabilities				
Deferred income tax liabilities		134	399	20,693
Termination benefit obligations		28,000	25,578	—
Other non-current liabilities		24,017	23,253	—
		52,151	49,230	20,693
Current liabilities				
Trade and other payables	21	1,879,891	2,419,284	459,096
Current income tax liabilities		20,502	42,871	23,572
Borrowings	22	1,664,000	1,416,000	20,000
		3,564,393	3,878,155	502,668
Total liabilities		3,616,544	3,927,385	523,361
Total equity and liabilities		5,359,977	5,775,122	8,063,695
Net current (liabilities)/assets		(193,009)	(67,079)	494,803
Total assets less current liabilities		1,795,584	1,896,967	7,561,027

3 Consolidated Income Statements

	Section II Note	Year ended 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Revenue	5	27,440,761	31,228,163	37,381,568
Cost of sales	28	(22,266,666)	(25,411,979)	(30,723,323)
Gross profit		5,174,095	5,816,184	6,658,245
Distribution and selling expenses	28	(2,448,535)	(2,625,374)	(3,006,095)
General and administrative expenses	28	(1,722,534)	(1,838,417)	(1,843,345)
Operating profit		1,003,026	1,352,393	1,808,805
Other income	26	125,462	86,346	165,677
Gains on disposal of subsidiaries and associates	27a	1,103	550,677	17,479
Other gains — net	27b	48,519	1,034	63,877
Finance income	30	42,556	55,014	45,846
Finance costs	30	(302,922)	(223,299)	(212,619)
Share of profit of jointly controlled entities	11a	18,572	28,754	12,296
Share of profit of associates	11b	269,186	279,125	271,174
Profit before income tax		1,205,502	2,130,044	2,172,535
Income tax expense	31	(210,193)	(464,854)	(393,550)
Profit for the year		995,309	1,665,190	1,778,985
Profit attributable to:				
Equity holders of the Company	20	696,992	1,296,789	1,368,253
Non-controlling interests		298,317	368,401	410,732
		995,309	1,665,190	1,778,985
Earnings per share attributable to equity holders of the Company during the year (expressed in RMB per share)				
– Basic and diluted	33	0.35	0.65	0.69
Dividend	34	25,611	104,012	314,527

4 Consolidated Statements of Comprehensive Income

	Section II Note	Year ended 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Profit for the year		995,309	1,665,190	1,778,985
Other comprehensive income				
Available-for-sale financial assets				
— Gross	12	(164,257)	72,264	(35,469)
— Tax	23	37,444	(17,718)	8,778
Share of other comprehensive income of associates	11b	9,164	19,456	2,200
Currency translation differences, net	19	5,196	(2,579)	(10,299)
Disposal of a subsidiary	11b(a)	—	(102,233)	—
Others		(1,853)	101	4,814
Other comprehensive income for the year, net of tax		(114,306)	(30,709)	(29,976)
Total comprehensive income for the year		881,003	1,634,481	1,749,009
Attributable to:				
— Equity holders of the Company		586,322	1,265,539	1,340,281
— Non-controlling interests		294,681	368,942	408,728
Total comprehensive income for the year		881,003	1,634,481	1,749,009

5 Consolidated Cash Flow Statements

	Section II Note	Year ended 31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	35(a)	1,359,842	2,217,937	2,099,187
Interest paid		(300,338)	(217,961)	(231,768)
Income tax paid		(231,380)	(292,396)	(405,738)
Net cash generated from operating activities		828,124	1,707,580	1,461,681
Cash flows from investing activities				
Business combination under common control		—	(310,000)	(2,002,177)
Acquisition of subsidiaries, net of cash acquired		(3,400)	—	26,604
Cash prepaid in respect of acquiring subsidiaries	13	—	—	(1,090,373)
Increase in investments in associates		(6,000)	(4,373)	(130,514)
Purchases of property, plant and equipment ("PP&E") and investment properties		(590,426)	(649,849)	(505,441)
Proceeds from disposal of PP&E and investment properties	35(b)	408,447	263,103	510,250
Purchases of land use rights and intangible assets		(20,339)	(102,662)	(46,012)
Purchases of available-for-sale financial assets		(2,044)	(2,297)	(1,093)
Interest received		40,250	56,005	45,041
Dividends received		163,512	79,532	219,636
Proceeds from disposal of available-for-sale financial assets	35(d)	52,615	90,599	142,521
Proceeds from disposal of land use rights and intangible assets	35(c)	95,992	90,838	44,058
Proceeds from disposal of subsidiaries, associates and jointly controlled entities	35(e)	98,806	789,086	76,255
Other cash flows used in investing activities		(49,530)	(27,700)	(39,089)
Net cash generated from/(used in) investing activities		187,883	272,282	(2,750,334)

	Section II Note	Year ended 31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Cash flows from financing activities				
Proceeds from equity holders of certain subsidiaries		168,336	611,160	46,813
Proceeds from issuance of ordinary shares of the Company for the purpose of business combination under common control		—	—	1,999,604
Proceeds from borrowings		5,986,324	5,322,571	6,255,332
Repayments of borrowings		(6,021,337)	(5,808,644)	(5,212,429)
Dividends paid by the Company		(17,164)	(26,740)	(115,062)
Dividends paid by certain subsidiaries		(437,691)	(460,838)	(369,795)
Other cash flows used in financing activities		(50,342)	(26,649)	(47,250)
Net cash (used in)/generated from financing activities		(371,874)	(389,140)	2,557,213
Net increase in cash and cash equivalents		644,133	1,590,722	1,268,560
Cash and cash equivalents at beginning of year		2,545,972	3,185,370	4,776,503
Exchange (losses)/gains on cash and cash equivalents		(4,735)	411	(5,490)
Cash and cash equivalents at end of year		3,185,370	4,776,503	6,039,573

6 Consolidated Statements of Changes in Equity

	Section II Note	Attributable to equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		569,173	4,183,622	834,539	1,065,044	6,652,378	1,593,584	8,245,962
Comprehensive income								
Profit		—	—	—	696,992	696,992	298,317	995,309
Other comprehensive income								
Available-for-sale financial assets								
— Gross	12	—	—	(160,391)	—	(160,391)	(3,866)	(164,257)
— Tax	23	—	—	37,444	—	37,444	—	37,444
Share of other comprehensive income of associates	11b	—	—	8,934	—	8,934	230	9,164
Currency translation differences, net		—	—	5,196	—	5,196	—	5,196
Others		—	—	(1,853)	—	(1,853)	—	(1,853)
Total other comprehensive income		—	—	(110,670)	—	(110,670)	(3,636)	(114,306)
Total comprehensive income		—	—	(110,670)	696,992	586,322	294,681	881,003
Transactions with owners								
Deemed contribution from equity holders	19	—	116,613	—	—	116,613	—	116,613
Deemed distribution to equity holders	20	—	—	—	(335,790)	(335,790)	(110,649)	(446,439)
Capital contribution from non-controlling interests		—	—	—	—	—	61,017	61,017
Transaction with non-controlling interests		—	—	78,505	—	78,505	(49,890)	28,615
Dividends of the Company and its subsidiaries	20	—	—	—	(28,459)	(28,459)	(24,866)	(53,325)
Appropriation to statutory reserves	19, 20	—	—	29,580	(29,580)	—	—	—
Others		—	—	(371)	(6,613)	(6,984)	(3,918)	(10,902)
Transaction with owners		—	116,613	107,714	(400,442)	(176,115)	(128,306)	(304,421)
Balance at 31 December 2008		569,173	4,300,235	831,583	1,361,594	7,062,585	1,759,959	8,822,544

	Section II Note	Attributable to equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009		569,173	4,300,235	831,583	1,361,594	7,062,585	1,759,959	8,822,544
Comprehensive income								
Profit		—-	—	—	1,296,789	1,296,789	368,401	1,665,190
Other comprehensive income								
Available-for-sale financial assets								
— Gross	12	—	—	71,580	—	71,580	684	72,264
— Tax	23	—	—	(17,718)	—	(17,718)	—	(17,718)
Share of other comprehensive income of associates	11b	—	—	19,456	—	19,456	—	19,456
Disposal of a subsidiary	11b(a)	—	—	(102,233)	—	(102,233)	—	(102,233)
Currency translation differences, net		—	—	(2,579)	—	(2,579)	—	(2,579)
Others		—	—	244	—	244	(143)	101
Total other comprehensive income		—	—	(31,250)	—	(31,250)	541	(30,709)
Total comprehensive income		—	—	(31,250)	1,296,789	1,265,539	368,942	1,634,481
Transactions with owners								
Deemed contribution from equity holders	19	—	577,837	—	—	577,837	73,520	651,357
Deemed distribution to equity holders	20	—	(310,000)	—	(307,599)	(617,599)	(99,620)	(717,219)
Capital injections from non-controlling interests		—	—	—	—	—	6,860	6,860
Reclassification of reserves to capital of certain subsidiaries	19, 20	—	192,924	(158,694)	(34,230)	—	—	—
Event-driven revaluation	19, 20	—	—	74,172	—	74,172	36,402	110,574
Transaction with non-controlling interests		—	—	(27,732)	(22,178)	(49,910)	25,451	(24,459)
Dividends of the Company and its subsidiaries	20	—	—	—	(25,611)	(25,611)	(18,701)	(44,312)
Appropriation to statutory reserves	19, 20	—	—	80,682	(80,682)	—	—	—
Others		—	—	(1,966)	(3,037)	(5,003)	321	(4,682)
Transaction with owners		—	460,761	(33,538)	(473,337)	(46,114)	24,233	(21,881)
Balance at 31 December 2009		569,173	4,760,996	766,795	2,185,046	8,282,010	2,153,134	10,435,144

	Section II Note	Attributable to equity holders of the Company: Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		569,173	4,760,996	766,795	2,185,046	8,282,010	2,153,134	10,435,144
Comprehensive income								
Profit		—	—	—	1,368,253	1,368,253	410,732	1,778,985
Other comprehensive income								
Available-for-sale financial assets								
— Gross	12	—	—	(35,410)	—	(35,410)	(59)	(35,469)
— Tax	23	—	—	8,765	—	8,765	15	8,780
Share of other comprehensive income of associates	11b	—	—	2,200	—	2,200	—	2,200
Currency translation differences, net		—	—	(10,299)	—	(10,299)	—	(10,299)
Others		—	—	(2,272)	9,044	6,772	(1,960)	4,812
Total other comprehensive income		—	—	(37,016)	9,044	(27,972)	(2,004)	(29,976)
Total comprehensive income		—	—	(37,016)	1,377,297	1,340,281	408,728	1,749,009
Transactions with owners								
Deemed distribution to equity holders	19, 20	—	—	—	(272,108)	(272,108)	(91,252)	(363,360)
Issue of shares as the consideration for business combination under common control	18, 19	1,423,470	6,722,470	—	—	8,145,940	—	8,145,940
Capital injections from non-controlling interests		—	—	—	—	—	67,904	67,904
Consideration for business combination under common control	19, 38	—	(8,201,315)	—	—	(8,201,315)	—	(8,201,315)
Acquisition of subsidiaries		—	—	—	—	—	341,048	341,048
Disposal of a subsidiary		—	—	—	—	—	(12,952)	(12,952)
Transaction with non-controlling interests	19	—	—	(17,275)	—	(17,275)	(35,405)	(52,680)
Dividends of the Company and its subsidiaries	20	—	—	—	(139,569)	(139,569)	(76,327)	(215,896)
Appropriation to statutory reserves	19, 20	—	—	28,491	(28,491)	—	—	—
Others		—	—	1,747	(5,152)	(3,405)	(5,174)	(8,579)
Transaction with owners		1,423,470	(1,478,845)	12,963	(445,320)	(487,732)	187,842	(299,890)
Balance at 31 December 2010		1,992,643	3,282,151	742,742	3,117,023	9,134,559	2,749,704	11,884,263

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANISATION AND PRINCIPAL ACTIVITIES

1.1 Organisation and history

The Company, initially known as Shanghai No. 4 Pharmaceutical Co., Ltd. (上海四藥股份有限公司), was incorporated in the PRC on 18 January 1994 as a joint stock company with limited liability under the Company Law of the PRC. Pursuant to a restructuring, the Company issued 42,966,600 domestic shares of RMB 1 each ("A Shares") to its then shareholder and succeeded all the businesses of Shanghai No. 4 Pharmaceutical Factory (上海第四製藥廠), which was mainly engaged in the manufacturing and sale of pharmaceutical products. The Company then issued 15,000,000 new A Shares to public and all of the Company's A Shares were listed on Shanghai Stock Exchange on 24 March 1994.

In 1998, Shanghai Pharmaceutical (Group) Corporation, the predecessor of Shanghai Pharmaceutical (Group) Co., Ltd. ("Shanghai Pharma Group", 上海醫藥(集團)有限公司) which is the intermediate holding company of the Company, injected certain assets and wholly owned subsidiaries to the Company. In return, the Company issued 40,000,000 new A Shares and disposed of all of its then assets and liabilities before the assets injection to Shanghai Pharma Group. After the assets injection, the Company changed its name to Shanghai Pharmaceutical Co., Ltd. (上海市醫藥股份有限公司) and was then engaged in distribution of pharmaceutical products business.

In 2009, for the purpose of streamlining and restructuring the pharmaceutical businesses under the control of Shanghai Pharma Group and Shanghai Industrial Investment (Holdings) Co., Ltd. (Shanghai Industrial Group, 上海實業 (集團)有限公司), the ultimate holding company of the Company, the Company entered into a series of restructuring agreements with Shanghai Pharma Group and Shanghai Industrial Group and their respective subsidiaries. The principal restructuring transactions are summarised as follows:

(i) The Company acquired all the assets, liabilities and businesses of Shanghai Industrial Pharmaceutical Investment Co., Ltd. ("Shang Shi Pharma", 上海實業醫藥投資股份有限公司), a company controlled by Shanghai Industrial Group and was a listed company on the Shanghai Stock Exchange. As consideration, the Company issued 592,181,860 new A Shares to the then shareholders of Shang Shi Pharma. After the acquisition, Shang Shi Pharma was de-listed and de-registered.

(ii) The Company acquired all the assets, liabilities and businesses of Shanghai Zhong Xi Pharmaceutical Co., Ltd. ("Zhong Xi Pharma", 上海中西藥業股份有限公司), a company controlled by Shanghai Pharma Group and was a listed company on the Shanghai Stock Exchange. As consideration, the Company issued 206,970,842 new A Shares to the then shareholders of Zhong Xi Pharma. After the acquisition, Zhong Xi Pharma was de-listed and de-registered.

(iii) The Company acquired certain subsidiaries, associates and assets from Shanghai Pharma Group by issuing 455,289,547 new A Shares to the later.

(iv) The Company acquired certain subsidiaries from Shanghai Industrial Holdings Limited (上海實業控股有限公司), a subsidiary of Shanghai Industrial Group at a cash consideration of RMB1,999.6 million. To finance the cash consideration, the Company issued 169,028,205 new A Shares to Shanghai Shangshi (Group) Co., Ltd. ("Shanghai Shangshi", 上海上實(集團)有限公司), another company controlled by Shanghai Industrial Group for cash of RMB1,999.6 million.

The subsidiaries and associates acquired in above-mentioned transactions are collectively referred to as "Acquired Businesses" in this report. After the above restructuring transactions were completed in 2010, the Company changed its name to Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司).

The parent of the Company is Shanghai Pharma Group and the ultimate holding company of the Company is Shanghai Industrial Group.

The address of the Company's registered office is No. 92 Zhangjiang Road, Pudong New District, Shanghai, PRC.

The English names of entities mentioned in this report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

1.2 Principal activities

The Company and its subsidiaries are principally engaged in following activities:

- Research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products;
- Pharmaceutical distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and
- Operation and franchise of a network of retail pharmacy stores.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial information has been prepared in accordance with HKFRSs. The consolidated financial information has been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial information in conformity with HKFRSs 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 consolidated financial statements are disclosed in Note 4 of this section.

As mentioned in Note 1 of this section, during the Relevant Periods, the Company acquired certain subsidiaries and associates from Shanghai Pharma Group and Shanghai Industrial Group. These subsidiaries and associates form an integrated part of the pharmaceutical business of Shanghai Pharma Group and Shanghai Industrial Group. As the Company and the Acquired Businesses are under common control of Shanghai Industrial Group, which is controlled by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("SASAC Shanghai"), the aforementioned acquisitions of subsidiaries and associates from Shanghai Pharma Group and Shanghai Industrial Group have been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by the HKICPA. The consolidated financial statements include the financial positions, results and cash flows of the Acquired Businesses as if the acquisitions had been completed prior to the beginning of the Relevant Periods (Note 2.2).

New standards, amendments and interpretations to existing standards that are effective during the Relevant Periods have been adopted and applied by the Group consistently throughout the Relevant Periods unless prohibited by the relevant standard to apply retrospectively.

New standards and interpretations to existing standards and annual improvement published by the HKICPA that are not yet effective but have been early adopted by the Group–

- HKAS 24 (Revised), 'Related party disclosures' (effective for annual year starting from 1 January 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group has early adopted the government-related entity exemption from the beginning of the Relevant Periods.

New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group–

- HKFRS 9, 'Financial instruments'. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The Group will apply this standard for the financial reporting period commencing on 1 January 2013.
- 'Classification of rights issues' (amendment to HKAS 32). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The Group will apply the amended standard from 1 January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements.

- HK (IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) — Int 14). The amendments correct an unintended consequence of HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements.

- The Group has not early adopted those third annual Improvements project (2010) published in May 2010 by the HKICPA (to be effective in the financial year of 2011) in this report and will apply these improvements in accordance with their respective effective dates, where applicable.

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.

(i) Business combination under common control

The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for the purchase of the equity interests in the Acquired Businesses during the Relevant Periods, as if the acquisitions had been occurred and the Acquired Businesses had been combined from 1 January 2008, the beginning of the earliest financial period presented. The net assets of the Group and the Acquired Businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the Acquired Businesses' identifiable assets, liabilities and contingent liabilities over cost of acquisition at the time of the business combinations under common control. The consolidated income statement includes the results of the Group and the Acquired Businesses from 1 January 2008, the earliest date presented, regardless of the date of the business combinations under common control.

(ii) Business combination not under common control

The Group uses the acquisition method of accounting to account for business combinations not under common control. 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 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 income statement (Note 2.8).

Investments in subsidiaries are accounted for at cost less impairment at the Company's balance sheets. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. 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) Jointly controlled entities and associates

Jointly controlled entities are joint ventures that involve the establishment of corporation in which the Group and other venturers have their respective interests. The jointly controlled entities operate in the same way as other entities, except that a contractual agreement between the Group and other venturers established joint control and none of the participating parties has unilateral control over the economic activity of the jointly controlled entities.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Other than the associates acquired as an integrated part of the Acquired Businesses which were accounted for as prescribed in Note 2.2(a)(i), the Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Other than the associates acquired as an integrated part of the Acquired Businesses which were accounted for as prescribed in Note 2.2(a)(i), the Group's share of its jointly controlled entities and associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity or an associate equals or exceeds its interest in the jointly controlled entity or associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity or associate.

Unrealised gains on transactions between the Group and its jointly controlled entities and associates are eliminated to the extent of the Group's interest in the jointly controlled entities and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in jointly controlled entities and associates are recognised in the income statement.

(d) Losses of control, joint control or significant influences

When the Group ceases to have control, jointly control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that unless the specific accounting standard prohibits reclassification, any amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled or associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 statements 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 consolidated financial statements are 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within 'other gains — net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost or revalued amounts 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 the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

— Buildings	5-50 years
— Machinery	4-20 years
— Motor vehicles	4-14 years
— Furniture, fittings and equipment	3-14 years
— Others	2-20 years

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains — net' in the income statement.

2.6 Investment properties

Investment properties, comprising office buildings, plant and warehouses, are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 5 to 50 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise.

2.7 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership exists. The Group acquires the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Land use rights are amortised over the lease period of 10 to 50 years using the straight-line method.

2.8 Intangible assets

i. 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.

ii. Business network

Business network acquired in a business combination are recognised at fair value at the acquisition date and are amortised using the straight-line method over their estimated useful lives.

iii. Trademarks and patent rights

Separately acquired trademarks and patent rights are shown at historical cost. Trademarks and patent rights acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

iv. Know-how

Know-how acquired is initially recognised at cost and are amortised on a straight-line method over their useful lives of 5 to 10 years.

v. Research and development

Expenditure on development activities (relating to the design and testing of new or improved products for sale) is capitalised as intangible when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other research expenditures that do not meet these criteria are recognised as an expense as incurred.

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. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

Amortisation of development costs is charged to the income statement on a straight-line basis over its estimated useful lives.

vi. Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

vii. Other intangible assets

Other intangible assets acquired are initially recognised at cost and are amortised on a straight-line method over their useful lives.

2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – 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.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) 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 (Notes 2.14 and 2.15).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) Significant financial difficulty of the issuer or obligor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: (1) Adverse changes in the payment status of borrowers in the portfolio; and (2) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade and other receivables is described in Note 2.14.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

(c) Investments in subsidiaries, jointly controlled entities or associate

Impairment testing of the investments in subsidiaries, jointly controlled entities or associate is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entities or associates 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.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out or the weighted average method, where appropriate. 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). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed 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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to other income in the income statement.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Share capital

Share capital is 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.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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 entities within the Group 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 consolidated financial statements. 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, jointly controlled entities and associates, except for deferred income tax liability 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 reverse 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 tax 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.

2.21 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government.

The Group's contributions to these plans are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The termination benefits are offered for a clearly defined period and once the termination plan is confirmed by the employee and the Group, there is no possibility of new participant. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 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 income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services 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 — wholesale

The Group manufactures and sells a range of medicine, pharmaceutical and other products in the wholesale market. Sales of goods are recognised when a Group entity has delivered products to the wholesaler (including hospital and distributor), 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.

(b) Sales of goods — retail pharmacy operations

The Group operates a chain of retail outlets for selling medicines and other pharmaceutical products. Sales of goods are recognised when a Group's entity sells a product to the customer. Retail sales are usually in cash or by debit or credit cards.

(c) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(d) 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.

(e) Sales of services

The Group provides import and export agency service, consulting service and other miscellaneous services. Revenue from fixed-price contracts for delivering services is recognised in the period when the services are provided.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Leases (as a leasee)

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 income statement on a straight-line basis over the period of the lease.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.27 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of a subsidiary or third party to secure loans and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straightline basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the income statement within other expenses.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value and cash flow 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. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The Group has also certain bank deposits, trade receivables and payables and borrowings which are denominated in currencies other than RMB (majority in United States dollars ("USD") and Hong Kong dollars ("HKD")) and details of which have been set out in Notes 15,16, 21 and 22 of this section.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control as promulgated by the PRC government.

During the Relevant Periods, the Group has not used any financial instruments or derivatives to hedge against the foreign exchange risk. However, management will continue to monitor closely the foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2008, 2009 and 2010, if RMB had strengthened/weakened by 5% against the USD, HKD and other currencies with all other variables held constant, the Group's profit before income tax for the respective years then ended would have been higher/lower by approximately RMB863,000, RMB1,778,000 and RMB30,885,000 respectively, mainly as a result of foreign exchange gains/losses arising from the translation of USD and HKD-denominated cash and cash equivalents and borrowings balances.

(b) Fair value and cash flow interest rate risk

As the Group has no significant interest-bearing assets (other than restricted cash and cash and cash equivalents), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk primarily arises from bank borrowings.

Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bank borrowings issued at fixed rates exposed the Group to fair value interest rate risk. In general, the Group raises bank borrowings at floating rates as well as fixed rates, based upon the capital market conditions and the Group's internal requirements.

The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As at 31 December 2008, 2009 and 2010, if the interest rates on bank borrowings had been 15% higher/lower with all other variables held constant, the Group's profit before income tax for the respective years then ended would have been lower/higher by approximately RMB17,519,000, RMB9,707,000 and RMB10,384,000 respectively, mainly as a result of higher/lower interest expenses on bank borrowings.

(c) Credit risk

Credit risk primarily arises from cash and cash equivalents, restricted cash, trade and other receivables (including notes receivables) and financial guarantee contacts, except for prepayment.

For deposits with banks and financial institutions (including restricted cash and cash and cash equivalents), the Group has limited its credit exposure by restricting their selection of banks and financial institutions on reputable local joint-stock commercial banks or state-owned banks.

For customers, management assesses the credit qualities of customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set and regularly reviewed by management and the utilisation of which is monitored regularly. The Group has no concentration of credit risk in respect of trade receivables.

Notes receivable are mostly to be settled by reputable banks or state-owned banks and therefore the management considers that they will not expose the Group to any significant credit risk.

Management considers that the provisions for impairment of trade and other receivables as of respective balance sheet dates adequately cover the Group's credit risk exposures and it is not anticipated that any material liabilities will arise from the financial guarantee contracts.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, discounting bank acceptance to banks and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the respective balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows (including the estimated interest expenses on the related borrowings up to their maturities).

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008					
Borrowings *(Note 22)*	3,770,820	62,000	7,270	44,119	3,884,209
Interests payments on borrowings	122,471	5,798	5,963	4,827	139,059
Financial liabilities as included in trade and other payables	6,002,055	—	—	—	6,002,055
	9,895,346	67,798	13,233	48,946	10,025,323
At 31 December 2009					
Borrowings *(Note 22)*	3,331,950	—	45,810	38,487	3,416,247
Interests payments on borrowings	68,198	4,287	10,690	2,014	85,189
Financial liabilities as included in trade and other payables	6,833,217	—	—	—	6,833,217
	10,233,365	4,287	56,500	40,501	10,334,653
At 31 December 2010					
Borrowings *(Note 22)*	4,818,377	1,635	30,080	34,383	4,884,475
Interests payments on borrowings	82,740	2,763	5,367	737	91,607
Financial liabilities as included in trade and other payables	10,172,158	—	—	—	10,172,158
	15,073,275	4,398	35,447	35,120	15,148,240

Loan guarantee provided to related parties exposes the Group to liquidity risk and could be called within one year at the respective balance sheet dates. Management monitors the possible loss of the guarantee on a regular basis. As at each respective balance sheet dates, it is not anticipated that any material liabilities will arise from such loan guarantee contracts. An analysis of the Group's outstanding loan guarantee provided to related parties has been disclosed in Note 36.

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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet). Total capital is calculated as "equity" as shown in the consolidated balance sheets plus total debt.

The gearing ratios are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Total borrowings	3,884,209	3,416,247	4,884,475
Total equity	8,822,544	10,435,144	11,884,263
Total capital	12,706,753	13,851,391	16,768,738
Gearing ratio (%)	31%	25%	29%

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses 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 the current portion of receivables and payables are assumed to approximate their fair values. The fair value of financial assets and 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives, residual values and consequently related depreciation expense for its property, plant and equipment.

The estimated useful lives are determined by reference to the expected lifespan of the assets, the Group's business model and its asset management policy. The estimated useful lives could change significantly as a result of certain factors. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold.

The estimated residual values are determined based on all relevant factors (including but not limited to by reference to the industry practice and estimated scrap values).

The depreciation expense will change where the useful lives or residual values of the assets are different from the previous estimates.

(b) Useful lives of business network, trademarks and patent rights and know-how

The Group determines the estimated useful lives and consequently the related amortisation charges for its business network, trademarks and patent rights and know-how. These estimates are based on the historical experience of the actual useful lives of business network, trademarks and patent rights and know-how of similar nature and functions. Management will increase the amortisation charges where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and therefore amortisation expenses in future periods.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy as stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9).

(d) Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(e) Income taxes

The Group is subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(f) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The board of directors consider the business from a business type perspective.

The reportable operating segments derive their revenue primarily from the following four business types in the PRC:

(a) Pharmaceutical business (Production segment) — research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products;

(b) Distribution and supply chain solutions (Distribution segment) — distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies;

(c) Pharmaceutical retail (Retail segment) — operation and franchise of a network of retail pharmacy stores; and

(d) Other business operations (Others) — assets management, investment holding and etc.

Inter-segment revenue are conducted at prices and terms mutually agreed amongst those business segments.

The board of directors assess the performance of the operating segments based on a measure of revenue and operating profit.

Unallocated assets consist of current income tax recoverable and deferred income tax assets. Unallocated liabilities consist of current and deferred income tax liabilities.

Capital expenditure comprises mainly additions to land use rights, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations under common control.

The segment information provided to the board of directors for the reportable segments for the Relevant Periods are as follows:

For the year ended 31 December 2008

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	6,014,432	19,683,695	1,413,818	328,816	—	27,440,761
Inter-segment revenue	832,288	530,522	—	67,979	(1,430,789)	—
Segment revenue	6,846,720	20,214,217	1,413,818	396,795	(1,430,789)	27,440,761
Segment operating profit	659,726	264,096	1,367	147,908	(70,071)	1,003,026
Other income						125,462
Gains on disposal of subsidiaries and associates						1,103
Other gains — net						48,519
Finance costs — net						(260,366)
Share of profit of jointly controlled entities	—	18,572	—	—		18,572
Share of profit of associates	172,205	13,781	—	83,200		269,186
Profit before income tax						1,205,502
Income tax expense						(210,193)
Profit for the year						995,309

For the year ended 31 December 2009

	Production Segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	6,369,666	23,117,630	1,521,524	219,343	—	31,228,163
Inter-segment revenue	952,961	650,884	—	62,017	(1,665,862)	—
Segment revenue	7,322,627	23,768,514	1,521,524	281,360	(1,665,862)	31,228,163
Segment operating profit	852,250	496,326	10,890	66,822	(73,895)	1,352,393
Other income						86,346
Gains on disposal of subsidiaries and associates						550,677
Other gains — net						1,034
Finance costs — net						(168,285)
Share of profit of jointly controlled entities	—	28,754	—	—		28,754
Share of profit of associates	225,555	38,558	—	15,012		279,125
Profit before income tax						2,130,044
Income tax expense						(464,854)
Profit for the year						1,665,190

For the year ended 31 December 2010

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	7,011,995	28,348,117	1,725,546	295,910	—	37,381,568
Inter-segment revenue	1,063,169	801,810	—	38,975	(1,903,954)	—
Segment revenue	8,075,164	29,149,927	1,725,546	334,885	(1,903,954)	37,381,568
Segment operating profit	1,111,353	648,700	25,904	106,363	(83,515)	1,808,805
Other income						165,677
Gains on disposal of subsidiaries and associates						17,479
Other gains — net						63,877
Finance costs — net						(166,773)
Share of profit of jointly controlled entities	—	12,296	—	—		12,296
Share of profit of associates	210,012	61,162	—	—		271,174
Profit before income tax						2,172,535
Income tax expense						(393,550)
Profit for the year						1,778,985

Other segment items included in the consolidated financial statements for the year ended 31 December 2008 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment and investment properties	282,687	73,113	9,319	3,205	—	368,324
Amortisation of intangible assets and land use rights	25,380	7,798	493	227	—	33,898
Capital expenditure	446,103	276,982	16,280	115,801	—	855,166

Other segment items included in the consolidated financial statements for the year ended 31 December 2009 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment and investment properties	306,908	75,198	8,525	6,461	—	397,092
Amortisation of intangible assets and land use rights	25,743	14,397	581	227	—	40,948
Capital expenditure	691,851	24,788	24,471	10,485	—	751,595

Other segment items included in the consolidated financial statements for the year ended 31 December 2010 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment and investment properties	285,478	66,542	8,975	6,155	—	367,150
Amortisation of intangible assets and land use rights	22,845	6,455	548	227	—	30,075
Capital expenditure	476,817	119,754	20,190	696	—	617,457

The segment assets and liabilities as at 31 December 2008 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investments in jointly controlled entities	—	202,867	—	—	—	202,867
Investments in associates	572,362	182,947	—	491,145	—	1,246,454
Other assets	10,138,061	8,309,823	530,572	3,396,642	101,666	22,476,764
Elimination						(4,145,036)
Total assets						19,781,049
Segment liabilities	4,485,866	6,743,768	228,621	876,385	144,665	12,479,305
Elimination						(1,520,800)
Total liabilities						10,958,505

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB'000	RMB'000
Segment assets/liabilities after elimination	19,679,383	10,813,840
Unallocated:		
Current income tax liabilities	—	129,007
Deferred tax assets/liabilities	101,666	15,658
Total	19,781,049	10,958,505

The segment assets and liabilities as at 31 December 2009 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investments in jointly controlled entities	—	197,941	—	—	—	197,941
Investments in associates	704,545	137,751	—	—	—	842,296
Other assets	10,947,288	9,531,719	550,892	5,078,155	119,243	26,227,297
Elimination						(5,392,972)
Total assets						21,874,562
Segment liabilities	4,659,650	7,049,548	246,240	1,662,868	218,089	13,836,395
Elimination						(2,396,977)
Total liabilities						11,439,418

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB'000	RMB'000
Segment assets/liabilities after elimination	21,755,319	11,221,329
Unallocated:		
Current income tax liabilities	—	184,682
Deferred tax assets/liabilities	119,243	33,407
Total	21,874,562	11,439,418

The segment assets and liabilities as at 31 December 2010 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investments in jointly controlled entities	—	204,695	—	—	—	204,695
Investments in associates	982,971	79,230	—	—	—	1,062,201
Other assets	10,144,117	13,936,391	590,501	10,962,944	150,167	35,784,120
Elimination						(8,810,072)
Total assets						28,240,944
Segment liabilities	4,924,727	11,424,178	333,922	3,311,345	255,500	20,249,672
Elimination						(3,892,991)
Total liabilities						16,356,681

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB'000	RMB'000
Segment assets/liabilities after elimination	28,090,777	16,101,181
Unallocated:		
Current income tax liabilities	—	211,980
Deferred tax assets/liabilities	150,167	43,520
Total	28,240,944	16,356,681

6 LAND USE RIGHTS

The Group

Land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group's interests in land use rights are all outside Hong Kong and represent prepaid operating lease payments for lands which are held on leases of between 10 to 50 years.

All of the land use rights are located in the PRC and the movement of which is analysed as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Opening net book amount	867,433	793,996	805,161
Additions	11,457	103,844	59,287
Amortisation charge *(Note 28)*	(22,455)	(19,831)	(22,718)
Transfer to investment properties	—	—	(23,389)
Disposals	(62,439)	(72,848)	(35,408)
Closing net book amount	793,996	805,161	782,933

(a) Amortisation of the land use rights has been charged to the consolidated income statements as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost of sales	632	339	1,366
Distribution and selling expenses	1,982	2,048	2,513
General and administrative expenses	19,841	17,444	18,839
	22,455	19,831	22,718

(b) The net book value of land use rights pledged as collateral for the Group's borrowings (Note 22) as of the respective balance sheet dates were as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Land use rights, secured	84,714	60,705	47,801

(c) As of respective balance date of the relevant periods, the Group is still in the process of applying for land use right certificates of certain land use rights and the aggregated carrying amounts of these land use rights amounted to approximately RMB23,760,000, RMB22,737000, and RMB31,757,000 respectively.

The Company

All of the land use rights of the Company are located in the PRC and the movement of which is analysed as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Opening net book amount	60,669	56,755	55,497
Additions	—	—	32,702
Amortisation charge	(1,299)	(1,258)	(1,424)
Disposals	(2,615)	—	(60,997)
Closing net book amount	56,755	55,497	25,778

7 INVESTMENT PROPERTIES

The Group

Investment properties are located in the PRC, on land with use rights between 5 to 50 years. The movement of investment properties is analysed as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost	672,700	731,179	351,946
Accumulated depreciation	(121,167)	(131,146)	(90,890)
Net book amount	551,533	600,033	261,056
Opening net book amount	353,559	551,533	600,033
Transferred from owner-occupied PP&E *(Note 8)*	47,503	63,611	19,233
Transferred from land use right *(Note 6)*	—	—	23,389
Additions	182,240	26,787	—
Depreciation *(Note 28)*	(19,065)	(18,421)	(18,191)
Disposals	(12,704)	(23,477)	(363,408)
Closing net book amount	551,533	600,033	261,056

(a) The fair values of the investment properties were approximately RMB861,720,000, RMB1,068,193,000 and RMB614,711,000 as at 31 December 2008, 2009 and 2010, respectively. These estimates are made by the directors with reference to market transacted prices for similar properties in the vicinity of the relevant properties. In case where market transacted prices were not available, fair values were estimated using discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate.

(b) Lease rental income relating to the lease of investment properties has been included in the consolidated income statements as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Rental income	57,533	39,294	70,110

The Company

Investment properties are located in the PRC, on land with use rights between 5 to 50 years. The movement of investment properties is analysed as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost	231,088	231,223	83,293
Accumulated depreciation	(34,462)	(40,840)	(25,588)
Net book amount	196,626	190,383	57,705
Opening net book amount	189,346	196,626	190,383
Additions	13,465	135	59,580
Depreciation	(6,185)	(6,378)	(6,661)
Disposals	—	—	(185,597)
Closing net book amount	196,626	190,383	57,705

8 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Motor vehicles	Furniture, fittings and equipment	Others	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008							
Cost	3,490,873	1,858,010	263,816	297,362	379,109	324,659	6,613,829
Accumulated depreciation	(934,899)	(879,452)	(160,093)	(187,463)	(165,342)	—	(2,327,249)
Impairment	(56,741)	(37,373)	(1,634)	(1,031)	(2,633)	—	(99,412)
Net book amount	2,499,233	941,185	102,089	108,868	211,134	324,659	4,187,168
Year ended 31 December 2008							
Opening net book amount	2,499,233	941,185	102,089	108,868	211,134	324,659	4,187,168
Additions	89,013	95,852	23,927	29,275	41,030	373,376	652,473
Internal transfer	182,285	34,026	431	6,064	4,443	(227,249)	—
Transfer to investment properties *(Note 7)*	(45,444)	—	—	—	—	(2,059)	(47,503)
Disposals *(Note 35(b))*	(225,982)	(33,670)	(6,739)	(3,535)	(32,653)	(57,565)	(360,144)
Depreciation charge *(Note 28)*	(120,494)	(135,152)	(25,399)	(32,624)	(35,590)	—	(349,259)
Provision for impairment *(Note 27b)*	—	(5,350)	—	—	—	—	(5,350)
Closing net book amount	2,378,611	896,891	94,309	108,048	188,364	411,162	4,077,385
At 31 December 2008							
Cost	3,379,897	1,923,048	260,082	320,288	381,045	411,162	6,675,522
Accumulated depreciation	(952,010)	(983,968)	(164,211)	(211,297)	(191,018)	—	(2,502,504)
Impairment	(49,276)	(42,189)	(1,562)	(943)	(1,663)	—	(95,633)
Net book amount	2,378,611	896,891	94,309	108,048	188,364	411,162	4,077,385
Year ended 31 December 2009							
Opening net book amount	2,378,611	896,891	94,309	108,048	188,364	411,162	4,077,385
Event-driven revaluation *(Note 19)*	60,153	8,454	1,265	402	—	—	70,274
Additions	111,874	56,543	27,374	21,481	62,690	324,279	604,241
Internal transfer	178,795	126,223	630	15,090	3,407	(324,145)	—
Transfer to investment properties *(Note 7)*	(63,611)	—	—	—	—	—	(63,611)
Disposals *(Note 35(b))*	(126,931)	(44,429)	(2,651)	(6,947)	(1,972)	(67,032)	(249,962)
Depreciation charge *(Note 28)*	(150,540)	(113,369)	(25,245)	(34,150)	(55,367)	—	(378,671)
Provision for impairment *(Note 27b)*	(712)	(5,915)	—	(20)	(1,050)	—	(7,697)
Closing net book amount	2,387,639	924,398	95,682	103,904	196,072	344,264	4,051,959
At 31 December 2009							
Cost	3,264,437	1,932,063	251,448	318,852	339,261	344,264	6,450,325
Accumulated depreciation	(827,390)	(970,663)	(154,234)	(214,196)	(140,629)	—	(2,307,112)
Impairment	(49,408)	(37,002)	(1,532)	(752)	(2,560)	—	(91,254)
Net book amount	2,387,639	924,398	95,682	103,904	196,072	344,264	4,051,959

	Buildings	Machinery	Motor vehicles	Furniture, fittings and equipment	Others	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010							
Opening net book amount	2,387,639	924,398	95,682	103,904	196,072	344,264	4,051,959
Acquisition of subsidiaries	89,835	19,006	11,418	6,260	14,539	50,031	191,089
Additions	80,428	44,111	28,741	36,708	57,128	308,764	555,880
Internal transfer	119,241	184,118	3,647	4,369	46,951	(358,326)	—
Transfer to investment properties *(Note 7)*	(19,233)	—	—	—	—	—	(19,233)
Disposals *(Note 35(b))*	(108,664)	(37,124)	(3,786)	(2,863)	(20,425)	(17,880)	(190,742)
Depreciation charge *(Note 28)*	(114,999)	(133,875)	(24,676)	(32,354)	(43,055)	—	(348,959)
Disposals of subsidiaries	(92,485)	(19,540)	(3,773)	(3,053)	(168)	(7,532)	(126,551)
Provision for impairment *(Note 27b)*	(2,209)	(10,218)	(3)	(421)	—	—	(12,851)
Closing net book amount	2,339,553	970,876	107,250	112,550	251,042	319,321	4,100,592
At 31 December 2010							
Cost	3,329,596	1,982,685	269,692	350,080	407,460	319,321	6,658,834
Accumulated depreciation	(938,432)	(965,823)	(160,907)	(236,359)	(154,426)	—	(2,455,947)
Impairment	(51,611)	(45,986)	(1,535)	(1,171)	(1,992)	—	(102,295)
Net book amount	2,339,553	970,876	107,250	112,550	251,042	319,321	4,100,592

(a) Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost of sales	199,970	208,971	209,032
Distribution and selling expenses	26,405	26,956	27,104
General and administrative expenses	122,884	142,744	112,823
	349,259	378,671	348,959

(b) The net book amount of property, plant and equipment pledged as collateral for the Group's borrowings (Note 22) as of the respective balance sheet dates were as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Property, plant and equipment, pledged	287,634	338,771	293,016

(c) As of respective balance sheet date of the Relevant Periods, the Group is still in the process of applying for the building ownership certificates of certain of its buildings and the aggregated carrying amounts of these buildings amounted to approximately RMB264,049,000, RMB269,448,000 and RMB464,059,000 respectively.

The Company

	Buildings	Machinery	Motor vehicles	Furniture, fittings and equipment	Others	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008							
Cost	459,169	127,276	24,800	8,085	6,191	2,786	628,307
Accumulated depreciation	(53,558)	(33,352)	(15,383)	(1,198)	(5,299)	—	(108,790)
Impairment	(7,315)	(854)	—	—	—	—	(8,169)
Net book amount	398,296	93,070	9,417	6,887	892	2,786	511,348
Year ended 31 December 2008							
Opening net book amount	398,296	93,070	9,417	6,887	892	2,786	511,348
Additions	30	1,958	716	240	1,910	4,954	9,808
Internal transfer	1,329	1,788	—	—	—	(3,117)	—
Disposals	(137,264)	(214)	(110)	—	(130)	(304)	(138,022)
Depreciation charge	(13,011)	(8,328)	(2,094)	(1,008)	(369)	—	(24,810)
Closing net book amount	249,380	88,274	7,929	6,119	2,303	4,319	358,324
At 31 December 2008							
Cost	303,670	127,676	24,832	8,324	7,780	4,319	476,601
Accumulated depreciation	(54,290)	(38,548)	(16,903)	(2,205)	(5,477)	—	(117,423)
Impairment	—	(854)	—	—	—	—	(854)
Net book amount	249,380	88,274	7,929	6,119	2,303	4,319	358,324
Year ended 31 December 2009							
Opening net book amount	249,380	88,274	7,929	6,119	2,303	4,319	358,324
Additions	4,973	4,999	3,363	711	859	3,539	18,444
Internal transfer	—	1,749	—	—	—	(1,749)	—
Disposals	—	6	(105)	—	(6)	(4,659)	(4,764)
Depreciation charge	(8,980)	(9,380)	(2,045)	(1,078)	(967)	—	(22,450)
Closing net book amount	245,373	85,648	9,142	5,752	2,189	1,450	349,554
At 31 December 2009							
Cost	308,643	128,915	25,582	9,035	7,204	1,450	480,829
Accumulated depreciation	(63,270)	(42,640)	(16,440)	(3,283)	(5,015)	—	(130,648)
Impairment	—	(627)	—	—	—	—	(627)
Net book amount	245,373	85,648	9,142	5,752	2,189	1,450	349,554
Year ended 31 December 2010							
Opening net book amount	245,373	85,648	9,142	5,752	2,189	1,450	349,554
Additions	95,578	25,920	6,323	3,149	20,209	17,983	169,162
Internal transfer	—	—	—	—	5,156	(5,156)	—
Transfer to subsidiaries	(171,366)	(85,479)	(8,447)	(5,508)	(2,209)	(2,582)	(275,591)
Disposals	(91,914)	(110)	(1,346)	(290)	(57)	—	(93,717)
Depreciation charge	(11,662)	(10,588)	(2,226)	(1,335)	(3,247)	—	(29,058)
Closing net book amount	66,009	15,391	3,446	1,768	22,041	11,695	120,350
At 31 December 2010							
Cost	113,454	15,922	4,673	2,985	25,218	11,695	173,947
Accumulated depreciation	(47,445)	(531)	(1,227)	(1,217)	(3,177)	—	(53,597)
Net book amount	66,009	15,391	3,446	1,768	22,041	11,695	120,350

9 INTANGIBLE ASSETS

The Group

	Goodwill	Business network	Trademarks and patent rights	Know-how	Computer software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008							
Cost	223,187	—	79,145	94,017	20,654	44,776	461,779
Accumulated amortisation	—	—	(11,981)	(31,390)	(11,531)	(2,683)	(57,585)
Impairment	(106,878)	—	(60,000)	(17,637)	—	(19,177)	(203,692)
Net book amount	116,309	—	7,164	44,990	9,123	22,916	200,502
Year ended 31 December 2008							
Opening net book amount	116,309	—	7,164	44,990	9,123	22,916	200,502
Additions	—	—	2,950	1,566	3,274	1,206	8,996
Disposals	—	—	—	(2,852)	(28)	(21,395)	(24,275)
Amortisation charge *(Note 28)*	—	—	(2,438)	(5,851)	(2,723)	(431)	(11,443)
Impairment charge *(Note 27b)*	—	—	—	(2,534)	—	—	(2,534)
Closing net book amount	116,309	—	7,676	35,319	9,646	2,296	171,246
At 31 December 2008							
Cost	222,156	—	82,095	90,729	23,465	21,882	440,327
Accumulated amortisation	—	—	(14,419)	(35,239)	(13,819)	(409)	(63,886)
Impairment	(105,847)	—	(60,000)	(20,171)	—	(19,177)	(205,195)
Net book amount	116,309	—	7,676	35,319	9,646	2,296	171,246
Year ended 31 December 2009							
Opening net book amount	116,309	—	7,676	35,319	9,646	2,296	171,246
Additions	—	—	11,332	1,323	3,569	498	16,722
Disposals	—	—	(7,617)	(157)	(577)	(577)	(8,928)
Amortisation charge *(Note 28)*	—	—	(2,699)	(9,425)	(8,762)	(231)	(21,117)
Impairment charge *(Note 27b)*	(16,355)	—	—	(6,668)	—	—	(23,023)
Closing net book amount	99,954	—	8,692	20,392	3,876	1,986	134,900
At 31 December 2009							
Cost	222,156	—	84,828	91,390	26,475	21,703	446,552
Accumulated amortisation	—	—	(16,136)	(44,158)	(22,599)	(540)	(83,433)
Impairment	(122,202)	—	(60,000)	(26,840)	—	(19,177)	(228,219)
Net book amount	99,954	—	8,692	20,392	3,876	1,986	134,900
Year ended 31 December 2010							
Opening net book amount	99,954	—	8,692	20,392	3,876	1,986	134,900
Acquisition of subsidiaries *(Note 38)*	334,017	57,714	—	—	—	—	391,731
Additions	—	—	4,220	8,526	5,517	6,888	25,151
Disposals	(11,190)	—	—	(15,618)	(630)	(555)	(27,993)
Amortisation charge *(Note 28)*	—	—	(1,351)	(3,502)	(2,263)	(241)	(7,357)
Closing net book amount	422,781	57,714	11,561	9,798	6,500	8,078	516,432
At 31 December 2010							
Cost	529,349	57,714	87,507	71,938	32,252	28,955	807,715
Accumulated amortisation	—	—	(15,946)	(54,537)	(25,752)	(1,700)	(97,935)
Impairment	(106,568)	—	(60,000)	(7,603)	—	(19,177)	(193,348)
Net book amount	422,781	57,714	11,561	9,798	6,500	8,078	516,432

(a) Amortisation expenses were charged to the consolidated income statements as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost of sales	666	311	1,061
Distribution and selling expenses	100	264	122
General and administrative expenses	10,677	20,542	6,174
	11,443	21,117	7,357

(b) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment, as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Production segment	99,952	83,597	72,407
Distribution segment	—	—	334,017
Others	16,357	16,357	16,357
	116,309	99,954	422,781

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 business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	Production segment	Distribution segment	Others
Gross margin	20%-30%	2%-6%	20%-26%
Growth rate to extrapolate cash flows beyond the budget period	2%-3%	1%-2%	2%-3%
Discount rate	10%-14%	11%-12%	10%-14%

Management determined budgeted gross margin and growth rates based on past performance and its expectations for market development. The discount rates used are pre-tax after reflecting specific risks of the relevant operating segments.

10 INVESTMENT IN SUBSIDIARIES

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Investment at cost			
— Unlisted shares	1,021,275	1,053,673	6,473,753

Before the restructuring as disclosed in Note 1, the Company was mainly engaged in the distribution of pharmaceutical products. In June 2010, the Company transferred most of its operating assets and liabilities related to distribution business to its wholly-owned subsidiary. After then, the Company was mainly engaged in investment holding.

Particulars of the Company's principal subsidiaries are set out in Note 40.

11a INVESTMENT IN JOINTLY CONTROLLED ENTITIES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Share of net assets, unlisted	202,867	197,941	204,695
At 1 January	170,037	202,867	197,941
Share of profit for the year	18,572	28,754	12,296
Additions	15,515	—	—
Dividends received	(1,257)	(29,940)	(2,742)
Deductions	—	(3,740)	(2,800)
End of the year	202,867	197,941	204,695

The Group's share of the result of its principal investment in jointly controlled entities, all of which are unlisted, and the aggregated assets and liabilities, are as follows:

(a) Jiangxi Nanhua Medicines Co., Ltd.

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	306,220	350,335	498,015
Liabilities	199,570	238,370	409,299
Revenues	539,292	735,747	1,015,541
Profit/(loss) for the year	4,305	5,339	(31,502)
Percentage of interests held	50%	50%	50%

(b) Shanghai Hutchison Pharmaceutical Co., Ltd.

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	154,850	190,764	179,265
Liabilities	81,721	123,768	71,327
Revenues	140,687	193,419	241,260
Profit for the year	11,648	19,928	38,038
Percentage of interests held	50%	50%	50%

The Company

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Investment at cost			
— Unlisted shares	105,317	105,317	—
At 1 January	105,317	105,317	105,317
Deductions	—	—	(105,317)
End of the year	105,317	105,317	—

Particulars of the Group's principal jointly controlled entities are set out in Note 40.

11b INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Share of net assets	1,264,739	923,394	1,131,345
Provision for impairment	(18,285)	(81,098)	(69,144)
	1,246,454	842,296	1,062,201
At 1 January	1,194,158	1,246,454	842,296
Additions	6,000	4,373	148,220
Share of profit for the year	269,186	279,125	271,174
Share of other comprehensive income	9,164	19,456	2,200
Dividends received from associates	(127,520)	(128,655)	(158,848)
Transferred from/(to) available-for-sale financial assets	(97,567)	—	5,090
Deductions *(Note a)*	(680)	(515,644)	(47,931)
Provision for impairment *(Note 27b)*	(6,287)	(62,813)	—
End of the year	1,246,454	842,296	1,062,201

The Group's share of the result of its principal associates, and the aggregated assets and liabilities, are as follows:

(a) Lianhua Supermarket Holdings Co., Ltd.

	As at and for the year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Assets	2,900,573	—	—
Liabilities	2,288,636	—	—
Revenues	4,382,707	—	—
Profit for the year	82,212	15,012	—
Percentage of interest held	21.17%	0.00%	0.00%

Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司, "Lianhua Supermarket"), in which the Group indirectly held 21.17% equity interest at 31 December 2008 through a wholly owned subsidiary Shanghai Industrial United Holdings Business Internet Development Co., Ltd. (上海實業聯合集團商務網路發展有限公司, "Shangshi Business Network"), is listed on the Main Board of the Stock Exchange of Hong Kong Limited. The market value of the Group's interest in Lianhua Supermarket at 31 December 2008 was approximately HKD1,266,790,000.

Lianhua Supermarket is principally engaged in the operation of chain stores including hypermarkets, supermarkets and convenience stores. All the equity interest held by the Group in Shangshi Business Network together with its investment in Lianhua Supermarket held by the Group, has been disposed to Bailian Group Co., Ltd. (百聯集團有限公司, "Bailian Group") at a consideration of approximately RMB1,071,060,000 in March 2009. Net gain before taxation from the disposal of investment in Shangshi Business Network is analysed as follows:

	Year ended 31 December 2009
	RMB'000
Proceeds received from Bailian Group	1,071,060
Amounts recognised previously in comprehensive income in relation to Lianhua Supermarket *(Note 19)*	102,233
Less:	
Carrying amount of Shangshi Business Network's net assets	(634,384)
Other transaction expenses	(2,506)
Disposal gain	536,403

(b) Shanghai Roche Pharmaceuticals Ltd.

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	504,629	679,322	962,771
Liabilities	280,316	398,812	520,802
Revenues	831,418	965,178	1,177,582
Profit for the year	96,871	101,687	120,374
Percentage of interest held	30.00%	30.00%	30.00%

(c) Sino-American Shanghai Squibb Pharmaceuticals Ltd.

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	296,380	351,676	379,271
Liabilities	131,495	149,185	160,549
Revenues	569,326	628,819	672,858
Profit for the year	77,555	105,186	89,638
Percentage of interest held	30.00%	30.00%	30.00%

(d) Shanghai Ajinomoto Amino Acid Co., Ltd.

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	69,828	75,868	74,554
Liabilities	5,578	6,455	4,044
Revenues	44,796	54,550	53,944
Profit for the year	3,243	6,175	3,972
Percentage of interest held	39.00%	39.00%	39.00%

(e) Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	59,298	117,226	90,273
Liabilities	29,882	56,470	28,778
Revenues	164,625	181,066	194,792
Profit for the year	4,737	23,305	2,951
Percentage of interest held	44.24%	44.24%	44.24%

(f) Shanghai Tsumura Pharmaceutical Co., Ltd.

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	79,560	80,413	111,507
Liabilities	19,089	15,131	9,839
Revenues	79,509	90,704	78,415
Profit for the year	6,018	5,174	6,923
Percentage of interest held	34.00%	34.00%	34.00%

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Investment at cost			
– Unlisted shares	136,346	136,222	297,057
Provision for impairment	—	(62,814)	(62,814)
	136,346	73,408	234,243
At 1 January	136,346	136,346	73,408
Additions	—	3,114	212,809
Deductions	—	(3,238)	(51,974)
Provision for impairment	—	(62,814)	—
End of the year	136,346	73,408	234,243

Particulars of the Group's principal associates are set out in Note 40.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Listed equity investment, at fair value	104,132	158,278	116,368
Unlisted equity investment, cost	348,658	349,533	317,114
Provision for impairment of unlisted equity investment	(49,954)	(64,221)	(49,766)
Unlisted equity investment, net	298,704	285,312	267,348
	402,836	443,590	383,716

	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At 1 January	481,267	402,836	443,590
Transfer from/(to) investments in associates *(Note 11b)*	97,567	—	(5,090)
Additions	2,044	2,297	97,506
Net amount recognised in equity	(164,257)	72,264	(35,469)
Disposals	(12,584)	(19,540)	(116,821)
Provision for impairment *(Note 27b)*	(1,201)	(14,267)	—
End of the year	402,836	443,590	383,716

The fair value of listed equity investments is based on the quoted market values as at the respective balance sheet dates of the Relevant Periods. The unlisted equity investments are measured at cost. These equity investments do not have quoted market prices in an active market and the directors consider the fair values cannot be reliably measured as the range of reasonable fair value estimate is so significant and the probabilities of the various estimates cannot be reasonably assessed.

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Listed equity investment, at fair value	1,122	2,264	100,368
Unlisted equity investment, cost	69,399	69,399	53,124
	70,521	71,663	153,492

	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At 1 January	73,041	70,521	71,663
Additions	—	—	143,408
Net amount recognised in equity	(2,520)	1,142	(16,840)
Disposals	—	—	(44,739)
End of the year	70,521	71,663	153,492

13 OTHER LONG-TERM PREPAYMENTS

Pursuant to the approval of the board of directors on 13 December 2010 and a series of agreements entered into by the Group with certain third parties, the Group will acquire 65.24% equity interests of China Health System Ltd.("CHS"), who is mainly engaged in distribution of pharmaceutical products, at a consideration of approximately RMB2,328,000,000 in total, out of which approximately RMB93,989,000, representing 2.63% of equity interest in CHS, had been recorded by the Group as available-for-sale financial assets, approximately RMB816,236,000 had been paid by the Group to certain shareholders of CHS as prepayments for the acquisition of remaining equity interest of 62.61% in CHS. The remaining of the total consideration amounting to approximately RMB1,417,775,000, being balance that had been contracted for as at 31 December 2010 but not yet incurred, is disclosed in Note 37.

14 INVENTORIES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials	428,727	377,987	492,952
Work in progress	275,838	253,760	307,671
Finished goods	2,917,943	3,256,689	4,402,938
	3,622,508	3,888,436	5,203,561
Less: write-down to net realisable value	(191,167)	(187,716)	(162,832)
	3,431,341	3,700,720	5,040,729

The cost of inventories recognised as expenses and included in cost of sales are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost of sales, distribution and selling expenses and general and administrative expenses	21,475,378	24,631,645	29,978,754

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Finished goods	818,855	1,067,580	2,146
Less: write-down to net realisable value	(15,978)	(22,519)	—
	802,877	1,045,061	2,146

15 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables from third parties			
Accounts receivable	4,830,782	5,387,274	7,318,273
Less: Provision for impairment	(566,437)	(608,029)	(613,491)
Accounts receivable — net	4,264,345	4,779,245	6,704,782
Notes receivable	322,162	368,961	421,474
Trade receivables — net	4,586,507	5,148,206	7,126,256
Other receivables from third parties	945,364	943,925	1,376,295
Less: Provision for impairment	(749,585)	(724,211)	(694,413)
Other receivables — net	195,779	219,714	681,882
Amount due from related parties *(Note 39(c))*	358,747	303,973	114,633
Prepayments *(Note c)*	383,943	409,161	657,845
Less: non-current portion *(Note a)*	(25,790)	(2,735)	—
Trade and other receivables, current portion	5,499,186	6,078,319	8,580,616

(a) As of 31 December 2008, 2009 and 2010, the maturities of the Group's non-current receivables which were mainly loans to third parties are set out as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
1 to 2 years	23,055	2,735	—
2 to 5 years	2,735	—	—
	25,790	2,735	—

(b) The fair values of trade and other receivables including current and non-current portion approximate their carrying amounts due to the short maturities.

(c) As of the respective balance sheet dates, prepayments are in connection with:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Purchases of:			
— Raw materials and merchandise	155,292	168,917	518,696
— Property, plant and equipment	66,020	76,683	32,722
— Prepaid expenses	153,893	155,147	95,796
— Others	8,738	8,414	10,631
	383,943	409,161	657,845

(d) The carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
RMB	6,813,738	7,400,809	9,858,941
USD	26,878	11,076	12,632
EUR	—	1,409	—
HKD	382	—	192
Other currencies	—	—	16,755
	6,840,998	7,413,294	9,888,520

(e) As of 31 December 2010, trade receivables of approximately RMB80,853,000 have been pledged by the Group for acquiring borrowings of approximately RMB73,630,000 (Note 22).

(f) Retail sales at the Group's medicine and pharmaceutical chain stores are usually made in cash or by debit or credit cards. For medicine and pharmaceutical distribution and manufacturing businesses, sales are made on credit terms of within 180 days. Ageing analysis of gross trade receivables from third parties (accounts receivable and notes receivable) at the respective balance sheet dates are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	3,553,862	4,137,314	5,564,342
3 months to 6 months	394,739	531,104	719,966
6 months to 12 months	452,639	455,900	800,801
1 year to 2 years	111,187	51,329	61,225
Over 2 years	640,517	580,588	593,413
	5,152,944	5,756,235	7,739,747

As of 31 December 2008, 2009 and 2010, trade receivables from third parties of approximately RMB1,204,343,000, RMB1,087,817,000 and RMB1,455,439,000 were past due and impaired. It was assessed that a portion or none of the receivables is expected to be recovered. The ageing analysis of these trade receivables and expected recovery are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
6 months to 12 months	452,639	455,900	800,801
1 year to 2 years	111,187	51,329	61,225
Over 2 years	640,517	580,588	593,413
	1,204,343	1,087,817	1,455,439
Less: Expected recovery	(651,759)	(508,095)	(878,124)
Impairment	552,584	579,722	577,315

(g) Movements on the provision for impairment of trade and other receivables from third parties are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At beginning of the year	1,256,353	1,316,022	1,332,240
Provision for impairment	129,644	116,227	9,930
Write-off against uncollectible receivables	(69,975)	(100,009)	(34,266)
At the end of year	1,316,022	1,332,240	1,307,904

The creation and release of provision for impairment of trade and other receivables have been included in 'general and administrative expenses'. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

(h) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables			
Accounts receivable	1,453,354	1,557,760	142,937
Less: Provision for impairment	(120,189)	(127,014)	(119,865)
Accounts receivable — net	1,333,165	1,430,746	23,072
Notes receivables	21,624	14,156	50
Trade receivables — net	1,354,789	1,444,902	23,122
Other receivables	881,678	885,921	1,131,510
Less: Provision for impairment	(50,551)	(39,643)	(432,527)
Other receivables — net	831,127	846,278	698,983
Others			
Prepayments	62,148	105,466	3,449
	2,248,064	2,396,646	725,554

16 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash at bank	3,260,668	4,880,068	6,327,912
Cash on hand	5,685	7,152	10,425
	3,266,353	4,887,220	6,338,337
Less: restricted cash *(Note a)*	(80,983)	(110,717)	(298,764)
Cash and cash equivalents	3,185,370	4,776,503	6,039,573
Denominated in:			
— RMB	3,114,684	4,754,965	5,953,521
— HKD	110,836	77,527	86,893
— USD	31,361	38,954	268,317
— EUR	1,974	9,226	4,908
— Other currencies	7,498	6,548	24,698
	3,266,353	4,887,220	6,338,337

(a) As of the respective balance sheet dates, certain of the Group's bank deposits have been pledged for the following purposes:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Bank deposits pledged for:			
— issue of notes payable	79,615	80,985	273,341
— issue of bank borrowings	—	23,182	24,500
— others	1,368	6,550	923
	80,983	110,717	298,764

(b) The above mentioned restricted bank deposits are all interest-bearing and with maturity dates of less than one year.

(c) The conversion of the RMB denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(d) The effective interest rates of cash at banks are as follows:

	Year ended 31 December		
	2008	2009	2010
Effective interest rate (% per annum)	**0.72% ~ 1.71%**	**0.36% ~ 1.71%**	**0.36% ~ 1.71%**

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash at bank	320,336	369,270	269,770
Cash on hand	107	99	1
	320,443	369,369	269,771
Less: restricted cash	(4,743)	(1,807)	(24,500)
Cash and cash equivalents	315,700	367,562	245,271
Denominated in:			
— RMB	318,291	358,481	269,771
— USD	2,096	6,980	—
— EUR	56	3,908	—
	320,443	369,369	269,771

17A FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets per balance sheet:			
Financial assets at fair value through profit or loss	10,396	10,445	3,234
Available-for-sale financial assets *(Note 12)*	402,836	443,590	383,716
Loans and receivables			
— Trade and notes receivables *(Note 15)*	4,586,507	5,148,206	7,126,256
— Trade and other receivables due from related parties *(Note 39)*	355,197	303,973	114,633
— Other receivables *(Note 15)*	195,779	219,714	609,955
— Cash and bank *(Note 16)*	3,266,353	4,887,220	6,338,337
	8,817,068	11,013,148	14,576,131
Liabilities per balance sheet:			
Other financial liabilities at amortised cost			
— Trade and notes payables *(Note 21)*	4,523,740	5,545,842	8,490,820
— Trade and other payables due to related parties *(Note 39)*	506,122	310,375	354,462
— Accrual and other payables	972,193	977,000	1,326,876
— Bank borrowings *(Note 22)*	3,884,209	3,416,247	4,884,475
	9,886,264	10,249,464	15,056,633

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets per balance sheet:			
Available-for-sale financial assets	70,521	71,663	153,492
Loans and receivables			
— Trade and notes receivables *(Note 15)*	1,354,789	1,444,902	23,122
— Other receivables *(Note 15)*	831,127	846,278	698,983
— Cash and bank *(Note 16)*	320,443	369,369	269,771
	2,576,880	2,732,212	1,145,368
Liabilities per balance sheet:			
Other financial liabilities at amortised cost			
— Trade and notes payables *(Note 21)*	1,697,361	2,164,876	24,778
— Accrual and other payables	56,505	105,419	412,617
— Bank borrowings *(Note 22)*	1,664,000	1,416,000	20,000
	3,417,866	3,686,295	457,395

17B CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by types of the financial assets and by reference to historical information about counter party default rates.

(a) Trade receivables

As at 31 December 2008, 2009 and 2010, the Group's trade receivables of approximately RMB3,553,862,000, RMB4,137,314,000 and RMB5,564,342,000 were within three months. Trade receivables that were within three months mainly represent those due from customers with good credit history and low default rate. Trade receivables that were either past due or impaired were disclosed in Note 15.

None of the financial assets that are fully performing has been renegotiated in the Relevant Periods.

(b) Cash and cash equivalents

As at 31 December 2008, 2009 and 2010, all the bank deposits are deposited in reputable financial institutions which primarily comprise reputable international banks and state-owned banks.

The management considered the credit risks in respect of cash and bank deposits with financial institutions are relatively minimum as each counter party bears a high credit rating or is a large PRC state-owned banks with no history of default.

18 SHARE CAPITAL

The Group and the Company

	Number of A Shares	A Shares of RMB1 each
	(thousands)	RMB'000
Issued and fully paid:		
At 1 January 2008, 2009 and 2010	569,173	569,173
Issue of A Shares *(Note 1)*	1,423,470	1,423,470
As at 31 December 2010	1,992,643	1,992,643

19 OTHER RESERVES

The Group

	Share premium	Statutory reserves Note (a)	Available-for-sale financial assets	Revaluation surplus Note (b)	Translation difference	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	4,183,622	565,549	163,686	—	3,071	102,233	5,018,161
Appropriation to statutory reserves *(Note (a), 20)*	—	29,580	—	—	—	—	29,580
Deemed contribution from equity holders *(Note c)*	116,613	—	—	—	—	—	116,613
Available-for-sale financial assets							
— Gross	—	—	(160,391)	—	—	—	(160,391)
— Tax	—	—	37,444	—	—	—	37,444
Share of other comprehensive income of associates	—	—	—	—	—	8,934	8,934
Currency translation difference	—	—	—	—	5,196	—	5,196
Transaction with non-controlling interests	—	—	—	—	—	78,505	78,505
Others	—	—	—	—	—	(2,224)	(2,224)
At 31 December 2008	4,300,235	595,129	40,739	—	8,267	187,448	5,131,818
Appropriation to statutory reserves *(Note (a), 20)*	—	80,682	—	—	—	—	80,682
Deemed contribution from equity holders *(Note c)*	577,837	—	—	—	—	—	577,837
Deemed distribution to equity holders *(Note c)*	(310,000)	—	—	—	—	—	(310,000)
Event-driven revaluation *(Note b)*	—	—	—	74,172	—	—	74,172
Reclassification of reserves to capital of certain subsidiaries	192,924	(107,559)	(5,190)	(45,945)	—	—	34,230
Available-for-sale financial assets							
— Gross	—	—	71,580	—	—	—	71,580
— Tax	—	—	(17,718)	—	—	—	(17,718)
Disposal of a subsidiary *(Note 11b(a))*	—	—	—	—	—	(102,233)	(102,233)
Share of other comprehensive income of associates	—	—	—	—	—	19,456	19,456
Currency translation difference	—	—	—	—	(2,579)	—	(2,579)
Transaction with non-controlling interests	—	—	—	—	—	(27,732)	(27,732)
Other	—	—	—	—	—	(1,722)	(1,722)
At 31 December 2009	4,760,996	568,252	89,411	28,227	5,688	75,217	5,527,791
Appropriation to statutory reserves *(Note (a), 20)*	—	28,491	—	—	—	—	28,491
Issue of shares as considerations for business combination under common control *(Note d)*	6,722,470	—	—	—	—	—	6,722,470
Deemed distribution to equity holders *(Note c, e)*	(8,201,315)	—	—	—	—	—	(8,201,315)
Available-for-sale financial assets							
— Gross	—	—	(35,410)	—	—	—	(35,410)
— Tax	—	—	8,765	—	—	—	8,765
Share of other comprehensive income of associates	—	—	—	—	—	2,200	2,200
Transaction with non-controlling interests	—	—	—	—	—	(17,275)	(17,275)
Currency translation difference	—	—	—	—	(10,299)	—	(10,299)
Others	—	—	—	—	—	(525)	(525)
At 31 December 2010	3,282,151	596,743	62,766	28,227	(4,611)	59,617	4,024,893

The Company

	Share premium	Statutory reserves Note (a)	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	545,483	226,760	2,615	774,858
Appropriation to statutory reserves *(Note (a), 20)*	—	11,622	—	11,622
Available-for-sale financial assets				
— Gross	—	—	(2,520)	(2,520)
— Tax	—	—	439	439
Others	612	—	—	612
At 31 December 2008	546,095	238,382	534	785,011
Appropriation to statutory reserves *(Note (a), 20)*	—	13,683	—	13,683
Available-for-sale financial assets				
— Gross	—	—	1,142	1,142
— Tax	—	—	(263)	(263)
Other	(1,914)	—	—	(1,914)
At 31 December 2009	544,181	252,065	1,413	797,659
Issue of shares as considerations for business combination under common control *(Note d)*.	6,722,470	—	—	6,722,470
Effect of business combination under common control	(2,577,342)	—	75,794	(2,501,548)
Appropriation to statutory reserves *(Note (a), 20)*	—	28,491	—	28,491
Available-for-sale financial assets				
— Gross	—	—	(16,840)	(16,840)
— Tax	—	—	4,485	4,485
At 31 December 2010	4,689,309	280,556	64,852	5,034,717

Apart from foreign currency translation difference, share of other comprehensive income of associates, and effects of changes in available-for-sales financial assets, if any, movements in owners' equity during the Relevant Periods mainly comprised:

(a) In accordance with the PRC Company Law and the articles of association of the PRC companies now comprising the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

(b) During year 2009, certain subsidiaries of the Company were transformed from state-owned enterprise to limited liability Company. According to certain regulations issued by State-owned Assets Supervision and Administration Commission of the State Council, all assets and liabilities of these entities should be revalued and the revaluation surplus should be recorded as equity upon the transformation.

(c) Deemed contribution from/(distribution to) equity holders represents capital contribution from, consideration paid out for business combination under common control or dividends distribution to the then shareholders of certain subsidiaries before the completion of business combination under common control as disclosed in Note 1.1.

(d) On 4 February 2010, the Company issued additional total number of 624,317,752 new A Shares to Shanghai Pharma Group and Shanghai Shangshi at a price of RMB11.83 each for acquiring certain subsidiaries, associates and other assets from them. Excess of total deemed and/or actual proceeds over the notional amount of share capital and issue costs directly related to the issuance amounting to approximately RMB6,722,470,000 has been recognised as share premium in the consolidated statements of changes in equity.

(e) In February 2010, the Company completed the restructuring with Shanghai Pharma Group, Shang Shi Pharma, Zhong Xi Pharma and Shanghai Shangshi (collectively the "Transfer Out Parties") to acquire the business from the Transfer Out Parties. This transaction was accounted for as a business combination under common control (Note 1.1 and 38). Total deemed and/or actuarial consideration amounting to approximately RMB8,201,315,000 has been debited to the share premium in the consolidated statements of changes in equity.

20 RETAINED EARNINGS

	The Group	The Company
	RMB'000	RMB'000
At 1 January 2008	1,065,044	320,675
Profit for the year	696,992	108,655
Deemed distribution to equity holders	(335,790)	—
Dividends of the Company	(28,459)	(28,459)
Appropriation to statutory reserves *(Note 19)*	(29,580)	(11,622)
Others	(6,613)	—
At 31 December 2008	1,361,594	389,249
Profit for the year	1,296,789	130,950
Deemed distribution to equity holders	(307,599)	—
Convert to capital *(Note 19)*	(34,230)	—
Transaction with non-controlling interests	(22,178)	—
Dividends of the Company *(Note 34)*	(25,611)	(25,611)
Appropriation to statutory reserves *(Note 19)*	(80,682)	(13,683)
Others	(3,037)	—
At 31 December 2009	2,185,046	480,905
Profit for the year	1,368,253	200,129
Deemed distribution to equity holders	(272,108)	—
Dividends of the Company *(Note 34)*	(139,569)	(139,569)
Appropriation to statutory reserves *(Note 19)*	(28,491)	(28,491)
Others	3,892	—
At 31 December 2010	3,117,023	512,974

21 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Accounts payable to third parties	3,989,326	4,611,412	6,615,806
Notes payable	534,414	934,430	1,875,014
Advances received from customers	298,112	247,532	307,383
Payables for purchase of PP&E	397,563	230,393	60,860
Staff welfare and salary payables	328,429	311,138	318,395
Tax liabilities other than income tax	55,992	69,014	114,218
Amounts due to related parties *(Note 39)*	506,122	310,375	354,462
Accrued expense	301,124	339,164	408,693
Deposits	88,169	125,708	136,403
Dividends payable	97,515	49,933	48,383
Others	87,822	231,802	437,842
Considerations payable in respect of acquisition of certain subsidiaries	—	—	234,695
	6,684,588	7,460,901	10,912,154

(a) Ageing analysis of the accounts payables to third parties and notes payables at the respective balances sheet dates are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	3,681,035	4,614,071	6,722,232
3 months to 6 months	224,222	261,348	546,420
6 months to 12 months	454,953	498,620	982,442
1 year to 2 years	74,462	82,340	122,953
2 years to 3 years	28,401	14,742	34,268
Over 3 years	60,667	74,721	82,505
	4,523,740	5,545,842	8,490,820

(b) The Group's trade and other payables are denominated in the following currencies:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
RMB	6,517,281	7,303,332	10,882,286
USD	152,795	140,952	10,562
EUR	12,553	15,690	1,088
HKD	119	911	18,218
Other currencies	1,840	16	—
	6,684,588	7,460,901	10,912,154

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Accounts payable	1,247,615	1,573,221	24,778
Notes payable	449,746	591,655	—
Dividends payable	11,295	10,165	34,672
Amounts due to related parties	26,927	46,817	342,833
Accrued expenses	15,486	46,699	3,933
Advances from customers	78,578	86,503	4,207
Tax liabilities/(prepaid) other than income tax	2,236	(1,626)	2,114
Salary, bonus and staff welfare benefits payable	45,211	64,112	15,380
Others	2,797	1,738	31,179
	1,879,891	2,419,284	459,096

22 BORROWINGS

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Non-current			
Long-term bank borrowings			
— guaranteed *(Note a)*	20,000	5,810	5,200
— secured *(Note b)*	25,313	62,512	45,042
— unsecured	56,372	11,542	11,423
Other borrowings	11,704	4,433	4,433
	113,389	84,297	66,098
Current			
Short-term bank borrowings			
— guaranteed *(Note a)*	689,500	403,411	294,550
— secured *(Note b)*	397,320	389,361	768,822
— unsecured	2,646,000	2,471,448	3,695,988
Other borrowings	23,000	20,000	31,287
	3,755,820	3,284,220	4,790,647
Current portion of long-term bank borrowings			
— guaranteed *(Note a)*	—	20,000	730
— secured *(Note b)*	15,000	15,000	27,000
— unsecured	—	12,000	—
Other borrowings	—	730	—
	3,770,820	3,331,950	4,818,377
Total borrowings	3,884,209	3,416,247	4,884,475

(a) As at 31 December 2008, 2009 and 2010, the bank borrowings as guaranteed by independent third parties amounted to approximately RMB21,500,000, RMB1,701,000 and RMB274,670,000 respectively.

As at 31 December 2008, 2009 and 2010, the bank borrowings as guaranteed by a related party amounted to approximately RMB688,000,000, RMB427,520,000 and RMB25,810,000 respectively (Note 39).

(b) Analysis of the secured borrowings are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Secured by:			
— Property, plant and equipment *(Note 8)*	286,973	271,642	329,380
— Land use rights *(Note 6)*	84,000	172,500	205,550
— Trade receivables	—	—	73,630
— Others	66,660	22,731	232,304
	437,633	466,873	840,864

(c) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
RMB	3,855,320	3,393,515	3,882,250
USD	28,889	—	1,002,225
HKD	—	22,732	—
	3,884,209	3,416,247	4,884,475

(d) The weighted average effective interest rates of borrowings at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2008	2009	2010
Bank borrowings			
— RMB	6.55%	4.56%	4.59%
— USD	8.77%	—	1.23%
— HKD	—	1.23%	—

Interest rates of bank borrowings denominated in RMB are reset periodically according to the benchmark rates announced by the People's Bank of China.

(e) The maturities of the Group's total borrowings at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year	3,770,820	3,331,950	4,818,377
Between 1 and 2 years	62,000	—	1,635
Between 2 and 5 years	7,270	45,810	30,080
Wholly repayable within 5 years	3,840,090	3,377,760	4,850,092
Over 5 years	44,119	38,487	34,383
	3,884,209	3,416,247	4,884,475

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 6 months	2,360,575	2,244,330	3,985,262
Between 6 to 12 months	1,523,634	1,171,917	899,213
	3,884,209	3,416,247	4,884,475

(g) The carrying amounts of short-term and current borrowings approximate their fair values. The carrying amount and fair value of non-current borrowings are set out as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Carrying amounts	113,389	84,297	66,098
Fair value	112,422	83,996	65,403

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The Company

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current			
Short-term bank borrowings			
— unsecured	1,664,000	1,416,000	—
— guaranteed	—	—	20,000
	1,664,000	1,416,000	20,000

23 DEFERRED INCOME TAX

The Group

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 relate to the same fiscal authority.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Deferred income tax assets			
— To be recovered after more than 12 months	29,908	21,006	18,653
— To be recovered within 12 months	71,758	98,237	131,514
	101,666	119,243	150,167
Deferred income tax liabilities			
— To be recovered after more than 12 months	15,352	32,425	33,312
— To be recovered within 12 months	306	982	10,208
	15,658	33,407	43,520
Deferred income tax assets — net	86,008	85,836	106,647

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January	20,201	86,008	85,836
Recognised in the consolidated income statements *(Note 31)*	28,363	17,546	28,531
Disposal of subsidiaries	—	—	(1,267)
Acquisition of subsidiaries	—	—	(15,233)
Recognised in equity *(Note 19)*	37,444	(17,718)	8,780
Deferred income tax assets — net	86,008	85,836	106,647

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 assets

	Provision for impairment of assets	Termination benefit obligations	Accruals	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	41,934	7,733	9,784	18,948	78,399
Recognised in the consolidated income statements	19,020	286	4,516	(555)	23,267
At 31 December 2008	60,954	8,019	14,300	18,393	101,666
Recognised in the consolidated income statements	25,212	3,496	(8,157)	(2,974)	17,577
At 31 December 2009	86,166	11,515	6,143	15,419	119,243
Acquisition of a subsidiary	631	—	—	95	726
Disposal of subsidiaries	(331)	—	—	(936)	(1,267)
Recognised in the consolidated income statements	(2,271)	(1,155)	27,943	6,948	31,465
At 31 December 2010	84,195	10,360	34,086	21,526	150,167

Deferred income tax liabilities

	Fair value gains from available-for-sale financial assets	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2008	56,502	1,696	58,198
Recognised in the consolidated income statements	(4,952)	(144)	(5,096)
Recognised in equity	(37,444)	—	(37,444)
At 31 December 2008	14,106	1,552	15,658
Recognised in the consolidated income statements	337	(306)	31
Recognised in equity	17,718	—	17,718
At 31 December 2009	32,161	1,246	33,407
Acquisition of a subsidiary	—	15,959	15,959
Recognised in the consolidated income statements	—	2,934	2,934
Recognised in equity	(8,780)	—	(8,780)
At 31 December 2010	23,381	20,139	43,520

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

The Group did not recognise deferred income tax assets of approximately RMB90,881,000, RMB115,492,000, and RMB137,198,000 in respect of tax losses amounting to approximately RMB363,391,000, RMB463,517,000, and RMB550,238,000 as at 31 December 2008, 2009 and 2010, respectively. As at 31 December 2010, tax losses amounting to RMB17,170,000, RMB100,387,000, RMB187,453,000, RMB144,587,000 and RMB102,437,000 will expire in 2011, 2012, 2013, 2014 and 2015, respectively.

24 OTHER NON-CURRENT LIABILITIES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Medical reserve funds *(Note a)*	57,072	56,308	62,147
Project development funds *(Note b)*	54,847	61,707	69,051
Office and plant relocation funds *(Note c)*	10	107,328	75,738
Others	26,948	20,774	17,781
	138,877	246,117	224,717

(a) During the Relevant Periods, certain medical reserve funds were received by the Group from the PRC government for it to purchase medical products (including medicines) required to respond to major disasters, epidemics and other emergencies.

The Group will sell pharmaceutical products to specific customers at cost when there is any major disaster, epidemic and other emergency. Such transactions will be priced at cost and relevant trade receivables from specific customers will be offset with the balance of the fund upon approval from the relevant PRC government authorities. The funds used to offset trade receivables during the years ended 31 December 2008, 2009 and 2010 were not significant. The medical reserve funds are required to be utilised for the aforementioned use and for no other purposes.

In addition, in accordance with notices from Central Ministry of Finance, such balance is not repayable within one year.

(b) Certain of the Group's subsidiaries received funds from local governments as compensation for expenses arising from research expenses on certain special projects. Upon completion of the research, such funds, after offsetting against actual expenses arising during the course of research, will be recognised as other income. As at each respective balance sheet date, the directors expect that such project will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.

(c) Certain of the Group's subsidiaries received funds from local governments as compensation for losses arising from office or plant relocation upon the request from the local government. Upon completion of the office or plant relocation, such funds, after offsetting against actual losses arising from office relocation, will be recognised as other income. As at each respective balance sheet date, the directors expect that such office or plant relocation will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.

25 TERMINATION BENEFIT OBLIGATIONS

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Termination benefit	106,166	98,064	79,835

The Group had made offers to certain employees for encouraging them to accept voluntary redundancy before their normal retirement date (the "Early Retired Employees").

The Group recognises a liability for the present value of the obligations relating to the termination benefits payable to these Early Retired Employees.

The liability related to the benefit obligations for the Early Retired Employees existing at the respective balance sheet dates are calculated by the management using future cash flow discounting method.

Movements of the net liability recognised in the consolidated financial statements are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At beginning of year	79,152	106,166	98,064
Recognised as expense *(Note 29)*	29,926	30,242	2,377
Benefits paid	(2,912)	(38,344)	(20,606)
At end of year	106,166	98,064	79,835

26 OTHER INCOME

The Group

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Government grants *(Note a)*	109,068	73,778	136,113
Dividend income from available-for-sale financial assets	16,394	12,568	29,564
	125,462	86,346	165,677

(a) Government grants mainly represented subsidy income received from various government organisations to certain Group companies.

27A GAINS ON DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

In 2009, gains on disposal of subsidiaries and associates primarily represented the disposal of Shanghai Business Network, a wholly owned subsidiary of the Group, as disclosed in Note 11b.

27B OTHER GAINS — NET

The Group

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
(Loss)/gain of financial assets at fair value through profit or loss, net	(13,420)	14,798	4,918
Gain/(loss) on disposals of investment properties	9,894	—	(65,268)
Gain/(loss) on disposals of PP&E	25,705	(10,336)	24,746
Gain on disposals of intangible assets	9,278	9,062	71
Gain on disposals of available-for-sale financial assets	40,031	71,059	114,768
Loss on disposals of land-use-right	—	—	(8,224)
Provision for impairment of PP&E *(Note 8)*	(5,350)	(7,697)	(12,851)
Provision for impairment of investments in associates *(Note 11b)*	(6,287)	(62,813)	—
Provision for impairment of available-for-sale financial assets *(Note 12)*	(1,201)	(14,267)	—
Provision for impairment of intangible assets *(Note 9)*	(2,534)	(23,023)	—
Foreign exchange losses	(5,832)	(6,347)	(1,938)
Others — net	(1,765)	30,598	7,655
	48,519	1,034	63,877

28 EXPENSES BY NATURE

The Group

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials, merchandise and consumables used	21,855,899	24,948,313	31,178,914
Changes in inventories of finished goods and work in progress	(380,521)	(316,668)	(1,200,160)
Employee benefit expenses *(Note 29)*	1,521,330	1,569,535	1,628,332
Travelling and meeting expenses	578,201	648,480	740,740
Promotion and advertising costs	449,080	476,749	382,655
Depreciation of PP&E *(Note 8)*	349,259	378,671	348,959
Office expenditures	190,104	215,939	218,846
Transportation costs	155,316	150,076	161,831
Real estate tax, stamp duties and other taxes	115,614	130,760	142,112
Operating lease rentals	96,883	131,711	156,852
Repair and maintenance fee	112,525	127,797	121,442
Energy and utilities	88,171	88,627	88,062
Provision for impairment of trade and other receivables *(Note 15(g))*	129,644	116,227	9,930
Write-down/(reversal of write-down) of inventories to net realisable value	41,622	(3,451)	(24,884)
Amortisation of land use rights *(Note 6)*	22,455	19,831	22,718
Depreciation of investment properties *(Note 7)*	19,065	18,421	18,191
Auditor's remuneration	8,352	7,020	9,286
Amortisation of intangible assets *(Note 9)*	11,443	21,117	7,357
Others	1,073,293	1,146,615	1,561,580
Total cost of sales, distribution and selling expenses and general and administrative expenses	26,437,735	29,875,770	35,572,763

29 EMPLOYEE BENEFIT EXPENSES

The Group

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	1,130,852	1,153,218	1,143,803
Contributions to pension plans *(Note a)*	121,341	128,998	173,474
Housing fund, medical insurance and other social insurance *(Note b)*	129,717	150,627	172,937
Termination benefit obligations	29,926	30,242	2,377
Others	109,494	106,450	135,741
	1,521,330	1,569,535	1,628,332

(a) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 14% to 22% of such relevant income, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 0.5% to 12% of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Emoluments of directors and senior management

The remuneration of each director of the Company for the Relevant Periods is set out below:

Year ended 31 December 2008

Name of director	Salaries and fee	Bonuses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Lu Mingfang	—	—	—	—
Mr. Zhang Jialin	—	—	—	—
Mrs. Yu Jinqi	200	359	62	621
Mr. Hu Fengxiang	—	—	—	—
Mr. Li Xiangqi	10	—	—	10
Mr. Xu Guoxiang	10	—	—	10
Mr. Wang Rong	10	—	—	10
Mr. Feng Zhengquan	50	—	—	50
Mr. Li Zhiqiang	50	—	—	50
Mr. Wang Wei	50	—	—	50
	380	359	62	801

Year ended 31 December 2009

Name of director	Salaries and fee	Bonuses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Lu Mingfang	—	—	—	—
Mr. Zhang Jialin	—	—	—	—
Mrs. Yu Jinqi	234	448	72	754
Mr. Hu Fengxiang	—	—	—	—
Mr. Li Xiangqi	60	—	—	60
Mr. Xu Guoxiang	60	—	—	60
Mr. Wang Rong	60	—	—	60
	414	448	72	934

Year ended 31 December 2010

Name of director	Salaries and fee	Bonuses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Lu Mingfang	—	—	—	—
Mr. Zhang Jialin	—	—	—	—
Mr. Xu Guoxiong	396	781	65	1,242
Mr. Lu Shen	—	—	—	—
Mr. Jiang Ming	—	—	—	—
Mr. Zeng Yixin	60	—	—	60
Mr. Bai Huiliang	60	—	—	60
Mr. Chen Naiwei	60	—	—	60
Ms. Tommei Tong	60	—	—	60
	636	781	65	1,482

Note:

In addition to the directors' emoluments as disclosed above, certain directors of the Company received emoluments (the "Emoluments") from Shanghai Pharma Group or Shanghai Industrial Group, the parent and ultimate parent company respectively. No apportionment has been made as the directors consider that it is impractical to apportion the emoluments between their services rendered to the Group and their service rendered to the parent and ultimate parent company.

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the Relevant Periods include one director whose emoluments during the Relevant Periods have been included in note (c) above. The emoluments payable to the five highest individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries and fee	695	758	1,465
Bonuses	1,994	2,776	2,399
Employer's contribution to pension scheme	311	358	325
	3,000	3,892	4,189

The emoluments fell within the following bands:

	Year ended 31 December		
	2008	2009	2010
	Number	Number	Number
Emolument bands (in HK dollars)			
HK$0 — HK$500,000	—	—	—
HK$500,001 — HK$1,000,000	5	3	3
HK$1,000,001 — HK$1,500,000	—	2	2

(e) During the Relevant Periods, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and there is no director waived or agreed to waive any of their emoluments.

30 FINANCE INCOME AND COSTS

The Group

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Interest income on bank deposits	42,556	55,014	45,846
Interest expenses on borrowings	(302,489)	(214,228)	(166,350)
Interest expenses on notes discounted	—	—	(38,594)
Other costs	(433)	(9,071)	(7,675)
	(302,922)	(223,299)	(212,619)

31 TAXATION

The Group

(a) Income tax expense

The amounts of income tax expenses charged to the consolidated income statements represent:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current income tax, PRC enterprise income tax (ii)	238,556	482,400	422,081
Deferred income tax *(Note 23)*	(28,363)	(17,546)	(28,531)
	210,193	464,854	393,550

(i) The Group was not subject to Hong Kong profits tax during the Relevant Periods as there was no assessable income arising in or derived from Hong Kong.

(ii) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") which is with effect from 1 January 2008. The New CIT Law reduces (increases) the CIT rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008.

For enterprises which were established before the publication of the new CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates granted by relevant tax authorities, the new CIT rate will be gradually increased to 25% within 5 years. For enterprises that enjoy a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009 and will be 22% for 2010, 24% for 2011 and 25% for 2012. For enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Details of the preferential CIT policies and significant subsidiaries who enjoy these policies are listed as follows:

- Shanghai WaiGaoQiao Pharmaceutical Business and Distribution Centre, Shanghai SiFu Pharmaceutical Co., Ltd., and Shanghai XinLing Pharmaceutical Co., Ltd., used to enjoy the preferential CIT rate of 15% applicable to the domestic enterprises established in Pudong New Area, Shanghai. According to the "Enterprise Income Tax Law of PPC" and "the Circular of the State Council on the Implementation of Transitional Preferential Enterprise income Tax Policies" (GuoFa [2007] No.39), the applicable CIT rate for the subsidiaries abovementioned is 18%, 20% and 22% for the year ended 31 December 2008, 2009 and 2010, respectively.

- Shanghai SanWei Bio-technology Co., Ltd., Hangzhou HuQingYuTang Pharmaceutical Co., Ltd., Liaoning Herbapex Pharmaceutical (group) Co., Ltd., Shanghai Xingling Pharmaceutical Technology Co., Ltd., Chiatai Qingchunbao Pharmaceuticals Co., Ltd., Shanghai LeiYunShang Pharmaceutical Co., Ltd., Shanghai HuaYu Pharmaceutical Co., Ltd., Shanghai Zhongxisunve Pharmaceutical Co., Ltd., Shanghai No.1 Biochemical Pharmaceutical Co.,Ltd., Shanghai Sine Pharmaceutical Laboratories Co., Ltd., Shanghai ZhongXi Pharmaceutical Co., Ltd., Shanghai Medical Instruments Co., Ltd., Techpool Bio-Pharma Co., Ltd., and Changzhou Pharmaceutical Factory Co., Ltd., were approved by relevant local tax authorities as the High-technological Enterprise, and had enjoyed a preferential CIT rate of 15% during the Relevant Periods.

- Qingdao Growful Pharmaceutical Co., Ltd., Xiamen Traditional Chinese Medicine Co., Ltd. and Shanghai Harvest Pharmaceutical Co., Ltd. were approved by relevant local tax authorities as the High-technological Enterprise for the year ended 31 December 2009 and 2010, and had enjoyed a preferential CIT rate of 15% during the Relevant Periods.

(iii) The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory CIT rates of 25% applicable to respective years as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit before income tax	1,205,502	2,130,044	2,172,535
Tax calculated at the domestic CIT rate applicable	301,376	532,511	543,134
Income not subject to taxation	(75,611)	(76,934)	(83,940)
Cost not deductible for taxation purposes	59,975	121,814	85,756
Preferential tax rate of certain subsidiaries	(107,538)	(114,035)	(143,465)
Additional deduction on research and development expenses	(13,299)	(13,654)	(19,615)
Utilisation of tax losses for which no deferred income tax assets was recognised	(1,117)	(25,830)	(15,202)
Tax losses for which no deferred income tax asset was recognised	46,407	40,982	26,882
Income tax expenses	210,193	464,854	393,550
Effective tax rate	17%	22%	18%

(b) Business tax ("BT") and related taxes

Certain of the Group's revenues are subject to BT at rate of 5% of the amount of revenue. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 1% to 7% and 1% to 3% of the amount of BT payable.

(c) Value-added tax ("VAT") and related taxes

Certain of the Group's revenues (including sales revenue) are subject to output VAT generally calculated at 6% or 17% of the selling prices pursuant to different circumstances. Input credit relating to input VAT paid on purchases can be used to offset the output VAT. The Group is also subject to CCT and ES based on 1% to 7% and 1% to 3% of the net VAT payable.

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for each of years ended 31 December 2008, 2009 and 2010 have been dealt with in the financial statements of the Company to the extent of approximately RMB108,655,000, RMB130,950,000, and RMB200,129,000, respectively.

33 EARNINGS PER SHARE

For the purpose of this report, basic earnings per share are based on the profit attributable to equity holders of the Company for the Relevant Periods and the assumption that approximately 1,992,643,000 shares, including approximately 1,423,470,000 shares issued in year 2010 as the consideration for the restructuring (Note 1.1), were deemed to have been in issue throughout the Relevant Periods.

	Year ended 31 December		
	2008	**2009**	**2010**
Profit attributable to equity holders of the Company (RMB'000)	696,992	1,296,789	1,368,253
Number of ordinary shares (thousands)	1,992,643	1,992,643	1,992,643
Basic earnings per share (RMB)	0.35	0.65	0.69

The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential shares existed during the Relevant Periods.

34 DIVIDENDS

	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Dividends declared by the Company	25,611	104,012	314,527

In March 2009, the directors of the Company proposed a final dividend for year 2008 of approximately RMB25,611,000, representing RMB0.045 per share. This proposal was approved by the shareholders meeting in April 2009.

In April 2010, the directors of the Company proposed a final dividend for 2009 and a special dividend for one month ended 31 January 2010. At the same date, Shanghai Pharma Group and Shanghai Shangshi renounced their rights of dividends in relation to the shares issued to them in the restructuring in year 2010 (Note 1.1(iii) and (iv)). Net amount of the dividend for 2009 and special dividend after the renouncement was approximately RMB104,012,000 and RMB35,557,000, respectively, representing RMB0.102 per share. This proposal was approved by the shareholders meeting in May 2010.

In March 2011, the directors of the Company proposed a final dividend for 2010 of approximately RMB278,970,000, representing RMB0.14 per share. This proposal is subject to the shareholders' approval.

35 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit before income tax	1,205,502	2,130,044	2,172,535
Adjustments for:			
— Share of profit from associates	(269,186)	(279,125)	(271,174)
— Share of profit from jointly controlled entities	(18,572)	(28,754)	(12,296)
— Depreciation of PP&E and investment properties	368,324	397,092	367,150
— Amortisation of land use right and intangible assets	33,898	40,948	30,075
— Financial assets at fair value through profit or loss	13,420	(14,798)	(795)
— (Gain)/Loss on disposals of			
— investment property	(9,894)	—	65,268
— PP&E	(25,705)	10,336	(24,746)
— land use rights and intangible assets	(9,278)	(9,062)	8,153
— investment in subsidiaries and associates	(1,103)	(550,677)	(21,741)
— available-for-sale financial assets	(40,031)	(71,059)	(114,768)
— Provisions for impairment of			
— trade and other receivables	129,644	116,227	9,930
— inventories	41,622	(3,451)	(24,884)
— investment in associates	6,287	62,813	—
— PP&E	5,350	7,697	12,851
— available-for-sale financial assets	1,201	14,267	—
— intangible assets	2,534	23,023	—
— Dividend income on available-for-sale financial assets	(16,394)	(12,568)	(29,564)
— Financial cost — net	260,366	168,285	166,773
— Other gains — others	1,765	(30,598)	(7,655)
	1,679,750	1,970,640	2,325,112
Changes in working capital:			
— Inventories	(328,363)	(265,928)	(844,461)
— Trade and other receivables	(176,049)	(579,924)	(1,089,290)
— Trade and other payables	184,504	1,093,149	1,707,826
Cash generated from operations	1,359,842	2,217,937	2,099,187

(b) In the cash flow statements, proceeds from disposals of PP&E and investment properties comprise:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net book amount	372,848	273,439	554,150
Gain/(loss) on disposal *(Note 27b)*	35,599	(10,336)	(40,522)
Receivables in respect of disposal of investment properties	–	–	(3,378)
Proceeds from disposal	408,447	263,103	510,250

(c) In the cash flow statements, proceeds from disposals of land use rights and intangible assets comprise:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net book amount	86,714	81,776	52,211
Gain/(loss) on disposal	9,278	9,062	(8,153)
Proceeds from disposal	95,992	90,838	44,058

(d) In the cash flow statements, proceeds from disposals of available-for-sale financial assets comprise:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net book amount	12,584	19,540	116,821
Gain on disposal	40,031	71,059	114,768
Receivables in respect of disposal of available-for-sale financial assets	—	—	(89,068)
Proceeds from disposal	52,615	90,599	142,521

(e) In the cash flow statements, proceeds from disposals of subsidiaries, associates and jointly controlled entities comprise:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net book amount	1,878	500,905	157,365
Gain on disposal	96,928	550,677	17,479
Proceeds from disposal in current year	98,806	1,051,582	174,844
CIT paid for gain on disposal of subsidiaries	—	(134,270)	—
Cash and cash equivalents in subsidiaries disposed	—	(128,226)	(54,517)
Receivables in respect of disposal of an associate	—	—	(44,072)
Proceeds from disposal	98,806	789,086	76,255

(f) The principal non-cash transactions are the issue of shares as consideration for the acquisition of certain entities from Shanghai Pharma Group and Shanghai Industrial Group as described in Note 1.1.

36 CONTINGENCIES AND GUARANTEES

(a) The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

(b) Outstanding loan guarantees

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Outstanding loan guarantees provided to related parties	80,000	87,449	95,584

As at 31 December 2010, outstanding loan guarantees primarily comprised loan guarantees of approximately RMB73,026,000 (31 December 2009 and 2008: RMB80,000,000 and RMB56,449,000, respectively) provided by the Group to Shenzhen Kondarl (Group) Corp., Ltd. (深圳市康達爾 (集團)股份有限公司). The management has assessed that it is not probable for the Group to repay the guaranty and thus has not made any provision for the outstanding balance of the guaranty.

37 COMMITMENTS

(a) Capital commitments

(i) Constructions

Capital expenditure contracted for at the respective balance sheet dates but not yet incurred is as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
PP&E	137,626	66,124	9,696

(ii) Acquisition of subsidiaries

Pursuant to the agreement as mentioned in Note 13 to these consolidated financial statements, the Group is obliged to acquire remaining equity interest of 62.61% in CHS in 2011. As at 31 December 2010, the Group's remaining commitments in respect of the acquisition of equity interest in CHS amounted to RMB1,417,775,000.

As approved by the board of directors on 13 December 2010, the Group has committed to acquired 96.9% equity interests of Shanghai New Asiatic Pharmaceutical Co., Ltd. (上海新亞藥業有限公司, "Shanghai New Asiatic") and 100% equity interests of Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd. (上海新先鋒華康醫藥有限公司, "Huakang") from Shanghai Pharma Group at a consideration of approximately RMB1,487,780,000 in total. As at 31 December 2010, the Group's commitments in respect of the acquisition of equity interest in Shanghai New Asiatic and Huakang amounted to RMB1,487,780,000.

(b) Operating lease commitments

(i) The Group is the lessee:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
No later than 1 year	3,961	6,853	21,815
Later than 1 year and no later than 2 years	4,512	7,050	15,221
Later than 2 years and no later than 5 years	4,283	4,776	18,491
Later than 5 years	7,504	25,707	23,694
	20,260	44,386	79,221

(ii) The Group is the lessor:

The Group leases out certain office premises, plant and equipment under non-cancellable operating lease agreements. The further aggregate minimum rental receivable under these leases is as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
No later than 1 year	2,520	2,692	7,254
Later than 1 year and no later than 2 years	2,071	2,112	4,629
Later than 2 years and no later than 5 years	1,379	1,523	13,670
Later than 5 years	10,030	8,655	8,245
	16,000	14,982	33,798

38 BUSINESS COMBINATION

(a) Business combinations under common control

The following is a reconciliation of the effect arising from the common control combination (Note 1.1) in respect of the acquisition of Acquired Businesses from Shanghai Pharma Group and Shanghai Industrial Group on the consolidated reserves.

The consolidated balance sheet as at 31 December 2008:

	The Group excluding Acquired Businesses	Acquired Businesses	Adjustments Note	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	2,228,258	5,399,204	(53,689)	7,573,773
Current assets	5,522,576	6,810,724	(126,024)	12,207,276
Non-current liabilities	100,109	273,981	—	374,090
Current liabilities	5,565,643	5,127,597	(108,825)	10,584,415
Net Assets	2,085,082	6,808,350	(70,888)	8,822,544
Paid-in capital	569,173	1,051,802	(1,051,802)	569,173
Share premium	596,918	2,765,112	938,205	4,300,235
Other reserves	323,040	523,365	(14,822)	831,583
Retained earnings	196,079	1,015,019	150,496	1,361,594
Non-controlling interests	399,872	1,453,052	(92,965)	1,759,959
	2,085,082	6,808,350	(70,888)	8,822,544

The consolidated balance sheet as at 31 December 2009:

	The Group excluding Acquired Businesses	Acquired Businesses	Adjustments Note	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	2,162,502	5,077,150	(41,794)	7,197,858
Current assets	6,502,001	8,348,339	(173,636)	14,676,704
Non-current liabilities	92,076	369,809	—	461,885
Current liabilities	6,242,480	4,882,530	(147,477)	10,977,533
Net Assets	2,329,947	8,173,150	(67,953)	10,435,144
Paid-in capital	569,173	2,232,591	(2,232,591)	569,173
Share premium	596,918	2,045,260	2,118,818	4,760,996
Other reserves	347,981	428,411	(9,597)	766,795
Retained earnings	329,463	1,658,764	196,819	2,185,046
Non-controlling interests	486,412	1,808,124	(141,402)	2,153,134
	2,329,947	8,173,150	(67,953)	10,435,144

The consolidated balance sheet as at 31 December 2010:

	The Group excluding Acquired Businesses	Acquired Businesses	Adjustments Note	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in Acquired Businesses	4,815,754	—	(4,815,754)	—
Other non-current assets	1,973,794	6,292,703	11,531	8,278,028
Current assets	12,036,430	9,191,769	(1,265,283)	19,962,916
Non-current liabilities	100,130	314,040	—	414,170
Current liabilities	10,337,438	6,803,034	(1,197,961)	15,942,511
Net Assets	8,388,410	8,367,398	(4,871,545)	11,884,263
Paid-in capital	1,992,643	2,232,591	(2,232,591)	1,992,643
Share premium	4,742,046	1,368,894	(2,828,789)	3,282,151
Other reserves	376,472	428,411	(62,141)	742,742
Retained earnings	442,336	2,377,880	296,807	3,117,023
Non-controlling interests	834,913	1,959,622	(44,831)	2,749,704
	8,388,410	8,367,398	(4,871,545)	11,884,263

Note:

The above adjustments mainly represent adjustments to (i) eliminate the share capital of the Acquired Businesses against the investment costs; and (ii) eliminate inter-company balances and unrealised profit arising from inter-company transactions between the Group excluding the Acquired Businesses and the Acquired Businesses.

No significant accounting adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common combination to achieve consistency of accounting policies.

(b) Business combinations not under common control

Other than the acquisition of Acquired Businesses which were accounted for under merger accounting, the Group also acquired equity interests in certain subsidiaries from third parties. Details of the principal acquisitions are as follows:

Year ended 31 December 2010

(i) In July 2010, the Group acquired 49% equity interests in Fujian Pharmaceutical Co., Ltd. ("Fujian Pharmaceutical") from an independent third party for a consideration of approximately RMB78,457,000. The acquisition date of this transaction was 31 July 2010, on which the Group effectively obtained the right to control Fujian Pharmaceutical.

Details of net assets acquired and goodwill arising from the acquisition dated 31 July 2010, are as follows:

	Fujian Pharmaceutical
	RMB'000
Acquisition consideration — Cash	78,457
Fair value of the net assets acquired	(66,603)
Goodwill — Pharmaceutical distribution	11,854

The details of the assets and liabilities acquired and cash flow relating to this acquisition are as follows:

	Fair values at acquisition	Acquiree's carrying amounts at acquisition
	RMB'000	RMB'000
Cash and cash equivalents	124,949	124,949
PP&E	1,042	1,042
Investments in associates	59,127	59,127
Deferred income tax assets	481	481
Other non-current assets	8	8
Inventories	51,377	51,377
Trade and other receivables	143,152	143,152
Other non-current liabilities	(1,754)	(1,754)
Trade and other payables	(146,169)	(146,169)
Borrowings	(96,288)	(96,288)
Net assets	135,925	135,925
Percentage of equity interest acquired	49%	
Net assets acquired	66,603	
Cash and cash equivalents in subsidiary acquired	124,949	
Total consideration paid by the Group	(78,457)	
Cash inflow from acquisition	46,492	

As Fujian Pharmaceutical is mainly engaged in pharmaceutical distribution business and most of its assets and liabilities are current assets and liabilities, the directors of the Company are of the view that the fair value of its identifiable assets and liabilities approximated to their carrying amount due to their short maturities. No intangible asset was recognised as at the acquisition date.

The revenue included in the consolidated financial statements of the Group since the acquisition date to 31 December 2010 contributed by Fujian Pharmaceutical was approximately RMB384 million. Fujian Pharmaceutical also contributed profit of approximately RMB405,000 over the same period.

Had Fujian Pharmaceutical been consolidated from 1 January 2010, the consolidated revenue and profit of the Group would be increased by approximately RMB774 million and RMB4.1 million, respectively.

(ii) In August 2010, the Group acquired 51% equity interests in Guangzhou Z.S.Y. Pharmaceutical Co., Ltd. ("Guangzhou Z.S.Y.") from an independent third party for a consideration of approximately RMB141,025,000. The acquisition date of this transaction was 31 August 2010, on which date the Group effectively obtained the right to control Guangzhou Z.S.Y..

Details of net assets acquired and goodwill arising from the acquisition are as follows:

	Guangzhou Z.S.Y.
	RMB'000
Acquisition consideration — Cash	141,025
Fair value of the net assets acquired	(97,826)
Goodwill — Pharmaceutical distribution	43,199

The details of the assets and liabilities acquired and cash flow relating to this acquisition are as follows:

	Fair values at acquisition	Acquiree's carrying amounts at acquisition
	RMB'000	**RMB'000**
Cash and cash equivalents	170,676	170,676
PP&E	2,643	2,643
Investments in associates	10,595	10,595
Intangible assets	17,139	6,759
Inventories	117,720	117,720
Trade and other receivables	593,103	593,103
Other non-current liabilities	(1,054)	(1,054)
Trade and other payables	(489,669)	(489,669)
Borrowings	(229,338)	(229,338)
Net assets	191,815	181,435
Percentage of equity interest acquired	51%	
Net assets acquired	97,826	
Cash and cash equivalents in subsidiary acquired	170,676	
Total consideration paid by the Group	(141,025)	
Cash inflow from acquisition	29,651	

As Guangzhou Z.S.Y. is mainly engaged in pharmaceutical distribution business and most of its assets and liabilities are current assets and liabilities, the directors of the Company are of the view that, except for the intangible assets, the fair value of its identifiable assets and liabilities approximated to their carrying amount due to their short maturities. An intangible asset of business network of RMB10,380,000 was recognised as at the acquisition date.

The revenue included in the consolidated financial statements of the Group since the acquisition date to 31 December 2010 contributed by Guangzhou Z.S.Y. was approximately RMB666 million. Guangzhou Z.S.Y. also contributed profit of approximately RMB6 million over the same period.

Had Guangzhou Z.S.Y. been consolidated from 1 January 2010, the consolidated revenue and profit of the Group would be increased by approximately RMB1,859 million and RMB17 million, respectively.

(iii) In October 2010, the Group acquired 52.24% equity interests in Beijing SPH Aixin Weiye Medicine Co., Ltd. (formerly known as Beijing Aixin Weiye Medicine Co., Ltd., "Beijing Aixin Weiye") from an independent third party for a consideration of approximately RMB218,700,000. The acquisition date of this transaction was 31 October 2010, on which date the Group effectively obtained the right to control Beijing Aixin Weiye.

Details of net assets acquired and goodwill arising from the acquisition are as follows:

	Beijing Aixin Weiye
	RMB'000
Acquisition consideration — Cash	218,700
Fair value of the net assets acquired	(99,963)
Goodwill — Pharmaceutical distribution	118,737

The details of the assets and liabilities acquired and cash flow relating to this acquisition are as follows:

	Fair values at acquisition	Acquiree's carrying amounts at acquisition
	RMB'000	RMB'000
Cash and cash equivalents	102,818	102,818
PP&E	4,037	4,037
Deferred tax assets	826	826
Intangible assets	29,070	—
Inventories	51,038	51,038
Trade and other receivables	235,184	235,184
Trade and other payables	(224,352)	(224,352)
Deferred income tax liabilities	(7,268)	—
Net assets	191,353	169,551
Percentage of equity interest acquired	52.24%	
Net assets acquired	99,963	
Cash and cash equivalents in subsidiary acquired	102,818	
Total consideration paid by the Group	(205,830)	
Cash outflow in acquisition	(103,012)	

As Beijing Aixin Weiye is mainly engaged in pharmaceutical distribution business and most of its assets and liabilities are current assets and liabilities, the directors of the Company are of the view that, except for the intangible assets and related deferred income tax liabilities, the fair value of its identifiable assets and liabilities approximated to their carrying amount due to their short maturities. An intangible asset of business network of RMB29,070,000 was recognised as at the acquisition date.

The revenue included in the consolidated financial statements of the Group since the acquisition date to 31 December 2010 contributed by Beijing Aixin Weiye was approximately RMB164 million. Beijing Aixin Weiye also contributed profit of approximately RMB2 million over the same period.

Had Beijing Aixin Weiye been consolidated from 1 January 2010, the consolidated revenue and profit of the Group would be increased by approximately RMB808 million and RMB23 million, respectively.

(iv) In December 2010, the Group acquired 53% equity interests in Taizhou Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical") from an independent third party for a consideration of approximately RMB150,000,000. The acquisition date of this transaction was 31 December 2010, on which date the Group effectively obtained the right to control Taizhou Pharmaceutical.

Details of net assets acquired and goodwill arising from the acquisition are as follows:

	Taizhou Pharmaceutical
	RMB'000
Acquisition consideration — Cash	150,000
Fair value of the net assets acquired	(31,089)
Goodwill — Pharmaceutical distribution	118,911

The details of the assets and liabilities acquired and cash flow relating to this acquisition are as follows:

	Fair values at acquisition	Acquiree's carrying amounts at acquisition
	RMB'000	RMB'000
Cash and cash equivalents	10,743	10,743
Restricted cash	115,456	115,456
PP&E	27,225	27,225
Land use right	10,427	10,427
Intangible assets	15,433	1,729
Inventories	126,011	126,011
Trade and other receivables	263,156	263,156
Trade and other payables	(443,916)	(443,916)
Borrowings	(62,450)	(62,450)
Deferred tax liabilities	(3,426)	—
Net assets	58,659	48,381
Percentage of equity interest acquired	53.00%	
Net assets acquired	31,089	
Cash and cash equivalents in subsidiary acquired	10,743	
Total consideration paid by the Group	—	
Cash inflow from acquisition	10,743	

As Taizhou Pharmaceutical is mainly engaged in pharmaceutical distribution business and most of its assets and liabilities are current assets and liabilities, the directors of the Company are of the view that, except for the intangible assets and related deferred tax liabilities, the fair value of its identifiable assets and liabilities approximated to their carrying amount due to their short maturities. An intangible asset of business network of RMB13,704,000 was recognised as at the acquisition date.

As the Group acquired Taizhou Pharmaceutical at the end of December 2010, it did not contribute material revenue or profit to the Group.

Had Taizhou Pharmaceutical been consolidated from 1 January 2010, the consolidated revenue and profit of the Group would be increased by approximately RMB1,254 million and RMB19 million, respectively.

39 SIGNIFICANT RELATED PARTIES TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by Shanghai Pharma Group and Shanghai Industrial Group, the parent company and ultimate parent company, both of which are government-related enterprise established in the PRC. The PRC government indirectly controls Shanghai Industrial Group. In accordance with HKAS 24 (Revised), "Related Party Disclosures", issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include Shanghai Industrial Group and its subsidiaries (other than the Group), other government related entities and their subsidiaries, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group's significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include sales or purchases of assets, goods and services, bank deposits and bank borrowings and related trade and other receivables, trade and other payables, borrowings, pledged bank deposits, cash and cash equivalents. The directors of the Company believe that the meaningful information of related party transactions has been adequately disclosed in this report.

Name of related party	Nature of relationship
Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥 (集團)有限公司)	Parent company
Shanghai Industrial Pharmaceutical Group Co., Ltd. (上海實業醫藥集團有限公司)	Controlled by Shanghai Industrial Group
Shanghai Kangjian Import and Export Co., Ltd. (上海康健進出口有限公司)	Controlled by Shanghai Industrial Group
Shanghai International Pharmacentical Trade Co., Ltd. (上海國際醫藥貿易有限公司)	Controlled by Shanghai Industrial Group
Mergen Holding Ltd.	Controlled by Shanghai Industrial Group
SIIC Management (Shanghai) Co., Ltd. (上實管理 (上海)有限公司)	Controlled by Shanghai Industrial Group
Shanghai SIICINV Consulting Co., Ltd. (上海上實投資管理諮詢有限公司)	Controlled by Shanghai Industrial Group
Shanghai Shangshi International Trade (Group) Co., Ltd. (上海上實國際貿易 (集團)有限公司)	Controlled by Shanghai Industrial Group
Shanghai Industrial Trade Co., Ltd. (上海實業貿易有限公司)	Controlled by Shanghai Industrial Group
Shanghai Zhengshen Pharmaceutical Import and Export Co., Ltd. (上海振申醫藥進出口有限公司)	Controlled by Shanghai Pharma Group
Shanghai New Asiatic Pharmaceuticals Co., Ltd. (上海新亞藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai New Asiatic Minhang Pharmaceutical Co., Ltd. (上海新亞閔行藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd. (上 海 新 先 鋒 華 康 醫 藥 有 限 公 司)	Controlled by Shanghai Pharma Group
Shanghai Wuzhou Pharmaceutical Co., Ltd. (上海五洲藥業股份有限公司)	Controlled by Shanghai Pharma Group
Liaoning Medya Pharmaceutical Co., Ltd. (遼寧美亞藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Pharmaceutical Advertisement Company (上海醫藥廣告公司)	Controlled by Shanghai Pharma Group
Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Jianer Pharmacy Co., Ltd. (上海健爾藥房有限公司)	Jointly controlled entity
Shanghai Jianxin Pharmacy Store (上海健新醫藥商店)	Jointly controlled entity
Shanghai Hutchison Pharmaceutical Co., Ltd. (上海和黃藥業有限公司)	Jointly controlled entity
Jiangxi Nanhua Medicines Co., Ltd. (江西南華醫藥有限公司)	Jointly controlled entity
Shanghai Sanhe Biotechnology Co., Ltd. (上海三合生物技術有限公司)	Associate
Shanghai Zhongxi Xinshengli Bio-pharmaceutical Co., Ltd. (上海中西新生力生物工程有限公司)	Associate
Shanghai Sine Promod Pharmaceutical Corp., Ltd. (上海信誼百路達藥業有限公司)	Associate

Name of related party	Nature of relationship
Shanghai Huayuan Changfu Pharmaceutical (Group) Co., Ltd. (上海華源長富藥業 (集團)有限公司)	Associate
Shanghai Deyi Pharmaceutical Co., Ltd. (上海得一醫藥有限公司)	Associate
Shanghai Roche Pharmaceuticals Ltd. (上海羅氏製藥有限公司)	Associate
Shanghai Beisiou Pharmaceutical Co., Ltd. (上海貝斯歐藥業有限公司)	Associate
Shanghai Luoda Pharmaceutical Co., Ltd. (上海羅達醫藥有限公司)	Associate
Shanghai Tongyong Pharmaceutical Corp., Ltd. (上海通用藥業股份有限公司)	Associate
Shanghai Yeshengyuan Technology Co., Ltd. (上海野生源高科技有限公司)	Associate
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. (上海雷允上北區藥業股份有限公司)	Associate
Shanghai Qingping Pharmaceutical Co., Ltd. (上海青平藥業有限公司)	Associate
Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥有限公司)	Associate
Jilin Yaitai Fahrenheit Medicine Co., Ltd. (吉林亞泰華氏醫藥有限公司)	Associate
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司)	Associate
Shanghai Huaxiang Pharmaceutical Co., Ltd. (上海華翔藥業有限公司)	Associate
Changzhou Kaipu Bio-Pharmaceutical Co., Ltd. (常州凱普生物化學有限公司)	Associate
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd. (杭州胡慶餘堂國藥號有限公司)	Associate
Hengren Manchu Municipality Grain Packaging Co., Ltd. (桓仁滿族自治縣格瑞恩包裝有限公司)	Associate
Shanghai Lvyuan Pharmacy Co., Ltd. (上海綠苑藥房有限公司)	Associate
Chongqing Medicines Shanghai Pharma Sales Co., Ltd. (重慶醫藥上海藥品銷售有限公司)	Associate
Shanghai Baohua Industrial Co., Ltd. (上海保華實業公司)	Associate
Shanghai Bracco Sine Pharmaceutical Corp. Ltd. (上海信誼博萊科藥業有限公司)	Associate
Shanghai Draeger Medical Instrument Co., Ltd. (上海德爾格醫療器械有限公司)	Associate
Shenzhen Kondarl (Group) Corp., Ltd. (深圳市康達爾 (集團)股份有限公司)	Investee

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other government-related enterprises, during the years and balances arising from related party transaction.

(a) Significant transactions with related parties except for other government-related enterprises

During the Relevant Periods, the Group had the following significant transactions entered into in the ordinary course of business between the Group and it related parities.

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Sales of goods			
Jiangxi Nanhua Medicines Co., Ltd.	93,324	136,558	179,409
Shanghai Hutchison Pharmaceutical Co., Ltd.	28,358	24,467	53,631
Shanghai Deyi Pharmaceutical Co., Ltd.	32,908	44,265	50,227
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	35,622	46,131	49,128
Shanghai Luoda Pharmaceutical Co., Ltd.	23,442	23,298	39,863
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd.	15,022	22,050	24,827
Shanghai Lvyuan Pharmacy Co., Ltd.	761	16,281	20,529
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	703	3,990	8,522
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	2,901	5,439	7,261
Jilin Yaitai Fahrenheit Medicine Co., Ltd.	3,551	3,645	3,141
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	—	—	2,985
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd	6,926	3,083	2,665
Liaoning Medya Pharmaceutical Co., Ltd.	—	—	2,449
Shanghai Jianer Pharmacy Co., Ltd.	1,467	1,974	1,273
Shanghai New Asiatic Minhang Pharmaceutical Co., Ltd.	9,806	4,571	607
Shanghai Pharmaceutical (Group) Co., Ltd.	4,215	1,989	24
Shanghai Jianxin Pharmacy Store	11,171	14,798	—
Shanghai Kangjian Import and Export Co., Ltd.	30,625	102,012	—
Shanghai Huaxiang Pharmaceutical Co., Ltd.	30,015	35,009	—
Shanghai Huayuan Changfu Pharmaceutical (Group) Co., Ltd.	—	9,346	—
Shanghai Tongyong Pharmaceutical Corp., Ltd.	12,398	3	—
Shanghai Wuzhou Pharmaceutical Co., Ltd.	3,545	—	—
Others	1,272	992	1,337
	348,032	499,901	447,878

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Purchase of goods			
Shanghai Roche Pharmaceuticals Ltd.	439,845	536,792	706,755
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	315,278	409,365	433,664
Shanghai Hutchison Pharmaceutical Co., Ltd.	34,165	86,985	109,777
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	—	—	84,698
Shanghai Pharmaceutical (Group) Co., Ltd.	21,945	89,870	53,096
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd.	3,366	9,066	40,086
Shanghai New Asiatic Pharmaceuticals Co., Ltd.	—	—	33,422
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	30,445	39,046	25,756
Shanghai Zhengshen Pharmaceutical Import and Export Co., Ltd.	369	257	21,801
Shanghai Luoda Pharmaceutical Co., Ltd.	37	7,490	17,465
Shanghai Deyi Pharmaceutical Co., Ltd.	8,211	20,619	13,938
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	—	156	13,111
Shanghai Tongyong Pharmaceutical Corp., Ltd	4,492	10,644	10,715
Shanghai Fudan-Zhangjiang Bio- Pharmaceutical Co., Ltd.	—	—	5,789
Hengren Manchu Municipality Grain Packaging Co., Ltd.	4,205	4,452	3,229
Shanghai New Asiatic Minhang Pharmaceutical Co., Ltd.	—	—	2,170
Shanghai International Pharmaceutical Trade Co., Ltd.	27,933	82,582	—
Shanghai Huaxiang Pharmaceutical Co., Ltd.	—	15,712	—
Liaoning Medya Pharmaceutical Co., Ltd.	12,741	4,615	—
Shanghai Kangjian Import and Export Co., Ltd.	4,296	69	—
Others	327	5,204	3,001
	907,655	1,322,924	1,578,473

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Rental income			
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	—	—	8,076

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Rental expense			
Shanghai Pharmaceutical (Group) Co., Ltd.	3,913	8,621	15,338
Others	552	552	552
	4,465	9,173	15,890

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Sales of PP&E and land use rights			
Shanghai SIICINV Consulting Co., Ltd.	—	—	74,256
Shanghai Pharmaceutical (Group) Co., Ltd.	—	130,214	—
	—	130,214	74,256

Transfer of investment in an associate

Pursuant to the agreement entered into by the Group and Shanghai Shangshi International Trade (Group) Co.,Ltd. ("Shangshi Guomao") dated 31 May 2010, the Group transferred its entire 49% equity interest in the then associate, Shanghai Kangjian Import and Export Co., Ltd. , to Shangshi Guomao at the consideration of approximately RMB21,740,000.

Borrowings

Pursuant to the agreement entered into by the Group, SIIC Management (Shanghai) Co., Ltd. ("SIIC Management") and certain banks, the Group got certain borrowings from the banks which were entrusted by SIIC Management. As at 31 December 2008 and 2009, the balances of these entrusted borrowings were RMB14,000,000 and RMB20,000,000, respectively. As at 31 December 2010, all the entrusted borrowings were repaid by the Group.

Pursuant to the agreement entered into by the Group and a subsidiary of Shanghai Industrial Group, the Group got borrowings of USD12,000,000, bearing 1.5% interest rate per annum, from a subsidiary of Shanghai Industrial Group for the purpose of acquisition of equity interest in CHS. The balance in relation to this borrowings were equivalent to approximately RMB79,647,000 as at 31 December 2010 and were all settled by the Group in January 2011.

(b) Key management compensation

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries and fee	1,011	953	1,643
Bonuses	1,911	2,540	2,399
Retirement plans contributions	436	429	348
	3,358	3,922	4,390

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, these transactions are in the ordinary course of business of the Group.

(c) Significant balances with related parties except for other government-related enterprises

Amount due from related parties:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables	90,134	69,973	89,572
Other receivables	173,984	115,234	18,144
Prepayments	3,550	—	—
Dividends receivables	91,079	118,766	6,917
	358,747	303,973	114,633

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables due from			
Jiangxi Nanhua Medicines Co., Ltd.	30,355	12,730	41,468
Shanghai Luoda Pharmaceutical Co., Ltd.	6,338	12,927	15,026
Shanghai Hutchison Pharmaceutical Co., Ltd.	7,544	4,189	6,773
Shanghai Deyi Pharmaceutical Co., Ltd.	5,636	7,506	6,513
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	10,677	3,340	6,911
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	4,877	2,513	3,045
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd.	2,101	3,350	2,185
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	—	—	1,552
Shanghai Lvyuan Pharmacy Co., Ltd.	629	2,944	1,488
Shanghai Tongyong Pharmaceutical Corp., Ltd.	2,211	—	—
Shanghai Huaxiang Pharmaceutical Co., Ltd.	7,059	6,665	—
Shanghai Kangjian Import and Export Co., Ltd.	253	5,958	—
Shanghai Huayuan Changfu Pharmaceutical (Group) Co., Ltd.	—	2,308	—
Changzhou Kaipu Bio-Pharmaceutical Co., Ltd.	3,602	—	—
Shanghai Jianxin Pharmacy Store	1,867	2,155	—
Others	6,985	3,388	4,611
	90,134	69,973	89,572

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Other receivables due from			
Shanghai Sanhe Biotechnology Co., Ltd.	4,992	4,892	7,209
Shanghai Beisiou Pharmaceutical Co., Ltd.	5,800	5,800	5,800
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	—	—	3,252
Shanghai Pharmaceutical Advertisement Company	—	—	804
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	4,525	—	22
Shanghai Hutchison Pharmaceutical Co., Ltd.	26,000	26,000	—
Shanghai Industrial Pharmaceutical Group Co., Ltd.	—	47,508	—
Shanghai Qingping Pharmaceutical Co., Ltd.	5,095	1,173	—
Shanghai International Pharmaceutical Trade Co., Ltd.	11,098	11,932	
Shanghai Zhongxi Xinshengli Bio-pharmaceutical Co., Ltd.	9,739	9,234	—
Shanghai Kangjian Import and Export Co., Ltd.	19,000	7,000	—
Shanghai Pharmaceutical (Group) Co., Ltd.	63,376	—	—
Shenzhen Kondarl (Group) Corp., Ltd.	12,199	—	—
SIIC Management (Shanghai) Co., Ltd.	6,241	—	—
Shanghai Huayuan Changfu Pharmaceutical (Group) Co., Ltd.	2,847	—	—
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd	2,500	—	—
Others	572	1,695	1,057
	173,984	115,234	18,144

Other receivables are all non-trade receivables and will be settled upon demand of the Group.

Ageing analysis of the trade and other receivables due from related parties are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	210,995	134,094	33,583
3 months to 6 months	24,815	10,385	19,877
6 months to 12 months	28,308	8,323	13,567
1 year to 2 years	—	32,405	8,412
Over 2 years	—	—	32,277
	264,118	185,207	107,716

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Prepayments due from			
Shanghai International Pharmacentical Trade Co., Ltd.	3,540	—	—
Others	10	—	—
	3,550	—	—

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Dividends receivable			
Shanghai Draeger Medical Instrument Co., Ltd.	—	—	2,518
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	203	—	2,212
Shanghai Roche Pharmaceuticals Ltd.	88,750	88,750	982
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	264	650	863
Shanghai Hutchison Pharmaceutical Co., Ltd.	—	26,062	—
Others	1,862	3,304	342
	91,079	118,766	6,917

Amount due to related parties:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade Payables	103,413	183,901	176,841
Other Payables	258,533	34,547	84,218
Advances	132	198	2,088
Dividends Payable	144,044	91,729	91,315
	506,122	310,375	354,462

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables due to			
Shanghai Roche Pharmaceuticals Ltd.	42,034	76,246	77,401
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	11,584	29,742	25,490
Shanghai Pharmaceutical (Group) Co., Ltd.	11,992	33,456	19,337
Shanghai Hutchison Pharmaceutical Co., Ltd.	14,506	22,406	14,187
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	11,436	9,799	8,061
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	—	—	7,942
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd.	954	2,092	6,033
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	—	—	3,397
Shanghai New Asiatic Pharmaceutical Co., Ltd.	—	—	3,294
Shanghai Zhengshen Pharmaceutical Import and Export Co., Ltd.	—	64	2,911
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	2,562	64	2,551
Shanghai Deyi Pharmaceutical Co., Ltd.	1,612	2,431	549
Shanghai Tongyong Pharmaceutical Corp., Ltd	3,898	2,666	—
Others	2,835	4,935	5,688
	103,413	183,901	176,841

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Other payables due to			
Shanghai Industrial Trade Co., Ltd.	—	—	79,647
Shanghai Pharmaceutical (Group) Co., Ltd.	236,313	28,737	4,064
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	38	—	—
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd	2,000	5,327	—
Shanghai Yeshengyuan Technology Co., Ltd.	8,900	—	—
Shanghai Hutchison Pharmaceutical Co., Ltd.	5,030	—	—
SIIC Management (Shanghai) Co., Ltd.	2,699	—	—
Mergen Holding Ltd.	2,497	—	—
Others	1,056	483	507
	258,533	34,547	84,218

Other payables are all non-trade payables and will be settled upon demand of these related parties.

Ageing analysis of the trade and other payables due to related parties are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	305,444	184,060	221,411
3 months to 6 months	18,640	11,810	17,889
6 months to 12 months	37,821	22,533	20,645
1 year to 2 years	41	45	1,114
	361,946	218,448	261,059

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Advances due to			
Shanghai Baohua Industrial Co., Ltd.	—	—	2,064
Others	132	198	24
	132	198	2,088

Advances are all trade payables and will continue after listing of the Company's shares.

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Dividends payable			
Shanghai Pharmaceutical (Group) Co., Ltd.	144,044	91,729	91,236
Others	—	—	79
	144,044	91,729	91,315

Dividends payable will be settled upon demand of these related parties.

(d) Significant guarantees with related parties except for other government-related enterprises

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Outstanding loan guarantees to			
Shenzhen Kondarl (Group) Corp., Ltd.	80,000	56,449	73,026
Jiangxi Nanhua Medicines Co., Ltd.	—	20,000	20,000
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	—	5,000	1,558
Shanghai Luoda Pharmaceutical Co., Ltd.	—	1,000	1,000
Shanghai Tongyong Pharmaceutical Corp., Ltd.	—	5,000	—
	80,000	87,449	95,584

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Outstanding loan guarantees by			
Shanghai Pharmaceutical (Group) Co., Ltd.	688,000	427,520	25,810

40 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2010, the Company has direct and indirect interests in the following subsidiaries:

Principal subsidiaries

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Share percentage held by the Company	Share percentage held by the Company	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Shanghai Pharmaceutical Distribution Co., Ltd. (上海醫藥分銷控股有限公司)	PRC, 26 April 2010	1,816,868	100	—	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Shanghai Sine Pharmaceutical Laboratories Co., Ltd. (上海信誼藥廠有限公司)	PRC, 23 October 1993	666,040	100	—	Pharmaceutical products manufacture and trading in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
Shanghai No.1 Biochemical and Pharmaceutical Co., Ltd. (上海第一生化藥業有限公司)	PRC, 30 July 1994	100,000	100	—	Medicine and medical equipment manufacture and trading in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
Techpool Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司)	PRC, 25 March 1993	100,000	39.28(b)	1.52(b)	Development, manufacture and distribution of chemical medicine in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Shanghai Traditional Chinese Medicine Co., Ltd. (上海市藥材有限公司)	PRC, 28 April 1992	463,690	100	—	Manufacture and distribution of Chinese medicine and property rental in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
Chiatai Qingchunbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司)	PRC, 6 November 1992	128,500	—	55	Medicine manufacture and trading in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Changzhou Pharmaceutical Co., Ltd. (常州藥業股份有限公司)	PRC, 1 November 1993	78,790	57.36	5.33	Medicine Distribution in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd. (上海中西三維藥業有限公司)	PRC, 3 November 1995	545,800	65.13	34.87	Medicines development and manufacture in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
Qingdao Growful Pharmaceutical Co., Ltd. (青島國風藥業股份有限公司)	PRC, 30 June 1994	93,000	63.93	—	Traditional Chinese medicine manufacture and trading in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Share percentage held by the Company	Share percentage held by the Company	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Shanghai Zhonghua Pharmaceutical Co., Ltd. (上海中華藥業有限公司)	PRC, 10 Mar 2009	63,642	100	—	Medicine manufacture and trading in the PRC	2009 and 2010:(c)(i)	(d)(i)
Shanghai Fahrenheit Pharmacy Co., Ltd. (上海華氏大藥房有限公司)	PRC, 27 October 1994	99,570	—	100	Retail pharmacy operations	2008, 2009 and 2010:(c)(i)	
Xiamen Traditional Chinese Medicine Co., Ltd. (廈門中藥廠有限公司)	PRC, 11 September 2002	84,030	—	61	Medicine manufacture and trading in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Hangzhou Huqingyutang Pharmaceutical Co.,Ltd (杭州胡慶餘堂藥業有限公司)	PRC, 1 January 1999	53,160	—	51.01	Medicine manufacture and trading in the PRC	2008, 2009 and 2010:(c)(iv)	(d)(ii)
Liaoning Herbapex Pharmaceutical (Group) Co., Ltd. (遼寧好護士藥業 (集團) 有限公司)	PRC, 12 December 1999	51,000	—	55	Medicine manufacture and trading in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司)	PRC, 10 September 1998	127,000	99.21	0.79	Medical instruments manufacture and trading in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd. (上海醫藥物資供銷有限公司)	PRC, 12 May 1982	71,390	100	—	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	(d)(i)
Shanghai Pharmaceutical Import and Export Co., Ltd. (上海醫藥進出口有限公司)	PRC, 1 October 1986	90,140	100	—	Imports and exports business on medical equipment, medicine and chemical raw materials in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
Shanghai Sine Tianyi Pharmaceutical Co., Ltd. (上海信誼天一藥業有限公司)	PRC, 29 December 2000	3,500	—	100	Distribution of pharmaceutical products in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
Shanghai Sine Yellow River Pharmaceutical Co., Ltd. (上海信誼黃河製藥有限公司)	PRC, 2 August 1992	6,624 (USD:1,200,000)	—	66	Medicine manufacture and trading in the PRC	2008, 2009 and 2010:(c)(i)	(d)(i)

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Share percentage held by the Company	Share percentage held by the Company	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Shanghai Yichuang Chinese Medicine Research and Development Center Co., Ltd. (上海醫創中醫藥科研開發中心有限公司)	PRC, 25 May 2000	3,000	—	55	Medicines development in the PRC	2008:(c)(v) 2009 and 2010:(c)(xii)	(d)(ii)
Shanghai Sunve Co., Ltd. (上海三維有限公司)	PRC, 10 February 1990	99,033	100	—	Investment holding practices in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
SIIC Medical Science and Technology (Group) Limited (上海實業醫藥科技 (集團) 有限公司)	Cayman Islands, 17 September 1999	40,893 (HKD:40,893,400)	100	—	Investment holding practices in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Mergen Biotech Ltd.	British Virgin Islands, 22 December 1998	111 (HKD:106,470)	70.41	—	Investment holding practices in the PRC	Not subject to audit	(d)(ii)
Shanghai United International Limited (香港上聯國際有限公司)	Hong Kong, 2 June 1999	44 (HKD:50,000)	100	—	International trading in Hongkong	2008, 2009 and 2010:(c)(i)	(d)(ii)
Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (上海實業聯合集團藥業有限公司)	PRC, 19 January 2000	257,130	100	—	Investment holding practices in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Huarui Shanghai Investment Co., Ltd. (上海華瑞投資有限公司)	PRC, 15 November 2000	200,000	90	10	Assets management and investment consultation within pharmaceutical system in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Shanghai Industrial United Holdings Pharmaceutical Research Center Co., Ltd. (上海實業聯合集團藥物研究所有限公司)	PRC, 18 December 2002	50,600	100	—	Medicine and medical equipment research and development in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Share percentage held by the Company	Share percentage held by the Company	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Ningbo Pharmaceutical Co., Ltd. (寧波醫藥股份有限公司)	PRC, 5 July 1994	140,000	—	63.61	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Shanghai Suzuken Chinese Medicine Co., Ltd. (上海鈴謙滬中醫藥有限公司)	PRC, 10 November 1999	84,460	—	50(a)	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Shanghai Wai Gao Qiao Pharmaceutical Business and Distribution Center (上海外高橋醫藥分銷中心有限公司)	PRC, 9 August 2001	20,000	—	65	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Shanghai Sifu Pharmaceutical Co., Ltd. (上海思富醫藥有限公司)	PRC, 27 May 1994	12,000	—	60	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Shangqiu Xin Xian Feng Pharmaceutical Co., Ltd. (商丘市新先鋒藥業有限公司)	PRC, 5 April 2005	50,000	—	52	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Shanghai Hujiao Pharmaceutical Co., Ltd. (上海滬郊醫藥有限公司)	PRC, 24 August 2005	50,000	—	100	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Shanghai Jinguichao Pharmaceutical Co., Ltd. (上海金龜華超醫藥有限公司)	PRC, 17 June 1992	30,000	—	100	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Shanghai Sine United Medical Material Co., Ltd. (上海信誼聯合醫藥藥材有限公司)	PRC, 28 January 1994	20,653	—	81.60	Pharmaceutical products trading in the PRC	2008:(c)(ii) 2009 and 2010:(c)(i)	(d)(i)
Shanghai Pharmaceutical Group Sine Yangpu Co., Ltd. (上海醫藥集團信誼洋浦有限公司)	PRC, 24 November 2004	1,000	—	100	Imports and exports business on medicine and chemical raw materials in the PRC	2008, 2009 and 2010:(c)(i)	(d)(i)
Shanghai Sine Pharmaceutical Co., Ltd. (上海信誼醫藥有限公司)	PRC, 21 May 2001	5,000	—	100	Pharmaceutical products manufacture and trading in the PRC	2008, 2009 and 2010:(c)(v)	(d)(i)

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Share percentage held by the Company	Share percentage held by the Company	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Shanghai Leiyunshang Pharmaceutical Co., Ltd. (上海雷允上藥業有限公司)	PRC, 21 May 1998	335,070	—	97.58	Pharmaceutical products manufacture and trading in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
Shanghai Huayu Pharmaceutical Co., Ltd. (上海華宇藥業有限公司)	PRC, 17 December 1998	60,600	—	65.22	Manufacture and distribution of Chinese medicine in the PRC	2008:(c)(v) 2009 and 2010:(c)(i)	(d)(i)
Changzhou Pharmaceutical Factory Co., Ltd. (常州製藥廠有限公司)	PRC, 14 December 2001	72,000	—	77.78	Medicine manufacture in the PRC	2008, 2009 and 2010:(c)(i)	(d)(ii)
Shanghai Fahrenheit Pharmacy Distribution Co., Ltd. (上海華氏大藥房配送中心有限公司)	PRC, 7 November 2002	5,000	—	100	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(i)	
Qingdao Huashi Growful Pharmaceutical Co., Ltd. (青島華氏國風醫藥有限責任公司)	PRC, 27 September 2003	46,000	—	100	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(iii)	

Principal jointly controlled entities

As at 31 December 2010, the Company has indirect interests in the following principal jointly controlled entities:

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Share percentage held by the Company	Share percentage held by the Company	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Jiangxi Nanhua Medicines Co., Ltd. (江西南華醫藥有限公司)	PRC, 31 December 2001	180,000	—	50	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(iii)	
Shanghai Hutchison Pharmaceutical Co., Ltd. (上海和黃藥業有限公司)	PRC, 30 April 2001	88,000	—	50	Chinese medicine manufacture and trading in the PRC	2008, 2009 and 2010:(c)(vi)	

Principal associates

As at 31 December 2010, the Company has direct and indirect interests in the flowing associates:

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Share percentage held by the Company	Share percentage held by the Company	Principal activities and place of operations	Auditors	Note
		RMB'000	Direct %	Indirect %			
Shanghai Roche Pharmaceuticals Ltd. (上海羅氏製藥有限公司)	PRC, 6 May 1994	460,079 (USD:62,357,143)	—	30	Pharmaceutical products manufacture and trading in the PRC	2008, 2009 and 2010:(c)(vii)	(d)(i)
Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥有限公司)	PRC, 14 October 1982	126,814 (USD:18,440,000)	30	—	Pharmaceutical products manufacture and trading in the PRC	2008, 2009 and 2010:(c)(viii)	(d)(i)
Shanghai Ajinomoto Amino Acid Co., Ltd. (上海味之素氨基酸有限公司)	PRC, 24 February 1998	99,352 (USD:12,000,000)	39	—	Amino acids in bulk drugs manufacture in the PRC	2008, 2009 and 2010:(c)(xi)	(d)(i)
Shanghai Tsumura Pharmaceutical Co., Ltd. (上海津村製藥有限公司)	PRC, 26 July 2001	171,336 (USD:36,200,000)	—	34	Chinese medicine manufacture and trading in the PRC	2008, 2009 and 2010:(c)(ix)	
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. (上海雷允上北區藥業股份有限公司)	PRC, 28 August 1997	50,000	—	44.24	Distribution of pharmaceutical products in the PRC	2008, 2009 and 2010:(c)(x)	

(a) The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of Shanghai Suzuken Chinese Medicine Co., Ltd. although it held 50% of its equity interests, after considering the facts that the majority of the executive directors of Shanghai Suzuken Chinese Medicine Co., Ltd. were representatives of the Group.

(b) The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of Techpool Bio-Pharma Co., Ltd. ("TECHPOOL") during the Relevant Periods although its equity interests in this company was below 50%, after considering the facts that the Group can control the financial and operating policies of the entity by virtue of an agreement with other shareholders. From 1 January 2011, because of the expiration of the relevant agreement, the Group cannot control over TECHPOOL and it is not a subsidiary of the Group but accounted for as an associated company from then on (Note 41 (d)).

(c) The statutory audits of these companies' financial statements for the years ended 31 December 2008, 2009 and 2010 were performed by certified public accountants in the PRC as follows:

(i) Shulun Pan Certified Public Accountants Co., Ltd. (立信會計師事務所有限公司);

(ii) Zhongxingcai Certified Public Accountants Co., Ltd. (上海中興財會計師事務所);

(iii) Zhonglei Certified Public Accountants Co., Ltd. (中磊會計師事務所有限公司);

(iv) Pan-China Certified Public Accountants Co., Ltd. (天健會計師事務所有限公司);

(v) Vocation International Certified Public Accountants Co., Ltd. (天職國際會計師事務所);

(vi) PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司);

(vii) KPMG Huazhen CPAs Limited Company (畢馬威華振會計師事務所);

(viii) Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (德勤華永會計師事務所有限公司);

(ix) Ernst&Young Hua Ming Certified Public Accountants Ltd. (安永華明會計師事務所);

(x) Shanghai Jiu Zhou Certified Public Accounting Co., Ltd. (上海九洲會計師事務所有限公司);

(xi) Shanghai Mytz Certified Public Accountants Ltd. (上海邁伊茲會計師事務所有限公司); and

(xii) Shanghai Hud Ding Certified Public Accounting Co., Ltd. (上海華鼎會計師事務所有限公司).

(d) Principal subsidiaries and associates acquired in the business combination under common control from:

(i) Acquired from Shanghai Pharma Group

(ii) Acquired from Shanghai Industrial Group

41 SUBSEQUENT EVENTS

(a) Acquisition of anti-biotic business from Shanghai Pharma Group

As approved by the board of directors on 13 December 2010, the Group proposed to acquire 96.9% equity interests of Shanghai New Asiatic and 100% equity interests of Huakang from Shanghai Pharma Group at a consideration of approximately RMB1,487,780,000 in total. Shanghai New Asiatic and Huakang are mainly engaged in manufacturing and distribution of anti-biotic medicine and other pharmaceutical products.

This proposed acquisition was approved by the shareholders' meeting of the Company on 30 December 2010 and is expected to be completed in the first half of year 2011.

(b) Acquisition of China Health System Ltd. ("CHS") from third parties

As approved by the board of directors on 13 December 2010, the Group would acquire 65.24% equity interests of CHS from certain third parties at a consideration of approximately RMB2,328,000,000 in total. This proposed acquisition was approved by the shareholders' meeting of the Company on 30 December 2010.

Pursuant to a subsequent approval by the board of directors on 28 January 2011, the Group would acquire the remaining 34.76% equity interests of CHS from certain third parties at a consideration of approximately RMB1,241,000,000.

CHS is mainly engaged in distribution of pharmaceutical products. This proposed acquisition was completed in early April 2011 and the Group holds 100% equity interest of CHS since then.

(c) Appropriation of retained earnings

As approved by the board of directors on 7 March 2011, the Company declared a final dividend of 2010 in the amount of RMB278,970,000 to the shareholders, representing RMB0.14 per share. This proposal is subject to the shareholders' approval.

(d) Deconsolidation of TECHPOOL

During the Relevant Periods, the Group could control the financial and operating policies of TECHPOOL by virtue of an agreement with other shareholders and consolidated TECHPOOL accordingly. From 1 January 2011, because of the expiration of the relevant agreement, the Group considered that it no longer exerted control over TECHPOOL and TECHPOOL was accounted for as an associated company from then on.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2010. Save as disclosed elsewhere in this report, no dividend or distribution has been declared or made by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2010.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

6 May 2011

The Directors
Shanghai Pharmaceuticals Holding Co., Ltd
(formerly known as Shanghai No. 4 Pharmaceuticals Co., Ltd)

Goldman Sachs (Asia) L.L.C.
China International Capital Corporation Hong Kong Securities Limited
Deutsche Bank AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of China Health System Ltd. ("China Health" or the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008, 2009 and 2010 (the "Track Record Period") for inclusion in the prospectus of Shanghai Pharmaceuticals Holding Co. Ltd. (formerly known as Shanghai No. 4 Pharmaceuticals Co., Ltd) ("Shanghai Pharmaceuticals") dated 6 May 2011 (the "Prospectus") in connection with the initial listing of the shares of Shanghai Pharmaceuticals on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the proposed acquisition of the entire equity interests in China Health by Shanghai Pharmaceuticals.

China Health, which acts as an investment holding company, was incorporated in the Cayman Islands with limited liability under the company law of the Cayman Islands (2004) on 15 February 2006. The address of its registered office is Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KYI-9005, Cayman Islands.

In the opinion of the directors of China Health, as of the date of this report, the ultimate controlling shareholder is Shanghai Pharmaceuticals.

As at the date of this report, the particulars of China Health's subsidiaries are as follows:

Name	Place and date of incorporation or establishment/ operation	Attributable equity interest held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Direct	Indirect		
CITIC Pharmaceutical Company, Limited ("CITIC") 中信醫藥實業有限公司 *(Note (i) and (iii))*	The People's Republic of China (the "PRC") 14 June 1993	100%	—	RMB500,000,000	Distribution and supply of pharmaceutical products
Beijing Health Link Information Technology Limited ("Health Link") 海思林科(北京)信息技術有限公司 *(Note (ii) and (iii))*	The PRC 28 March 2008	—	100%	RMB5,000,000	Provision of information technology services
Beijing Keyuan Xinhai Pharmaceutical Company Limited ("Keyuan Xinhai") 北京科園信海醫藥經營有限公司 *(Note (ii) and (iii))*	The PRC 8 March 1999	—	100%	RMB300,000,000	Distribution and supply of pharmaceutical products
Keyuan Xinhai (Beijing) International Trade Company Limited ("Xinhai International") 科園信海 (北京)醫療用品貿易有限公司 *(Note (ii) and (iii))*	The PRC 4 January 2009	—	100%	RMB5,000,000	Distribution and supply of pharmaceutical products
Nanjing Xinhai Pharmacy Company Limited ("Nanjing Xinhai") 南京信海科園大藥房有限公司 Formerly known as (南京信海大藥房有限公司) *(Note (ii) and (iii))*	The PRC 21 May 1998	—	100%	RMB2,000,000	Retail of pharmaceutical products
Tianjin Xinhai Keyuan Pharmacy Company Limited ("Tianjin Xinhai") 天津信海科園大藥房有限公司 *(Note (ii) and (iii))*	The PRC 10 June 2008	—	100%	RMB1,000,000	Retail of pharmaceutical products

Name	Place and date of incorporation or establishment/ operation	Attributable equity interest held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Direct	Indirect		
Beijing Xinhai Keyuan Pharmacy Company Limited ("Beijing Xinhai") 北京信海科園大藥房有限公司 *(Note (ii) and (iii))*	The PRC 21 April 2000	—	100%	RMB1,000,000	Retail of pharmaceutical products

Notes:

(i) The entity is a wholly foreign owned enterprise established in the PRC.

(ii) The entities are limited liability companies established in the PRC.

(iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

All the companies comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for China Health since its date of incorporation as it is incorporated in a country where it is not subject to statutory audit requirement.

The statutory financial statements of the subsidiaries of China Health, which stated as the above, for each of the Track Record Period, were prepared in accordance with the generally accepted accounting principles in the PRC and were audited by ShineWing Certified Public Accountants.

For the purpose of this report, the directors of China Health have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The directors of China Health are responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements 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.

As a basis for forming an opinion on the Financial Information, for the purpose of preparing this report, we have examined the audited Underlying Financial Statements and carried out such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared in accordance with HKFRS based on the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

Our responsibility is to form an opinion on the Financial Information based on our audit.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and China Health as at 31 December 2008, 2009 and 2010 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	NOTES	Year ended 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Revenue	7	3,214,398	4,343,379	6,111,948
Cost of sales		(2,932,159)	(4,002,539)	(5,633,842)
Gross profit		282,239	340,840	478,106
Other gains and losses	9	6,032	5,101	21,385
Selling and distribution costs		(89,254)	(109,504)	(165,105)
Administrative expenses		(72,250)	(78,429)	(105,740)
Interest on bank borrowings repayable within five years		(29,517)	(37,288)	(52,592)
Share of profit of associates	19	4,403	9,163	13,760
Profit before tax		101,653	129,883	189,814
Income tax expense	10	(30,207)	(36,290)	(58,099)
Profit and total comprehensive income for the year	11	71,446	93,593	131,715
Total comprehensive income attributable to:				
Owners of the Company		45,903	60,915	104,807
Non-controlling interests		25,543	32,678	26,908
		71,446	93,593	131,715

Consolidated Statements of Financial Position

	NOTES	As at 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	15	15,390	23,101	27,304
Goodwill	16	7,244	7,244	7,703
Intangible assets	17	17,981	8,714	4,671
Interest in associates	19	50,861	60,024	108,785
Available-for-sale investments	20	2,227	627	627
Deferred tax assets	21	7,144	7,250	10,690
		100,847	106,960	159,780
Current assets				
Inventories	22	469,117	706,507	1,451,626
Trade and bills receivables	23	912,814	1,338,216	2,021,686
Prepayments and other receivables	24	77,033	45,228	69,572
Amounts due from associates	25	10,709	21,330	6,208
Restricted bank deposits	26	47,843	236,667	128,673
Cash and bank balances	26	132,460	334,934	111,792
		1,649,976	2,682,882	3,789,557
Current liabilities				
Trade and bills payables	27	806,485	972,245	1,636,564
Other payables	28	162,464	61,678	123,240
Amounts due to associates and shareholders	25	909	893	4,648
Interest-bearing borrowings	29	338,000	946,627	1,152,665
Income tax payable		18,067	19,404	32,225
		1,325,925	2,000,847	2,949,342
Net current assets		324,051	682,035	840,215
Total assets less current liabilities		424,898	788,995	999,995
Non-current liabilities				
Deferred tax liabilities	21	7,132	4,548	3,797
Net assets		417,766	784,447	996,198
Capital and reserves				
Share capital	30	289	438	597
Reserves		271,821	605,675	995,601
Equity attributable to owners of the Company		272,110	606,113	996,198
Non-controlling interests		145,656	178,334	—
Total equity		417,766	784,447	996,198

Statements of Financial Position

China Health

	NOTES	As at 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current asset				
Investment in a subsidiary	18	169,050	169,050	977,955
		169,050	169,050	977,955
Current assets				
Dividend receivable from a subsidiary		8,053	8,053	8,053
Cash and bank balances	26	879	273,321	27,106
		8,932	281,374	35,159
Current liabilities				
Amounts due to shareholders	25	760	759	3,274
Other payables		—	—	26,051
		760	759	29,325
Net current assets		8,172	280,615	5,834
Net assets		177,222	449,665	983,789
Capital and reserves				
Share capital	30	289	438	597
Reserves		176,933	449,227	983,192
Total equity		177,222	449,665	983,789

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Other reserves	Retained earning	Share options reserve	Statutory reserve	Total	Non-controlling interests	Total
	RMB'000 (Note 30)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2008	200	68,316	—	33,941	—	20,255	122,712	120,113	242,825
Share issued	89	103,406	—	—	—	—	103,495	—	103,495
Total comprehensive income for the year	—	—	—	45,903	—	—	45,903	25,543	71,446
Appropriation to statutory reserve	—	—	—	(718)	—	718	—	—	—
As at 31 December 2008 and 1 January 2009	289	171,722	—	79,126	—	20,973	272,110	145,656	417,766
Share issued	149	272,939	—	—	—	—	273,088	—	273,088
Total comprehensive income for the year	—	—	—	60,915	—	—	60,915	32,678	93,593
Appropriation to statutory reserve	—	—	—	(864)	—	864	—	—	—
As at 31 December 2009 and 1 January 2010	438	444,661	—	139,177	—	21,837	606,113	178,334	784,447
Share issued	159	543,054	—	—	—	—	543,213	—	543,213
Total comprehensive income for the year	—	—	—	104,807	—	—	104,807	26,908	131,715
Recognition of equity-settled share-based payment	—	—	—	—	807	—	807	—	807
Disposal of a subsidiary	—	—	—	—	—	—	—	(48)	(48)
Acquisition of additional interests in subsidiaries	—	—	(258,742)	—	—	—	(258,742)	(205,194)	(463,936)
Appropriation to statutory reserve	—	—	—	(1,927)	—	1,927	—	—	—
As at 31 December 2010	597	987,715	(258,742)	242,057	807	23,764	996,198	—	996,198

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Operating activities			
Profit before tax	101,653	129,883	189,814
Adjustments for:			
Share of profit from associates	(4,403)	(9,163)	(13,760)
Impairment loss on trade receivables	3,113	—	3,606
Impairment loss on other receivables	13,128	3,992	1,685
Interest income	(1,630)	(4,296)	(3,865)
Depreciation of property, plant and equipment	3,128	5,655	8,996
Amortisation of intangible assets	4,592	4,513	4,682
Loss on disposal of property, plant and equipment	180	885	45
Loss (gain) on disposal of intangible assets	55	(693)	244
Share based payment	—	—	807
Gain on disposal of a subsidiary	—	—	(16)
(Loss) gain on disposal of available-for-sale investments	262	(400)	—
Write back of trade payables	—	(3,012)	—
Finance costs	29,517	37,288	52,592
Cash generated from operations before movements in working capital	149,595	164,652	244,830
Increase in inventories	(226,178)	(237,390)	(744,636)
Increase in trade and bills receivables	(191,415)	(425,402)	(687,076)
(Increase) decrease in prepayments and other receivables	(79,901)	27,813	(25,352)
Increase in trade and bills payables	247,961	165,760	663,516
Increase (decrease) in other payables	142,011	(97,774)	61,923
Cash generated from (used in) operations	42,073	(402,341)	(486,795)
PRC income tax paid	(29,839)	(37,643)	(49,865)
Net cash flows generated from (used in) operating activities	12,234	(439,984)	(536,660)
Investing activities			
Decrease (increase) in restricted bank balances	(47,843)	(188,824)	107,994
Purchase of property, plant and equipment	(8,808)	(14,489)	(13,851)
Purchase of intangible assets	(1,873)	(2,553)	(934)
Interest received	1,630	4,296	3,865
Proceeds from disposal of property, plant and equipment	124	238	629
Net cash outflow from acquisition of a subsidiary	—	—	(433)
Acquisition of partial interest of a subsidiary from non-controlling interests	—	—	(463,936)
Acquisition of partial interests of an associate	—	—	(35,000)
Net cash outflow from disposal of a subsidiary	—	—	(403)
Proceeds from disposal of available-for-sale investments	338	2,000	—
Proceeds from disposal of intangible assets	—	8,000	51
Net cash flows used in investing activities	(56,432)	(191,332)	(402,018)

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Financing activities			
Proceeds from borrowings	338,000	946,627	1,152,665
Proceeds from issuance of shares	103,495	273,088	543,213
Repayment of borrowings	(307,226)	(338,000)	(946,627)
Interest paid	(29,517)	(37,288)	(52,592)
(Repayment to) advances from shareholders	(5,744)	(10,637)	18,877
Net cash flows generated from financing activities	99,008	833,790	715,536
Net increase (decrease) in cash and cash equivalents	54,810	202,474	(223,142)
Cash and cash equivalents at the beginning of the year	77,650	132,460	334,934
Cash and cash equivalents at the end of the year, represented by cash and bank balances	132,460	334,934	111,792

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

China Health, which acts as an investment holding company, was incorporated in the Cayman Islands with limited liability under the company law of the Cayman Islands (2004) on 15 February 2006.

The principal activities of the Group are the pharmaceutical distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies, and the operation of network retail pharmacy stores.

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB") which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC) — INTs") (herein collectively referred to as "new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on or after 1 January 2010 consistently for the Track Record Period.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective as at the date of the report.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Right Issues[2]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's combined financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. The directors of the Company anticipate that the application of HKAS 24 (as revised in 2009) will have no material impact on the Financial Information.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) — Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) — Int 19 will affect the required accounting. In particular, under HK(IFRIC) — Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Group anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Investment in a subsidiary

Investment in a subsidiary are stated at cost less any identified impairment loss on the statement of financial position of the Company.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

— deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

— liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a subsidiary is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognised when the goods are delivered and title has been passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Service income from provision of information technology services is recognised when services are provided.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

— exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefit costs

Payments to state-managed retirement benefit scheme is charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to reserve for shares issued with vesting conditions.

At the time when the vesting conditions of these shares are fulfilled, the amount previously recognised in reserve for shares issued with vesting conditions will be transferred to share capital for the par value of the shares issued and the remaining balances to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Borrowing costs

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probably that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

Goodwill

Goodwill arising on an acquisition of a subsidiary is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gain or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets comprise loans and receivables and available-for-sale investments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, prepayments and other receivables, amounts due from associates, restricted bank deposits, cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of on financial assets below).

Interest income is recognised by apply the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as loans and receivables.

Available-for-sale investments are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserves, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserves is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and amounts due to associates and shareholders and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the relevant group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Convertible non-redeemable preferred shares

During the Track Record Period, the Company has issued convertible non-redeemable preferred shares. Convertible non-redeemable preferred shares capital is classified as equity if it is non-redeemable and any dividends are discretionary. Dividends on convertible non-redeemable preferred shares capital classified as equity are recognised as distributions within equity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of China Health are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of inventories

As explained in note 3, the Group's inventories are stated at the lower of cost and net realisable value. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices less the estimated costs of necessary to make the sale. The Group carries out an inventory review at the end of each reporting period and makes provision for obsolete and slow-moving items. The carrying amounts of inventory as at 31 December 2008, 2009 and 2010 are approximately RMB469,117,000, RMB706,507,000 and RMB1,451,626,000 respectively. No impairment have been provided throughout the Track Record Period.

Impairment for trade receivables

The Group makes impairment based on assessment of the recoverability of trade receivables. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers were considered by the directors likely to be deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 December 2008, 2009 and 2010, impairment loss on trade receivable was recognised amounting to approximately RMB3,113,000, nil and RMB3,606,000 and the carrying amount of trade receivables are RMB905,772,000, RMB1,321,725,000 and RMB1,956,471,000, respectively (net of allowance for doubtful debts of approximately RMB6,101,000, RMB6,101,000 and RMB9,707,000, respectively).

Impairment of interests in associates

The Group regularly reviews investment in associates for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the financial health, cash flow projections and future prospects of the companies. For the year ended 31 December 2008, 2009 and 2010, no impairment loss was recognised and the carrying amount of interest in associates is RMB46,265,000, RMB55,428,000 and RMB100,678,000, respectively.

Impairment of intangible assets and goodwill

Determining whether intangible assets and goodwill are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets and goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the interest-bearing borrowings as disclosed in note 29, cash and cash equivalents and equity attributable to owners of China Health, comprising share capital, reserves and retained earnings.

The directors of China Health regularly review and manage the Group's capital structure. As part of this review, the directors consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issue, new borrowings raised or repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Loans and receivables (including cash and cash equivalents)	1,131,651	1,949,700	2,307,329
Available-for-sale investments	2,227	627	627
	1,133,878	1,950,327	2,307,956
Financial liabilities at amortised cost	1,307,063	1,977,515	2,906,507

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivable, prepayments and other receivables, amounts due from associates, restricted bank deposits, cash and bank balances, trade and bills payables, other payables and amounts due to associates and shareholders and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risk arising from the Group's financial instruments are mainly credit risk, foreign currency risk, market rate risk and liquidity risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2008, 2009 and 2010, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The principal financial assets are trade and bills receivable, other receivables, amounts due from associates, restricted bank deposits and cash and bank balances.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of China Health consider that the Group's credit risk is significantly reduced.

As at 31 December 2008, 2009 and 2010, the Group had a certain concentration of credit risk as of approximately 13%, 14% and 12% of the total trade receivables that were due from the Group's largest customer respectively, and approximately 19%, 17%, and 26% of the total trade receivables were due from the Group's five largest customers respectively.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for all of the trade receivables throughout the Track Record Period.

Foreign currency risk

The Group has foreign currency purchases, which expose the Group to foreign currency risk. All sales of the Group's cost are denominated in RMB, the Group's functional currency, whilst 12%, 17% and 20% of costs are denominated in currencies other than the Group's functional currency for the Track Record Period.

Also, certain bank balances, trade payables, other payables, interest-bearing borrowings and amounts due to shareholders are denominated in USD, Euro ("EUR") and Hong Kong dollars ("HKD") which are currencies other than functional currency of the relevant group entities. The carrying amounts of the Group's foreign currency denominated monetary liabilities at the end of each reporting period are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets			
USD	879	273,321	27,107
Liabilities			
USD	60,123	248,707	582,820
HKD	34	443,023	15,293
EUR	737	—	5,981

The Group currently does not have a foreign currency hedging policy. However, the directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation in USD, EUR and HKD.

Set out as below is an analysis of the Group entities' sensitivity to a 5% increase and decrease in the functional currency (RMB) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

The sensitivity analysis includes cash and bank balances, trade payables, other payables, interest-bearing borrowings and amounts due to shareholders where the denomination of the loan is in a currency other than the functional currency of the Group. A positive or negative number below indicates an increase or a decrease in post-tax profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	USD Impact (note i)		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Increase (decrease) in post-tax profit for the year	2,221	(4,841)	15,808

	HKD Impact (note ii)		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Increase in post-tax profit for the year	1	16,613	384

	EUR Impact (note iii)		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Increase in post-tax profit for the year	37	—	299

Notes:

(i) This is mainly attributable to the exposure on USD denominated cash and bank balances, trade payables, other payables and amounts due to shareholders at the end of each reporting date.

(ii) This is mainly attributable to the exposure on HKD denominated trade payables and other payables at the end of each reporting date in the Group.

(iii) This is mainly attributable to the exposure on EUR denominated trade payables and interest-bearing borrowings at the end of each reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the market risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate interest-bearing borrowings (see note 29 for details of these borrowings).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate interest-bearing borrowings. The Group's restricted bank deposits and bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Group's exposure of the restricted bank deposits and bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank deposits. The Group has not used any financial instruments to hedge potential fluctuations in interest rates. To mitigate the impact of interest rate fluctuations, the Group manages its interest cost using an appropriate mix of fixed and variable rate debts.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate offered from People's Bank of China and the Hong Kong Inter-bank Offered Rate arising from the Group's interest-bearing borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined by directors based on the exposure to interest rates for non-derivative instruments including restricted bank deposits, cash and bank balances and interest-bearing borrowings. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

The directors considered that if interest rates had been 50 basis point higher or lower and all other variable were held constant, the potential effect on pre-tax profit would decrease or increase by approximately RMB810,000, decrease or increase by approximately RMB1,435,000 and decrease or increase by approximately RMB1,912,000 for the three years ended 31 December 2008, 2009 and 2010. This is mainly attributable to the Group's exposure to cash flow interest rate risk on restricted bank deposits, cash and bank balances and interest-bearing borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank facilities and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. For variable rate non-derivative financial liabilities, the undiscounted cash flows on interest are estimated based on interest rates at the end of the reporting period and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

At 31 December 2008	On demand or within one year	More than one year and less than two years	More than two years and less than five years	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities					
Trade and bills payables	806,485	—	—	806,485	806,485
Other payables	161,669	—	—	161,669	161,669
Amounts due to associates and shareholders	909	—	—	909	909
Interest-bearing bank borrowings					
— fixed rate	161,599	—	—	161,599	158,000
— variable rate	184,329	—	—	184,329	180,000
	1,314,991	—	—	1,314,991	1,307,063

At 31 December 2009	On demand or within one year	More than one year and less than two years	More than two years and less than five years	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities					
Trade and bills payables	972,245	—	—	972,245	972,245
Other payables	57,750	—	—	57,750	57,750
Amounts due to associates and shareholders	893	—	—	893	893
Interest-bearing bank borrowings					
— fixed rate	623,390	—	—	623,390	612,125
— variable rate	344,455	—	—	344,455	334,502
	1,998,733	—	—	1,998,733	1,977,515

At 31 December 2010	On demand or within one year	More than one year and less than two years	More than two years and less than five years	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities					
Trade and bills payables	1,636,564	—	—	1,636,564	1,636,564
Other payables	112,630	—	—	112,630	112,630
Amounts due to associates and shareholders	4,648	—	—	4,648	4,648
Interest-bearing bank borrowings					
— fixed rate	760,213	—	—	760,213	746,269
— variable rate	408,718	—	—	408,718	406,396
	2,922,773	—	—	2,922,773	2,906,507

c. Fair value

The fair value of the non-derivative financial assets and non-derivative financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors of China Health consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

7. REVENUE

Revenue represents the amounts received and receivable for the wholesale and retail of pharmaceutical products and other business operation which includes information technology service, net of sales related taxes. Revenue is analysed as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Wholesale	3,209,558	4,314,048	6,038,101
Retail	3,209	21,929	67,195
Others	1,631	7,402	6,652
	3,214,398	4,343,379	6,111,948

8. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (Chief Executive Officer) for the purpose of resource allocation and performance assessment are as follows:

1) Distribution and supply chain solutions (Wholesale) — distribution, warehousing, logistics and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufactuers and dispensers, such as hospitals, distributors and retail pharmacies

2) Pharmaceutical retail (Retail) — Operation of a network of retail pharmacy stores

3) Other business operations (Others) — Provision of information technology services

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2010

	Whole Sales	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External sales	6,038,101	67,195	6,652	6,111,948
Inter-segment sales	899,598	—	7,872	907,470
Segment revenue	6,937,699	67,195	14,524	7,019,418
Eliminations				(907,470)
Group revenue				6,111,948
Segment profit (loss)	183,437	1,487	(3,448)	181,476
Unallocated corporate gain and expenses				(5,422)
Share of profit of associates				13,760
Profit before tax				189,814

For the year ended 31 December 2009

	Whole Sales	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External sales	4,314,048	21,929	7,402	4,343,379
Inter-segment sales	536,425	—	3,930	540,355
Segment revenue	4,850,473	21,929	11,332	4,883,734
Eliminations				(540,355)
Group revenue				4,343,379
Segment profit (loss)	139,803	218	(18,616)	121,405
Unallocated corporate expenses				(685)
Share of profit of associates				9,163
Profit before tax				129,883

For the year ended 31 December 2008

	Whole Sales	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External sales	3,209,558	3,209	1,631	3,214,398
Inter-segment sales	423,217	—	1,200	424,417
Segment revenue	3,632,775	3,209	2,831	3,638,815
Eliminations				(424,417)
Group revenue				3,214,398
Segment profit (loss)	109,575	(581)	(11,383)	97,611
Unallocated corporate expenses				(361)
Share of profit of associates				4,403
Profit before tax				101,653

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of expenses incurred by the holding company which included administration expenses, bank interest income, exchange loss, share-based payments and professional fees. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Whole sales	3,890,508	2,496,131	1,674,319
Retails	14,105	5,294	59,989
Others	16,991	14,469	13,409
Total segment assets	3,921,604	2,515,894	1,747,717
Unallocated corporate assets	27,733	273,948	3,106
Consolidated assets	3,949,337	2,789,842	1,750,823

Segment liabilities	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Whole sales	2,921,055	2,003,233	1,331,208
Retails	774	913	948
Others	1,985	490	141
Total segment liabilities	2,923,814	2,004,636	1,332,297
Unallocated corporate liabilities	29,325	759	760
Consolidated liabilities	2,953,139	2,005,395	1,333,057

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to reportable segment assets other than cash held by the holding company for investment purpose.

— all liabilities are allocated to reportable segment liabilities other than amounts due to shareholders.

Other segment information

For the year ended 31 December 2010

	Whole Sales	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Gain on disposal of a subsidiary	—	16	—	16
Addition to intangible assets	934	—	—	934
Addition to property, plant and equipment	12,827	831	193	13,851
Loss on disposal of intangible assets	244	—	—	244
Depreciation and amortisation	13,243	422	13	13,678
Loss on disposal of property, plant and equipment	45	—	—	45
Impairment loss on trade receivables	3,606	—	—	3,606
Impairment loss on other receivables	1,685	—	—	1,685
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:				
Interest income	2,224	503	1,138	3,865

For the year ended 31 December 2009

	Whole sales	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to intangible assets	2,533	—	—	2,553
Addition to property, plant and equipment	12,722	1,345	422	14,489
Depreciation and amortisation	9,702	284	182	10,168
Gain on disposal of intangible assets	693	—	—	693
Loss on disposal of property, plant and equipment	804	81	—	885
Impairment loss on other receivables	3,992	—	—	3,992
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:				
Interest income	3,308	85	903	4,296

For the year ended 31 December 2008

	Whole sales	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to intangible assets	1,873	—	—	1,873
Addition to property, plant and equipment	7,278	1,455	75	8,808
Depreciation and amortisation	7,364	198	158	7,720
Loss on disposal of intangible assets	55	—	—	55
Loss on disposal of property, plant and equipment	180	—	—	180
Impairment loss on trade receivables	3,113	—	—	3,113
Impairment loss on other receivables	13,128	—	—	13,128
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:				
Interest income	1,523	7	100	1,630

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries. This is the measure reported to the Chief Executive Officer for the purpose of resource allocation and performance assessment.

Geographical information:

All revenues of the Group are generated from customers within the PRC.

Revenue from major products:

The following is an analysis of the Group's revenue from its major products:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Medical drugs	3,040,727	4,004,977	5,583,617
Vaccines	99,380	206,084	286,476
Medical supplies	62,080	118,294	207,406
Logistics, information technology and other services	12,211	14,024	34,449
	3,214,398	4,343,379	6,111,948

Major Customers:

During the track record period, the Group had no customers with whom transactions have exceed 10% of the Group's aggregate revenue during the year.

9. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
(Loss) gain on disposal of available-for-sale investments	(262)	400	—
Penalty income	280	491	1,098
Interest income	1,630	4,296	3,865
Gain on disposal of a subsidiary *(note 32)*	—	—	16
Government grant	353	492	1,211
Write back of trade payables	—	3,012	—
Exchange gains (loss) — net	4,414	(717)	15,603
Losses on disposal of property, plant and equipment — net	(180)	(885)	(45)
(Loss) gain on disposal of intangible assets	(55)	693	(244)
Donations	(843)	(2,788)	(626)
Others	695	107	507
	6,032	5,101	21,385

Note:

Government grants of approximately RMB353,000, RMB492,000 and RMB1,211,000 were received from several local government authorities respectively for the three years ended 31 December 2008, 2009 and 2010 for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
PRC Enterprise Income Tax (the "EIT")			
Current tax:			
Provision for the year			
— PRC EIT	34,651	38,980	62,290
Deferred tax *(note 21)*	(4,444)	(2,690)	(4,191)
	30,207	36,290	58,099

(i) Overseas income tax

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) PRC EIT

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for entities that are entitled to different concessionary tax rates as disclosed below.

On 16 March 2007, the National People's Congress promulgated the "Corporate Income Tax Law of the PRC" which became effective from 1 January 2008. Subsidiaries which originally enjoyed preferential income tax treatments will transit to 25% gradually in five years from 1 January 2008 onwards. Entities with original applicable income tax rate of 33% in year 2007 are subject to income tax rate of 25% from 1 January 2008 onwards. Pursuant to Guo Fa [2007] 39 document, starting from 1 January 2008, entities which originally enjoyed "two-year tax exemption and three-year 50% reduction" continue to follow the original tax laws, administrative regulations and relevant documents until respective expiration dates. However, those having been entitled to preferential income tax treatment while not yet started the tax holiday as a result of tax losses, the preferential period started from 2008 onwards.

The applicable tax rate of CITIC was 18%, 20% and 22% for the three years ended 31 December 2008, 2009 and 2010 respectively.

(iii) Withholding tax

According to joint circular of the Ministry of Finance and State Administration of Taxation — Cai Shui 2008 No. 1, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to RMB127,307,000 (2009 and 2008: RMB89,218,000 and RMB75,891,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The taxation for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit before tax	101,653	129,883	189,814
Tax at the domestic income rate of 25%	25,413	32,471	47,454
Tax effect of non- taxable income	(423)	(3,363)	(23)
Tax effect of non-deductible expenses	6,705	9,989	11,814
Tax effect of share of profit of associates	(1,101)	(2,291)	(3,440)
Effect of different rate of subsidiaries' operations in other jurisdictions and tax on concessionary tax rate	(387)	(677)	(180)
Tax effect of tax losses not recognised	—	161	2,474
Tax charge for the year	30,207	36,290	58,099

11. PROFIT FOR THE YEAR

Profit for the Track Record Period has been arrived at after charging:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	39,748	48,116	68,339
Share-based payments	—	—	807
Contributions to retirement benefit scheme	1,917	2,296	4,815
Total staff costs (including directors' remuneration)	41,665	50,412	73,961
Auditor's remuneration	1,300	811	6,521
Cost of inventories recognised as an expense	2,932,159	4,002,539	5,633,842
Amortisation of intangible assets	4,592	4,513	4,682
Depreciation of property, plant and equipment	3,128	5,655	8,996
Impairment for trade receivables (included in administrative expenses)	3,113	—	3,606
Impairment for other receivables (included in administrative expenses)	13,128	3,992	1,685
Operating lease rentals in respect of rented premises	7,081	9,682	9,591

12. DIRECTORS' EMOLUMENTS

The details of directors' remuneration of each of the directors during the Track Record Period are set out below:

For the year ended 31 December 2008:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Zhi Yang	—	—	—	—
Carolynn Gandolofo	—	—	—	—
John Amos	—	—	—	—
Darren Carroll	—	—	—	—
Richard Kramlich	—	—	—	—
	—	—	—	—

For the year ended 31 December 2009:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Zhi Yang	—	—	—	—
Carolynn Gandolofo (resigned on 4 December 2009)	—	—	—	—
John Amos	—	—	—	—
Darren Carroll	—	—	—	—
Richard Kramlich	—	—	—	—
Bernice Nisa Leung (appointed on 4 December 2009)	—	—	—	—
	—	—	—	—

For the year ended 31 December 2010:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Zhi Yang	—	—	—	—
John Amos (resigned on 7 January 2011)	—	—	—	—
Darren Carroll	—	—	—	—
Richard Kramlich	—	—	—	—
Bernice Nisa Leung (resigned on 26 March 2010)	—	—	—	—
Dai Feng (appointed on 26 March 2010)	—	—	—	—
George Jian Chuang (appointed on 26 March 2010)	—	—	—	—
	—	—	—	—

No directors waived or agreed to waive any emolument paid by the Group during the Track Record Period. No emoluments were paid by the Group to any directors as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Period.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none were directors, whose emoluments are set out in note 12 above, of China Health for the years ended 31 December 2008, 2009 and 2010. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	5,082	5,424	5,972
Contributions to retirement benefit scheme	117	104	95
	5,199	5,528	6,067

Their emoluments were within the following bands:

	Year ended 31 December		
	2008	2009	2010
	No. of employees	No. of employees	No. of employees
Nil to HK$1,000,000 (equivalents to nil to RMB866,000)	3	3	1
HK$1,000,001 to HK$2,000,000 (equivalents to RMB866,001 to RMB1,731,000)	2	2	4

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the Track Record Period.

14. DIVIDENDS

No dividend has been paid or declared by China Health for the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvement	Machinery	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
As at 1 January 2008	5,432	1,382	3,150	13,185	23,149
Additions	4,016	357	1,056	3,379	8,808
Disposals	—	(61)	(625)	(499)	(1,185)
As at 31 December 2008 and 1 January 2009	9,448	1,678	3,581	16,065	30,772
Additions	4,352	5,826	894	3,417	14,489
Disposals	—	(86)	(341)	(3,631)	(4,058)
As at 31 December 2009 and 1 January 2010	13,800	7,418	4,134	15,851	41,203
Acquisition of subsidiaries	—	—	22	—	22
Additions	4,950	2,246	1,330	5,325	13,851
Disposals	—	(263)	(575)	(1,444)	(2,282)
As at 31 December 2010	18,750	9,401	4,911	19,732	52,794
ACCUMULATED DEPRECIATION					
As at 1 January 2008	5,395	586	2,053	5,101	13,135
Provided for the year	279	124	738	1,987	3,128
Eliminated on disposals	—	(47)	(554)	(280)	(881)
As at 31 December 2008 and 1 January 2009	5,674	663	2,237	6,808	15,382
Provided for the year	2,402	608	575	2,070	5,655
Eliminated on disposals	—	(62)	(318)	(2,555)	(2,935)
As at 31 December 2009 and 1 January 2010	8,076	1,209	2,494	6,323	18,102
Provided for the year	4,181	1,228	1,194	2,393	8,996
Eliminated on disposals	—	(216)	(575)	(817)	(1,608)
As at 31 December 2010	12,257	2,221	3,113	7,899	25,490
CARRYING VALUES					
As at 31 December 2008	3,774	1,015	1,344	9,257	15,390
As at 31 December 2009	5,724	6,209	1,640	9,528	23,101
As at 31 December 2010	6,493	7,180	1,798	11,833	27,304

The above property, plant and equipment are depreciated on a straight-line basis according to the following estimated useful lives and after taking into account their estimated residual values, as follows:

Leasehold improvement	1-5 years
Machinery	10 years
Office equipment	3-5 years
Motor vehicles	5 years

16. GOODWILL

The Group

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
COST			
At 1 January	7,244	7,244	7,244
Arising on acquisition of a subsidiary *(note 31)*	—	—	459
At 31 December	7,244	7,244	7,703
CARRYING VALUES			
At 31 December	7,244	7,244	7,703

The carrying amount of goodwill has been allocated to three cash generating units for impairment testing:

	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Cash generating unit of whole sale division	2,536	2,536	2,536
Cash generating unit of retail division	263	263	722
Cash generating unit of others division	4,445	4,445	4,445
	7,244	7,244	7,703

The recoverable amount of the above units has been determined based on a value in use calculations. These calculations uses cash flow projections based on financial budgets covering a period of three to five years, followed by an extrapolation of expected cash flows at the average industry growth rate. The discount rate applied to cash flow projections is approximately 10%-18% for the year ended 31 December 2008, 2009 and 2010 respectively.

During the year ended 31 December 2010, management of the Group determines that there are no impairments of any of its CGUs containing goodwill with indefinite useful lives.

17. INTANGIBLE ASSETS

The Group

	Software	Golf club membership	Hospital relation	Supplier relation	License	Intellectual property	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2008	1,439	—	14,845	3,030	184	6,895	26,393
Addition	813	1,060	—	—	—	—	1,873
Disposals	(138)	—	—	—	—	—	(138)
At 31 December 2008	2,114	1,060	14,845	3,030	184	6,895	28,128
Additions	2,103	450	—	—	—	—	2,553
Disposals	(474)	—	—	—	—	(6,895)	(7,369)
At 31 December 2009	3,743	1,510	14,845	3,030	184	—	23,312
Addition	934	—	—	—	—	—	934
Disposals	(295)	—	—	—	—	—	(295)
At 31 December 2010	4,382	1,510	14,845	3,030	184	—	23,951
AMORTISATION							
At 1 January 2008	1,137	—	3,711	606	184	—	5,638
Charge for the year	274	—	3,712	606	—	—	4,592
Eliminated on disposals	(83)	—	—	—	—	—	(83)
At 31 December 2008	1,328	—	7,423	1,212	184	—	10,147
Charge for the year	196	—	3,711	606	—	—	4,513
Eliminated on disposals	(62)	—	—	—	—	—	(62)
At 31 December 2009	1,462	—	11,134	1,818	184	—	14,598
Charge for the year	365	—	3,711	606	—	—	4,682
At 31 December 2010	1,827	—	14,845	2,424	184	—	19,280
CARRYING VALUES							
At 31 December 2008	786	1,060	7,422	1,818	—	6,895	17,981
At 31 December 2009	2,281	1,510	3,711	1,212	—	—	8,714
At 31 December 2010	2,555	1,510	—	606	—	—	4,671

All of the Group's golf club membership and license were acquired from third parties. Hospital relation, supplier relation and intellectual property were purchased as part of a business combination in prior years.

The above intangible assets other than golf club membership, license and intellectual property have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software, license and intellectual property	5-10 years
Hospital relation	4 years
Supplier relation	5 years

18. INVESTMENT IN A SUBSIDIARY

China Health

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Investment at cost			
— Unlisted shares	169,050	169,050	977,955
	169,050	169,050	977,955

The Company held 69% equity interest in the subsidiary, CITIC, during the year ended 31 December 2008 and 2009. CITIC increased its share capital from RMB60,000,000 to RMB210,000,000 as at 30 June 2008 and the Company still held 69% equity interest in CITIC after the increase the share capital.

On 29 April 2010, the Company injected RMB73,936,000 into CITIC and the shareholding held by the Company was increased from 69% to 77.86%.

On 30 August 2010, the Company acquired the 22.14% equity interest from the non-controlling shareholder of CITIC at the consideration of RMB390,000,000 and CITIC became the wholly-owned subsidiary of the Company.

On 19 November 2010, the Company further injected RMB344,969,000 to CITIC as the capital of CITIC.

19. INTEREST IN ASSOCIATES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost of investment in associates — Unlisted	21,150	21,150	56,150
Share of post-acquisition profits, net of dividends received	29,711	38,874	52,635
	50,861	60,024	108,785

During the year ended 31 December 2010, the Group acquired additional 14% in an associate in which originally had an interest of 36% at a consideration of approximately RMB35,000,000.

Included in the cost of investment in associates is goodwill of approximately RMB16,161,000, RMB16,161,000 and RMB44,278,000 during the years ended 31 December 2008, 2009 and 2010 respectively , arising on acquisition of associates.

The Group's share of result of its principal associates, and the aggregated assets and liabilities, are as follows:

	Year ended 31 December/as at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Total assets	425,122	567,262	606,376
Total liabilities	(328,732)	(445,421)	(477,362)
Net assets	96,390	121,841	129,014
Group's share of net assets of associates	34,700	43,863	64,507
Revenues	933,849	1,196,775	1,458,270
Profit for the year	12,231	25,452	29,850
Group's share of profits of associates for the year	4,403	9,163	13,760

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Group			Principal activities
			2010	2009	2008	
北京信海豐園生物醫藥科技發展有限公司	The PRC	RMB150,000,000	50%	36%	36%	Distribution and supply of pharmaceutical products
河南省康信醫藥有限公司 .	The PRC	RMB150,000,000	35%	25%	25%	Distribution and supply of pharmaceutical products
北京信海康醫藥有限公司 .	The PRC	RMB150,000,000	49.5%	36%	36%	Distribution and supply of pharmaceutical products

20. AVAILABLE-FOR-SALE INVESTMENT

The Group

Available for sale investment comprise:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Unlisted securities:			
— equity securities	2,227	627	627

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of each Track Record Periods because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In 2009, the Group disposed of certain unlisted equity securities with carrying amount of approximately RMB1,600,000 which had been carried at cost less impairment before the disposal. A gain on disposal of approximately RMB400,000 has been recognised in profit or loss for 2009.

In 2008, the Group disposed of certain unlisted equity securities with carrying amount of approximately RMB1,700,000 which had been carried at cost less impairment before the disposal. A loss on disposal of approximately RMB262,000 has been recognised in profit or loss for 2008.

21. DEFERRED TAX ASSETS (LIABILITIES)

The Group

The movement in deferred income tax assets is as follows:

	Provision for impairment of assets	Accruals	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2008	1,105	2,387	3,492
Credited to profit or loss for the year	2,569	1,083	3,652
At 31 December 2008 and at 1 January 2009	3,674	3,470	7,144
(Charged) credited to profit or loss for the year	(387)	493	106
At 31 December 2009 and at 1 January 2010	3,287	3,963	7,250
Credited to profit or loss for the year	1,201	2,239	3,440
At 31 December 2010	4,488	6,202	10,690

The movement in deferred income tax liabilities is as follows:

	Depreciation of property, plant and equipment
	RMB'000
At 1 January 2008	7,924
Credited to profit or loss for the year	(792)
At 31 December 2008 and at 1 January 2009	7,132
Credited to profit or loss for the year	(2,584)
At 31 December 2009 and at 1 January 2010	4,548
Credited to profit or loss for the year	(751)
At 31 December 2010	3,797

According to joint circular of the Ministry of Finance and State Administration of Taxation — Cai Shui 2008 No. 1, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to RMB127,307,000 (2009 and 2008: RMB89,218,000 and RMB75,891,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Low consumables and packaging materials	10	591	2,876
Finished stock	469,107	705,916	1,448,750
	469,117	706,507	1,451,626

23. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables	911,873	1,327,826	1,966,178
Less: allowance for doubtful debts	(6,101)	(6,101)	(9,707)
	905,772	1,321,725	1,956,471
Notes receivables	7,042	16,491	65,215
Total	912,814	1,338,216	2,021,686

The Group generally allows an average credit period of 30 to 90 days to its retail customers and 60 to 180 days to its wholesale customers. The aging analysis of the Group's trade and bills receivables net of allowance of doubtful debts is presented based on the invoice date at each of the reporting date and as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	655,193	957,023	1,455,893
3 months to 6 months	207,696	308,060	458,348
6 months to 12 months	41,249	60,425	88,945
1 year to 2 year	7,640	11,191	16,268
2 year to 3 year	1,024	1,500	2,207
Over 3 years	12	17	25
Total	912,814	1,338,216	2,021,686

Trade receivables that are both neither past due nor impaired represent mainly sales made to the Group's commercial and hospital customers. Hospital customers are state owned hospitals which are financially back by the Government of the PRC. Commercial customers who trade on credit terms are recognised and creditworthy customers which are subject to credit verification procedures.

Included in the Group's trade receivables balances are debtors which were past due as at the respective reporting date for which the Group has not provided for allowance for doubtful debts. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as they are independent customers with a good repayment track record with the Group and the amounts are considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The aging of trade receivables based on payment due date are as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	<180 days	181 — 365 days	Over 365 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008	912,814	860,336	49,914	1,528	1,036
31 December 2009	1,338,216	1,260,089	73,812	2,798	1,517
31 December 2010	2,021,686	1,906,594	110,094	2,766	2,232

All of the Group's trade receivables that are denominated in RMB.

The movement in the allowance for trade receivables are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	2,988	6,101	6,101
Impairment loss recognised on trade receivables	3,113	—	3,606
Balance at the end of the year	6,101	6,101	9,707

As at 31 December 2008, 2009 and 2010, included in the allowance for trade receivables are individually impaired trade receivables with aggregate balances of approximately RMB6,101,000, RMB6,101,000 and RMB9,707,000 respectively which, represented amounts due from debtors which have been placed under liquidation. The Group does not hold any collateral over these balances.

At 31 December 2008, 2009 and 2010 the carrying amount of the transferred short-term receivables, which have been pledged as security for bank borrowings, are approximately RMB307,860,000, RMB525,780,000 and RMB845,210,000 respectively.

24. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Prepayments	45,121	24,532	29,766
Other receivables	46,568	39,344	60,139
Less: allowance for doubtful debts	(14,656)	(18,648)	(20,333)
	77,033	45,228	69,572

The Group has individually assessed all other receivables and provided in full for those receivables that are considered not recoverable.

25. AMOUNTS DUE FROM/TO ASSOCIATES AND SHAREHOLDERS

	Amounts due from associates			Amounts due to associates and shareholders		
	As at 31 December			As at 31 December		
	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Associates						
Xinhaikang	1,775	8,516	1,327	149	134	204
Henan Kangxin	5,625	10,963	3,801	—	—	—
Xinhai Fengyuan	3,309	1,851	1,080	—	—	1,171
	10,709	21,330	6,208	149	134	1,375
Shareholders						
BIO VEDA CHINA L.P	—	—	—	36	36	36
BIO VEDA CHINA FUND II L.P	—	—	—	724	723	3,238
	—	—	—	760	759	3,274
	10,709	21,330	6,208	909	893	4,648

The balances are unsecured, interest free and with credit terms range from 30-180 days.

26. RESTRICTED BANK DEPOSITS/CASH AND BANK BALANCES

The Group

Restricted bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB47,843,000, RMB236,667,000, and RMB128,673,000 have been pledged to secure the bills payable to certain suppliers and bank borrowings and therefore are classified as current assets. For each of the three years ended 31 December 2010, the balances carried interest at average market rates from 1.71% to 3.33% per annum and will released upon the completion of bills payable transactions and settlement of bank borrowings. The carrying amounts of the Group's restricted bank balances are denominated in RMB.

Bank balances carried interest at average market rates from 0.001% to 0.72% per annum during the Track Record Period.

The carrying amounts of the Group's cash and bank balances that are denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
USD	879	273,321	27,106

The Company

Bank balances carried interest at average market rates from 0.001% to 0.35% per annum during the Track Record Period.

27. TRADE AND BILLS PAYABLES

The Group

The average credit period for purchase of raw materials granted by the Group's suppliers range from 90 — 180 days. The Group has financial risk management policy to ensure that all payables within the credit timeframe. The aging analysis of trade payables is presented based on the invoice date at the end of each reporting periods and as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	593,931	717,873	1,208,244
3 months to 6 months	186,344	222,404	374,492
6 months to 12 months	23,772	28,994	48,822
1 year to 2 years	1,374	1,676	2,822
2 year to 3 years	639	747	1,404
Over 3 years	425	551	780
Trade and bills payables	806,485	972,245	1,636,564

The Group's trade and bills payables that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
USD	58,235	141,480	447,478
HKD	—	443,023	10,240
Total	58,235	584,503	457,718

28. OTHER PAYABLES

The Group

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Receipt in advance	30	2,628	8,697
Accrued payroll and welfare expenses	20,061	19,554	28,399
Other tax payables	765	1,300	1,913
Other payables	141,608	38,196	84,231
	162,464	61,678	123,240

The Group's accruals and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below.

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
USD	1,129	1,986	1,168

29. INTEREST-BEARING BORROWINGS

The Group

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Bank loans	338,000	946,627	1,152,665
Secured *(note (i))*	228,000	411,122	776,781
Unsecured	110,000	535,505	375,884
	338,000	946,627	1,152,665
Carrying amount repayable:			
On demand or within one year	338,000	946,627	1,152,665

Note:

(i) At the end of each reporting period, the secured bank loans were secured by trade receivables and bank deposits of the Group. Details are disclosed in Note 34.

The effective interest rate per annum at the end of each reporting periods date ranged from:

	31 December 2008		31 December 2009		31 December 2010	
	Effective interest rate	**RMB'000**	**Effective interest rate**	**RMB'000**	**Effective interest rate**	**RMB'000**
Fixed rate borrowings	6.03% — 8.22%	158,000	2.40% — 6.11%	612,125	4.78% — 5.59%	746,269
Variable rate borrowings	4.84% — 8.59%	180,000	5.78% — 6.37%	334,502	6.06%	406,396
		338,000		946,627		1,152,665

The Group's interest-bearing borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
USD	—	104,482	104,850
HKD	—	—	5,053
EUR	—	—	5,981
Total	—	104,482	115,884

30. SHARE CAPITAL

		China Health					
	Notes	Ordinary shares of US$0.0001 each	Convertible non-redeemable preferred shares of US$0.0001 each	Ordinary shares	Convertible non-redeemable preferred shares	Total	Total
				USD	USD	USD	RMB'000
Authorised:							
At 1 January 2008		438,960,897	61,039,103	43,896	6,104	50,000	300
Transferred to convertible non-redeemable preferred shares	(i)	(127,551,020)	127,551,020	(12,755)	12,755	—	—
At 31 December 2008 and 1 January 2009		311,409,877	188,590,123	31,141	18,859	50,000	300
Increase in authorised share capital	(ii)	500,000,000	—	50,000	—	50,000	341
Transferred to convertible non-redeemable preferred shares	(iii)	(218,579,232)	218,579,232	(21,858)	21,858	—	—
At 31 December 2009 and 1 January 2010		592,830,645	407,169,355	59,283	40,717	100,000	641
Transferred to convertible non-redeemable preferred shares	(iv)	(233,851,119)	233,851,119	(23,385)	23,385	—	—
At 31 December 2010		358,979,526	641,020,474	35,898	64,102	100,000	641

	Notes	China Health					
		Ordinary shares of US$0.0001 each	Convertible non-redeemable preferred shares of US$0.0001 each	Ordinary shares	Convertible non-redeemable preferred shares	Total	Total
			Note (v)	USD	USD	USD	RMB'000
Issued and fully paid:							
At 1 January 2008		188,960,897	61,039,103	18,896	6,104	25,000	200
Issue of shares of USD0.0001 each	(vi)	—	127,551,020	—	12,755	12,755	89
At 31 December 2008 and 1 January 2009		188,960,897	188,590,123	18,896	18,859	37,755	289
Issue of shares of USD0.0001 each	(vii)	—	218,579,232	—	21,858	21,858	149
At 31 December 2009 and 1 January 2010		188,960,897	407,169,355	18,896	40,717	59,613	438
Issue of shares of USD0.0001 each	(viii)	—	169,542,061	—	16,954	16,954	159
Issue of shares of USD0.0001 each	(ix)	—	64,309,058	—	6,431	6,431	—
At 31 December 2010		188,960,897	641,020,474	18,896	64,102	82,998	597

Notes:

During the Track Record Period, the movement of share capital is set out below:

(i) China Health received approval by the board of directors to convert 127,551,020 authorised ordinary shares into 127,551,020 authorised convertible non-redeemable preferred shares.

(ii) The authorised share capital of China Health was increased to USD100,000 by creation of additional 500,000,000 shares.

(iii) China Health received approval by the board of directors to convert 218,579,232 authorised ordinary shares into 218,579,232 authorised convertible non-redeemable preferred shares.

(iv) China Health received approval by the board of directors to convert 169,542,061 authorised ordinary shares into 169,542,061 authorised convertible non-redeemable preferred shares.

China Health received approval by the board of directors to convert 64,309,058 authorised ordinary shares into 64,309,058 authorised convertible non-redeemable preferred shares.

(v) The convertible non-redeemable preferred shares are non-redeemable by the Company and each convertible non-redeemable preferred share shall be convertible, at the option of the holder, at any time into such number of fully paid and ordinary shares of China Health at the then applicable conversion price.

The convertible non-redeemable preferred shares rank in priority to the ordinary shares in China Health as to dividends and return of capital.

The convertible non-redeemable preferred shares shall confer upon such holder the right to receive notice of and to attend and to vote at any general meeting of the Company and, at any such meeting the holders of convertible non-redeemable preferred shares shall be entitled to exercise one vote per ordinary share into which the convertible non-redeemable preferred shares held by such holder are convertible at the relevant reference date.

The holders of the convertible non-redeemable preferred shares shall be entitled to receive on a pari passu basis a dividend at the rate of 8 per cent of the applicable original issue price per annum for each convertible non-redeemable preferred share held by such holders, prior and in preference to any dividend on the ordinary shares; provided that such dividends shall be payable only when, as, and if declared by the board of directors of the Company, and all such dividends shall be non-cumulative. The transactions of the issue of convertible non-redeemable preferred shares during the Track Record Period are stated as below.

(vi) On 15 April 2008, pursuant to an agreement between Lily Asian Ventures, Eli Lilly and Company ("Lilly"), BioVeda China Fund II, L.P. ("BioVeda II"), New Enterprise Associates 12, Limited Partnership, NEA Ventures 2008, Limited Partnership (together with New Enterprise Associates 12, Limited Partnership, referred to as "NEA") and China Health, China Health agrees to issue and allot 127,551,020 convertible non-redeemable preferred shares at USD0.0001 per share to Lilly, BiaVeda II and NEA at a consideration of RMB103,495,000.

(vii) On 4 December 2009, pursuant to an agreement between Lilly, BioVeda II, NEA, Qiming Venture Partners II, L.P., Qiming Venture Partners II-C, L.P., Qiming Managing Directors Fund II, L.P. (together with Qiming Venture Partners II, L.P. and Qiming Venture Partners II-C, L.P., "Qiming"), Northern Light Venture Capital II, Ltd. ("Northern Light"), Biomedical Sciences Investment Fund Pte Ltd. ("BMSIF") and China Health, China Health agrees to issue and allot 218,579,232 convertible non-redeemable preferred shares at USD0.0001 per share to Lilly, BiaVeda II, NEA, Qiming, Northern Light and BMSIF at a consideration of USD40,000,000 (approximately RMB273,128,000).

(viii) On 26 March 2010, pursuant to an agreement between First Prosper Holdings Limited ("First Prosper"), FV Investment Alpha Four Limited ("FV Investment") and China Health, China Health agrees to issue and allot 169,542,061 convertible non-redeemable preferred shares at USD0.0001 per share to First Prosper and FV Investment at a consideration of USD58,000,000 (approximately RMB390,102,000).

(ix) During the year ended 31 December 2010, pursuant to convertible non-redeemable preferred preferred shares subscription agreement, 64,309,058 new convertible non-redeemable preferred shares of China Health were issued to First Prosper and FV Investment at the exercise price of USD22,000,000 (approximately RMB147,970,000).

31. ACQUISITION OF A SUBSIDIARY

On 1 July 2010, the Group acquired 100% of the issued share capital of 天津信海科園大藥房有限公司 ("天津信海科園"), from an independent third party, for a cash consideration of RMB678,000. The acquisition had been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB459,000. 天津信海科園 is engaged in the retail of pharmaceutical products. 天津信海科園 is acquired to expand the Group's retail business.

Assets and liabilities recognised at the date of acquisition:

	RMB'000
Property, plant and equipment	22
Inventory	483
Prepayments	677
Cash and bank balances	245
Trade payables	(803)
Other payables	(10)
Tax payable	(395)
Total net assets acquired at fair value	219
Goodwill arising from acquisition	459
Total consideration	678

An analysis of the net cash outflow of cash and bank balances in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	678
Cash and bank balances acquired	(245)
Net outflow of cash and bank balances in respect of the acquisition of a subsidiary	433

Goodwill arose in the acquisition of 天津信海科園 because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of 天津信海科園. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The directors consider the impact of profits generated by天津信海科園 throughout the Track Record Periods to be immaterial to the results generated by the Group.

32. DISPOSAL OF A SUBSIDIARY

On 31 March 2010 , the Group disposed of its entire 98.75% interests in 海南中信大藥房連鎖藥店經營有限公司 , which was engaged in the distribution and supply of pharmaceutical products to an independent third party at a consideration of approximately RMB3,805,000. The net assets disposed in the transaction are as follows:

	2010
	RMB'000
Cash and cash equivalents	4,208
Other payables	(371)
Non-controlling interests	(48)
Net assets disposed of	3,789
Add: Gain on disposal	16
	3,805
Satisfied by:	
Cash	3,805

An analysis of the new outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2010
	RMB'000
Consideration received in cash and cash equivalents	3,805
Less: cash and cash equivalent balances disposal of	(4,208)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(403)

33. OPERATING LEASES ARRANGEMENTS

The Group as leasee

At the respective reporting dates of the Track Record Period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	9,682	9,591	9,191
In the second to fifth years, inclusive	7,591	3,712	13,140
	17,273	13,303	22,331

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. One operation lease contract is negotiated and rentals are floated for an average of 3 years. Besides the aforesaid contracts, all leases are negotiated and rentals are fixed for an average period of approximately 2 years.

34. PLEDGED OF ASSETS

The Group

Assets with the following carrying amounts have been pledged to secure bank loans of the Group (note 29) at the end of the respective reporting dates:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Restricted bank deposits	47,843	236,667	128,673
Trade receivables	307,860	525,780	845,210
	355,703	762,447	973,883

No assets of the Company have been pledged during the Track Record Period.

35. RETIREMENT BENEFIT SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

36. SHARE OPTIONS

Pursuant to the written resolutions of the directors of the Company dated 7 July 2010, share options were granted to the key management of the Company. The purpose of the grant of the share option is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group and sharing the long-term appreciation of the equity of the Company. The details of the share options granted are as follow:

Date of grant	Exercise price	Notes	At 1 January 2010	Exercised during the year	Granted during the year	Lapsed during the year	At 31 December 2010
7 July 2010	USD0.342	(i)	—	—	3,319,925	—	3,319,925
7 July 2010	USD0.342	(ii)	—	—	8,299,814	—	8,299,814

Notes:

(i) These options are exercisable at USD0.342 (approximately RMB2.265) per share in four trenches: the maximum percentage of share options exercisable as at the vesting date 20 July 2011, 20 July 2012, 20 July 2013 and 20 July 2014 are 25%, 25%, 25% and 25% respectively.

(ii) These options are exercisable at USD0.342 (approximately RMB2.265) per share in four trenches: the maximum percentage of share options exercisable as at the vesting date 15 September 2011, 15 September 2012, 15 September 2013 and 15 September 2014 are 10%, 30%, 30% and 30% respectively.

The fair values were calculated using the Binomial Model. The inputs into the model were as follows:

Exercise price	USD0.342
Risk-free interest rate	1.971%
Expected volatility	55.8%

Expected volatility was determined based on the price volatility of the shares of the comparable companies.

The Group recognised the total expense of approximately RMB807,000 for the year ended 31 December 2010.

37. MATERIAL RELATED PARTY TRANSACTIONS AND RELATED PARTY BALANCES

	Trade sales		
	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Associate			
北京信海康醫藥有限責任公司 ("Xinhaikang")	10,629	18,245	5,780
河南省康信醫藥有限公司 ("Henan Kangxin")	37,783	47,706	16,919
	48,412	65,951	22,699

The sales were made according to the prices and conditions offered to major customers of the Group.

	Trade purchases		
	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Associate			
Xinhaikang	1,322	478	2,021
北京信海豐園生物醫藥科技發展有限公司 ("Xinhai Fengyuan")	—	2,273	—
	1,322	2,751	2,021

The purchases were made according to the prices and conditions offered by the associate to its major customers.

	Rental expense		
	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Associate			
Xinhai Fengyuan	4,611	5,169	3,926

The rental expenses were made according to the market rate offered to third parties.

The directors of the Company are in the opinion that the above transactions will be continued after the listing of Shanghai Pharmaceuticals.

C. EVENTS AFTER THE REPORTING PERIOD

On 7 January 2011, a resolution was passed by the board of directors of the Company to terminate the share option granted on 7 July 2010.

Save as aforesaid, no other significant events took place subsequent to 31 December 2010.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, China Health or any of the companies comprising of the Group have been prepared in respect of any period subsequent to 31 December 2010.

Yours faithfully,
SHINEWING (HK) CPA LIMITED
Certified Public Accountants
Chong Kwok Shing
Practising Certificate Number: P05139
Hong Kong

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.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

6 May 2011

The Directors
Shanghai Pharmaceuticals Holding Co., Ltd.

Goldman Sachs (Asia) L.L.C.
China International Capital Corporation
Hong Kong Securities Limited
Deutsche Bank AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited

Dear Sirs,

We report on the combined financial information (the "Financial Information") of Shanghai New Asiatic Pharmaceuticals Co., Ltd. (上海新亞藥業有限公司, "New Asiatic") and its subsidiaries (together, the "New Asiatic Group") and Shanghai Asia Pioneer Huakang Pharmaceuticals Co., Ltd. (上海新先鋒華康醫藥有限公司) ("Huakang", together with "New Asiatic Group", "Target Business") which comprises the combined balance sheets as at 31 December 2008, 2009 and 2010, the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. The Financial Information has been prepared by the directors of Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") and is set out in Sections I to III below for inclusion in Appendix IIB to the prospectus of the Company dated 6 May 2011 (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.

New Asiatic and Huakang were incorporated in the People's Republic of China (the "PRC") on 11 August 1993 and 10 January 1994, respectively, as limited liability companies under the Companies Law of the PRC.

As at the date of this report, the Target Business has direct interests in the subsidiaries and associates as set out in Note 30 of Section II of this report.

All subsidiaries and associates of the Target Business have adopted 31 December as their financial year end date. The financial statements of these companies were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated in the PRC or other accounting principles applicable to these entities in their jurisdictions. The names of the respective auditors are set out in Note 30 of Section II of this report.

For the purpose of this report, the directors of New Asiatic and Huakang have prepared combined financial statements of the Target Business for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA under separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon and on the basis set out in Note 2.1 of Section II of this report.

Directors' responsibility

The directors of New Asiatic and Huakang are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 2.1 of Section II of this report and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

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 HKICPA.

Opinion

In our opinion, the Financial Information gives, for the purposes of this report and presented on the basis set out in Note 2.1 of Section II of this report, a true and fair view of the combined state of affairs of the Target Business as at 31 December 2008, 2009 and 2010 and of the Target Business's combined results and cash flows for each of the Relevant Periods then ended.

I. COMBINED FINANCIAL INFORMATION

1 Combined Balance Sheets

	Section II Note	As at 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Land use rights	6	13,493	16,491	16,092
Investment properties	7	149,109	143,608	138,107
Property, plant and equipment	8	305,931	294,341	282,888
Intangible assets	9	4,751	5,954	4,558
Investments in associates	10	2,435	—	218,827
Deferred income tax assets	18	1,510	1,102	3,412
		477,229	461,496	663,884
Current assets				
Inventories	11	180,086	161,919	192,593
Trade and other receivables	12	1,108,969	1,170,097	905,365
Financial assets at fair value through profit or loss	14	160	439	413
Restricted cash	13	9,270	11,450	2,221
Cash and cash equivalents	13	77,937	127,630	170,876
		1,376,422	1,471,535	1,271,468
Total assets		1,853,651	1,933,031	1,935,352
Equity				
Capital and reserves attributable to equity holders of the Target Business				
Capital and reserves	15	456,965	462,087	493,227
Retained earnings	15	224,373	320,349	402,011
Non-controlling interests		68,290	75,885	48,727
Total equity		749,628	858,321	943,965
Liabilities				
Non-current liabilities				
Borrowings	17	30,000	—	—
Deferred income tax liabilities	18	—	38	34
Other non-current liabilities	19	2,360	2,410	2,410
		32,360	2,448	2,444
Current liabilities				
Trade and other payables	16	318,179	337,230	455,575
Current income tax liabilities		7,484	8,032	9,668
Borrowings	17	746,000	727,000	523,700
		1,071,663	1,072,262	988,943
Total liabilities		1,104,023	1,074,710	991,387
Total equity and liabilities		1,853,651	1,933,031	1,935,352
Net current assets		304,759	399,273	282,525
Total assets less current liabilities		781,988	860,769	946,409

2 Combined Income Statements

	Section II Note	Year ended 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Revenue	5	1,657,748	1,621,934	1,414,149
Cost of sales	22	(1,309,526)	(1,290,534)	(1,086,513)
Gross profit		348,222	331,400	327,636
Distribution and selling expenses	22	(53,744)	(60,641)	(65,427)
General and administrative expenses	22	(101,552)	(100,270)	(125,340)
Operating profit		192,926	170,489	136,869
Other income	20	3,681	5,626	3,816
Other (losses)/gains — net	21	(478)	385	1,772
Finance income	24	678	1,602	1,871
Finance costs	24	(60,629)	(44,580)	(32,440)
Share of profit/(loss) of associates	10	140	—	(1,173)
Profit before income tax		136,318	133,522	110,715
Income tax expense	25	(23,434)	(24,829)	(22,335)
Profit for the year		112,884	108,693	88,380
Profit attributable to:				
Equity holders of the Target Business		101,268	101,098	90,589
Non-controlling interests		11,616	7,595	(2,209)
		112,884	108,693	88,380

3 Combined Statements of Comprehensive Income

	2008	2009	2010
Profit for the year	112,884	108,693	88,380
Total comprehensive income	112,884	108,693	88,380
Total comprehensive income attributable to:			
Equity holders of the Target Business	101,268	101,098	90,589
Non-controlling interests	11,616	7,595	(2,209)
	112,884	108,693	88,380

4 Combined Cash Flow Statements

	Section II Note	Year ended 31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	26(a)	67,284	184,331	547,718
Interest paid		(52,230)	(40,253)	(32,617)
Income tax paid		(23,951)	(24,013)	(23,014)
Net cash (used in)/generated from operating activities		(8,897)	120,065	492,087
Cash flows from investing activities				
Acquisition of an associate		—	—	(220,000)
Purchases of property, plant and equipment ("PP&E") and investment properties		(15,473)	(14,579)	(22,820)
Proceeds from disposal of PP&E and investment properties	26(b)	78	92	601
Purchases of land use rights and intangible assets		—	(5,824)	(108)
Dividends received		351	—	—
Proceeds from disposal of an associate	26(c)	—	2,418	—
Increase in investment in subsidiaries		(765)	—	(3,000)
Net cash used in investing activities		(15,809)	(17,893)	(245,327)
Cash flows from financing activities				
Proceeds from borrowings		799,000	838,000	728,700
Repayments of borrowings		(788,632)	(887,000)	(932,000)
Other cash flows used in financing activities		(9,326)	(3,457)	(192)
Net cash generated from/(used in) financing activities		1,042	(52,457)	(203,492)
Net (decrease)/increase in cash and cash equivalents		(23,664)	49,715	43,268
Cash and cash equivalents at beginning of year		101,739	77,937	127,630
Exchange losses on cash and cash equivalents		(138)	(22)	(22)
Cash and cash equivalents at end of year		77,937	127,630	170,876

5 Combined Statements of Changes in Equity

	Section II Note	Attributable to equity holders of the Target Business			Non-controlling interests	Total equity
		Capital and reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		454,030	125,937	579,967	57,542	637,509
Total comprehensive income		—	101,268	101,268	11,616	112,884
Transaction with non-controlling interests	15(b)	103	—	103	(868)	(765)
Appropriation to statutory reserves	15(a)	2,832	(2,832)	—	—	—
Balance at 31 December 2008		456,965	224,373	681,338	68,290	749,628
Total comprehensive income		—	101,098	101,098	7,595	108,693
Appropriation to statutory reserves	15(a)	5,122	(5,122)	—	—	—
Balance at 31 December 2009		462,087	320,349	782,436	75,885	858,321
Total comprehensive income		—	90,589	90,589	(2,209)	88,380
Transaction with Non-controlling interests	15(c)	21,949	—	21,949	(24,949)	(3,000)
Appropriation to statutory reserves	15(a)	8,927	(8,927)	—	—	—
Others		264	—	264	—	264
Balance at 31 December 2010		493,227	402,011	895,238	48,727	943,965

II. NOTES TO THE COMBINED FINANCIAL INFORMATION

1 GENERAL INFORMATION

New Asiatic was incorporated in the People's Republic of China (the "PRC") on 11 August 1993 as a limited liability company. During the Relevant Periods, Shanghai Pharma Group (上海醫藥(集團)有限公司) had 46.49%, Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司) had 50.41% and Shanghai Pudong New Area Caolu Investment and Management Co., Ltd. (上海浦東新區曹路投資管理有限公司) had 3.1% equity interest in New Asiatic. Shanghai Asia Pioneer Pharmaceutical Co., Ltd. is a subsidiary of Shanghai Pharma Group. The address of New Asiatic's registered office is No. 978 Chuansha Rd. Pudong New Area, Shanghai, the PRC.

Huakang was incorporated in the People's Republic of China (the "PRC") on 10 January 1994 as a limited liability company. During the Relevant Periods, Shanghai Pharma Group had 100% equity interest in Huakang. The address of Huakang's registered office is No. 58, Zhangjiang Rd. Pudong New Area, Shanghai, the PRC.

As approved by the board of directors of the Company on 13 December 2010, the Company propose to acquire 46.49% and 50.41% equity interests of New Asiatic from Shanghai Pharma Group and Shanghai Asia Pioneer Pharmaceutical Co., Ltd., and 100% equity interests of Huakang from Shanghai Pharma Group. This proposed acquisition was approved by the shareholders' meeting of the Company on 30 December 2010.

According to the acquisition and restructuring agreement approved by the shareholders meeting of the Company, after the completion of acquisitions of New Asiatic and Huakang, the Company will inject all the equity interests in Huakang to New Asiatic and Huakang will become a wholly-owned subsidiary of New Asiatic. As at the date of this report, New Asiatic and Huakang have direct interests in the subsidiaries and associates as set out in Note 30 of Section II of this report.

The English names of entities mentioned in this report represented the best effort by the directors of the Company in translating their Chinese names as they may not have official English names.

The Target Business is principally engaged in manufacturing and distribution of anti-biotic medicines and other pharmaceutical products.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these combined financial information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

As both of the New Asiatic and Huakang are controlled by Shanghai Pharma Group and engaged in anti-biotic pharmaceutical business, for the purpose of this report, the combined financial information of New Asiatic Group have been prepared on a basis in accordance with the principles of Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. The combined income statements and statements of comprehensive income, combined cash flow statements and combined statements of changes in equity of the Target Business for the Relevant Periods have been prepared using the financial information of New Asiatic and Huakang as if Huakang had been a subsidiary of New Asiatic throughout the Relevant Periods. The combined balance sheets of the Target Business as at 31 December 2008, 2009 and 2010 have been prepared to present the assets and liabilities of New Asiatic and Huakang as if Huakang had been a subsidiary of New Asiatic as these dates.

All significant intra-group transactions and balances between New Asiatic Group and Huakang have been eliminated upon combination.

The Financial Information has been prepared in accordance with HKFRSs and under the historical cost convention, as modified by financial assets and financial liabilities at fair value through profit or loss.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Business'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 of this section.

(a) New standards, amendments and interpretations to existing standards that are effective during the Relevant Periods have been adopted and applied by the Target Business consistently throughout the Relevant Periods unless prohibited by the relevant standard to apply retrospectively.

(b) New standards and interpretations to existing standards and annual improvement published by the HKICPA that are not yet effective but have been early adopted by the Target Business–

- HKAS 24 (Revised), 'Related party disclosures' (effective for annual year starting from 1 January 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Target Business has early adopted the government-related entity exemption from the beginning of the Relevant Periods.

(c) New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Target Business–

- HKFRS 9, 'Financial instruments'. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Target Business's accounting for its financial assets. The Target Business will apply this standard for the financial reporting period commencing on 1 January 2013.

- 'Classification of rights issues' (amendment to HKAS 32). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The Target Business will apply the amended standard from 1 January 2011. It is not expected to have any impact on the Target Business financial statements.

- HK (IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). The Target Business will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Target Business financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) — Int 14). The amendments correct an unintended consequence of HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. The Target Business will apply these amendments for the financial reporting period commencing on 1 January 2011. It is not expected to have any impact on the Target Business financial statements.

- The Target Business has not early adopted those third annual Improvements project (2010) published in May 2010 by the HKICPA (to be effective in the financial year of 2011) and will apply these improvements in accordance with their respective effective dates.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Target Business 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 Target Business controls another entity. Subsidiaries are fully combined from the date on which control is transferred to the Target Business. They are de-combined from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the companies comprising the Target Business 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 Target Business.

(b) Transactions with non-controlling interests

The Target Business treats transactions with non-controlling interests as transactions with equity owners of the Target Business. 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 Target Business has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Target Business's share of its associates' post-acquisition comprehensive income is recognised in the statements of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Target Business's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Target Business does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Target Business and associates are eliminated to the extent of the Target Business's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Target Business.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

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 statements of each of the Target Business's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined financial information are presented in Renminbi (RMB), which is the New Asiatic and Huakang's functional and 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains — 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 Target Business 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 the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20-35 years
— Machinery	10-20 years
— Furniture, fittings and equipment	3-15 years
— Motor Vehicles	4-10 years
— Others	3-10 years

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains — net' in the income statement.

2.6 Investment property

Investment properties, comprising office buildings, plant and warehouses, are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 40 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise.

2.7 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership exists. The Target Business acquires the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Land use rights are amortised over the lease period using the straight-line method.

2.8 Intangible assets

(i) Know-how

Know-how acquired is initially recognised at cost and is amortised on a straight-line method over their useful lives of 10 years.

(ii) Research and development

Expenditure on development activities (relating to the design and testing of new or improved products for sale) is capitalised as intangible when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other research expenditures that do not meet these criteria are recognised as an expense as incurred.

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. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

Amortisation of development costs is charged to the income statement on a straight-line basis over the estimated useful lives of 5 to 10 years.

(iii) Other intangible assets

Other intangible assets acquired are initially recognised at cost and are amortised on a straight-line method over their useful lives.

2.9 Impairment of associates and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – 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.

2.10 Financial assets

(a) Classification

The Target Business classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) 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 Target Business's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2.14 and 2.15).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Target Business commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target Business has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Target Business' right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for- sale equity instruments are recognised in the income statement as part of other income when the Target Business's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Target Business assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Target Business uses to determine that there is objective evidence of an impairment loss include:

(i) Significant financial difficulty of the issuer or obligor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Target Business, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: (1) Adverse changes in the payment status of borrowers in the portfolio; and (2) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Target Business first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Business may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined income statement.

Impairment testing of trade and other receivables is described in Note 2.14.

(b) Investments in subsidiaries or associate

Impairment testing of the investments in subsidiaries or associate is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associates 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.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out or the weighted average method, where appropriate. 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). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed 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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Target Business will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to other income in the income statement.

2.15 Cash and cash equivalents

In the combined statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the combined balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Business has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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 entities within the Target Business operates and generates 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 combined 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 associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Business and it is probable that the temporary difference will not reverse 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.

2.20 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Target Business participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Target Business and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Target Business has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Target Business in an independent fund managed by the PRC government.

The Target Business' contributions to these plans are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Target Business in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Target Business contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Target Business' liability in respect of these funds is limited to the contributions payable in each period.

2.21 Provisions

Provisions are recognised when the Target Business has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 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 Target Business will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Target Business's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Target Business.

The Target Business 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 Target Business's activities as described below. The Target Business 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 Target Business manufactures and sells a range of medicine, pharmaceutical and other products. Sales of goods are recognised when a Target Business entity has delivered products to the wholesaler (including hospital and distributor), 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.

(b) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(c) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Target Business 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.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 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 statements of comprehensive income on a straight-line basis over the period of the lease.

2.25 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of a subsidiary or third party to secure loans and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Target Business's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the income statement within other expenses.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target Business' activities expose it to a variety of financial risks: market risk (including fair value and cash flow interest rate risk), credit risk and liquidity risk. The Target Business's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Business's financial performance. The Target Business has not used derivative financial instruments to hedge its risk exposures on changes in interest rates.

(a) Fair value and cash flow interest rate risk

As the Target Business has no significant interest-bearing assets (other than restricted cash and cash and cash equivalents), the Target Business's income and operating cash flows are substantially independent of changes in market interest rates. The Target Business's interest rate risk primarily arises from bank borrowings.

Bank borrowings issued at variable rates expose the Target Business to cash flow interest rate risk. Bank borrowings issued at fixed rates exposed the Target Business to fair value interest rate risk. In general, the Target Business raises bank borrowings at floating rates as well as fixed rates, based upon the capital market conditions and the Target Business's internal requirements.

The Target Business currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As at 31 December 2008, 2009 and 2010, if the interest rates on bank borrowings had been 15% higher/lower with all other variables held constant, the Target Business's profit before income tax for the respective years then ended would have been lower/higher by approximately RMB8,594,000, RMB6,115,000 and RMB4,671,000 respectively, mainly as a result of higher/lower interest expenses on bank borrowings.

The Target Business has maintained deposits with banks (including the restricted cash) (Note 13) which are all interest bearing. As at 31 December 2008, 2009 and 2010, if the interest rates applicable for those bank deposits had been 15% higher/lower with all other variables held constant, the Target Business's profit before income tax for the respective years then ended would have been higher/lower by approximately RMB102,000, RMB240,000 and RMB281,000 respectively, mainly as a result of higher/lower interest income on bank deposits.

(b) Credit risk

Credit risk primarily arises from cash and cash equivalents, restricted cash and trade and other receivables (including notes receivables), except for prepayment.

For deposits with banks and financial institutions (including restricted cash and cash and cash equivalents), the Target Business has limited its credit exposure by restricting their selection of banks and financial institutions on reputable local joint-stock commercial banks or state-owned banks.

For customers, management assesses the credit qualities of customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set and regularly reviewed by management and the utilisation of which is monitored regularly. The Target Business has no concentration of credit risk in respect of trade receivables.

Notes receivable are mostly to be settled by reputable banks or state-owned banks and therefore the management considers that they will not expose the Target Business to any significant credit risk.

Management considers that the provisions for impairment of trade and other receivables as of respective balance sheet dates adequately cover the Target Business's credit risk exposures.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, discounting bank acceptance to banks and the ability to close out market positions. The Target Business's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Target Business.

The table below analyses the Target Business's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the respective balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows (including the estimated interest expenses on the related borrowings up to their maturities).

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008					
Borrowings *(Note 17)*	746,000	—	20,000	10,000	776,000
Interests payments on borrowings	25,449	2,268	6,263	673	34,653
Financial liabilities as included in trade and other payables	307,779	—	—	—	307,779
	1,079,228	2,268	26,263	10,673	1,118,432
At 31 December 2009					
Borrowings *(Note 17)*	727,000	—	—	—	727,000
Interests payments on borrowings	17,042	—	—	—	17,042
Financial liabilities as included in trade and other payables	322,455	—	—	—	322,455
	1,066,497	—	—	—	1,066,497
At 31 December 2010					
Borrowings *(Note 17)*	523,700	—	—	—	523,700
Interests payments on borrowings	14,949	—	—	—	14,949
Financial liabilities as included in trade and other payables	537,162	—	—	—	537,162
	1,075,811	—	—	—	1,075,811

The table below analyses the Target Business's maximum financial guarantee liabilities into relevant maturity groupings.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008					
Guarantee liabilities	404,300	—	20,000	—	424,300
At 31 December 2009					
Guarantee liabilities	245,640	40,000	—	—	285,640
At 31 December 2010					
Guarantee liabilities	255,800	—	—	—	255,800

Note: Interest is based on the borrowings as at 31 December 2008, 2009 and 2010 and the interest rate as at 31 December 2008, 2009 and 2010.

3.2 Capital risk management

The Target Business's objectives when managing capital are to safeguard the Target Business's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Target Business's strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, the Target Business may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Target Business monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the combined balance sheet). Total capital is calculated as "equity" as shown in the combined balance sheets plus total debt.

The gearing ratios are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Total debt	776,000	727,000	523,700
Total equity	749,628	858,321	943,965
Total capital	1,525,628	1,585,321	1,467,665
Gearing ratio (%)	51%	46%	36%

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Target Business is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Target Business uses 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 the current portion of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target Business for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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.

The Target Business makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives, residual values and consequently related depreciation expense for its property, plant and equipment.

The estimated useful lives are determined by reference to the expected lifespan of the assets, the Target Business's business model and its asset management policy. The estimated useful lives could change significantly as a result of certain factors. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The estimated residual values are determined based on all relevant factors (including but not limited to by reference to the industry practice and estimated scrap values).

The depreciation expense will change where the useful lives or residual values of the assets are different from the previous estimates.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(c) Income taxes

The Target Business is subject to income taxes in PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain.The Target Business recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Impairment of receivables

The Target Business's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The board of directors consider the business from a business type perspective.

The reportable operating segments derive their revenue primarily from the following two business types in the PRC:

(a) Pharmaceutical business (Production segment) — research and development, manufacturing and sale of antibiotic pharmaceutical products;

(b) Distribution and supply chain solutions (Distribution segment) — distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to antibiotic pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies;

Inter-segment revenue are conducted at prices and terms mutually agreed amongst those business segments.

The board of directors assess the performance of the operating segments based on a measure of revenue and operating profit.

Unallocated assets consist of current income tax recoverable and deferred income tax assets. Unallocated liabilities consist of current and deferred income tax liabilities.

Capital expenditure comprises mainly additions to land use rights, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

The segment information provided to the board of directors for the reportable segments for the Relevant Periods are as follows:

For the year ended 31 December 2008

	Production segment	Distribution segment	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	650,450	1,007,298	—	1,657,748
Inter-segment revenue	286,166	346,492	(632,658)	—
Segment revenue	936,616	1,353,790	(632,658)	1,657,748
Segment operating profit	111,821	81,105	—	192,926
Other income				3,681
Other losses — net				(478)
Finance costs — net				(59,951)
Share of profit of associates	140	—	—	140
Profit before income tax				136,318
Income tax expense				(23,434)
Profit for the year				112,884

For the year ended 31 December 2009

	Production segment	Distribution segment	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	804,550	817,384	—	1,621,934
Inter-segment revenue	150,868	184,492	(335,360)	—
Segment revenue	955,418	1,001,876	(335,360)	1,621,934
Segment operating profit	129,020	41,469	—	170,489
Other income				5,626
Other gains — net				385
Finance costs — net				(42,978)
Profit before income tax				133,522
Income tax expense				(24,829)
Profit for the year				108,693

For the year ended 31 December 2010

	Production segment	Distribution segment	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	923,427	490,722	—	1,414,149
Inter-segment revenue	6,744	16,459	(23,203)	—
Segment revenue	930,171	507,181	(23,203)	1,414,149
Segment operating profit	132,015	4,854	—	136,869
Other income				3,816
Other gains — net				1,772
Finance costs — net				(30,569)
Share of profit of associates	(1,173)	—	—	(1,173)
Profit before income tax				110,715
Income tax expense				(22,335)
Profit for the year				88,380

The segment assets and liabilities as at 31 December 2008 are as follows:

	Production segment	Distribution segment	Total
	RMB'000	RMB'000	RMB'000
Investment in associates	2,435	—	2,435
Other assets	1,509,028	404,784	1,913,812
Elimination			(62,596)
Total assets			1,853,651
Segment liabilities	973,130	192,527	1,165,657
Elimination			(61,634)
Total liabilities			1,104,023

The segment assets and liabilities as at 31 December 2009 are as follows:

	Production segment	Distribution segment	Total
	RMB'000	RMB'000	RMB'000
Investment in associates	—	—	—
Other assets	1,600,167	367,656	1,967,823
Elimination			(34,792)
Total assets			1,933,031
Segment liabilities	988,050	120,779	1,108,829
Elimination			(34,119)
Total liabilities			1,074,710

The segment assets and liabilities as at 31 December 2010 are as follows:

	Production segment	Distribution segment	Total
	RMB'000	RMB'000	RMB'000
Investment in associates	218,827	—	218,827
Other assets	1,510,851	360,935	1,871,786
Elimination			(155,261)
Total assets			1,935,352
Segment liabilities	1,035,146	111,345	1,146,491
Elimination			(155,104)
Total liabilities			991,387

6 LAND USE RIGHTS

Land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Target Business's interests in land use rights are all located in the PRC and represent prepaid operating lease payments for lands which are held on leases of between 10 to 50 years.

The movement of land use rights is analysed as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Opening net book amount	13,927	13,493	16,491
Additions	—	3,224	108
Amortisation charge *(Note 22)*	(434)	(226)	(507)
Closing net book amount	13,493	16,491	16,092

Amortisation of the land use rights has been charged to the combined income statements as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
General and administrative expenses	434	226	507

7 INVESTMENT PROPERTIES

Investment properties are located in the PRC, on land with use rights of 40 years. The movement of investment properties is analysed as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost	176,960	176,960	176,960
Accumulated depreciation	(27,851)	(33,352)	(38,853)
Net book amount	149,109	143,608	138,107
Opening net book amount	154,610	149,109	143,608
Depreciation *(Note 22)*	(5,501)	(5,501)	(5,501)
Closing net book amount	149,109	143,608	138,107

(a) The fair values of the investment properties were approximately RMB162,809,000, RMB154,205,000 and RMB174,129,000 as at 31 December 2008, 2009 and 2010, respectively. These estimates are made by the directors with reference to market transacted prices for similar properties in the vicinity of the relevant properties. In case where market transacted prices were not available, fair values were estimated using discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate.

(b) Lease rental income relating to the lease of investment properties has been included in the combined statements of comprehensive income as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Rental income	9,414	8,165	8,289

(c) The net book value of investment properties pledged as collateral for the third party company's borrowings (Note 27(c)) as of the respective balance sheet dates were as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Investment properties	23,457	22,592	21,726

(d) As at 31 December 2008, the investment properties with the net book value of RMB118,219,000 were pledged for the long-term bank borrowings RMB30,000,000 (Note 17(b)).

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture, fittings and equipments	Motor vehicles	Others	Construction -in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008							
Cost	237,174	252,165	14,545	21,829	6,647	3,623	535,983
Accumulated depreciation	(56,005)	(131,696)	(7,582)	(12,877)	(1,704)	—	(209,864)
Impairment	(28)	(2,160)	(230)	(368)	—	—	(2,786)
Net book amount	181,141	118,309	6,733	8,584	4,943	3,623	323,333
Year ended 31 December 2008							
Opening net book amount	181,141	118,309	6,733	8,584	4,943	3,623	323,333
Additions	1,434	2,161	2,544	575	—	13,705	20,419
Internal transfer	2,465	4,358	609	41	—	(7,473)	—
Disposals	(101)	(388)	(147)	(28)	(6)	(5,128)	(5,798)
Depreciation charge	(9,081)	(18,227)	(1,789)	(2,436)	(490)	—	(32,023)
Closing net book amount	175,858	106,213	7,950	6,736	4,447	4,727	305,931
At 31 December 2008							
Cost	240,909	257,341	16,561	21,745	6,641	4,727	547,924
Accumulated depreciation	(65,023)	(148,968)	(8,381)	(14,641)	(2,194)	—	(239,207)
Impairment	(28)	(2,160)	(230)	(368)	—	—	(2,786)
Net book amount	175,858	106,213	7,950	6,736	4,447	4,727	305,931
Year ended 31 December 2009							
Opening net book amount	175,858	106,213	7,950	6,736	4,447	4,727	305,931
Additions	1,023	1,985	—	1,363	—	17,309	21,680
Internal transfer	1,531	6,580	—	1,353	—	(9,464)	—
Disposals	—	(28)	(140)	(5)	—	(1,470)	(1,643)
Depreciation charge	(9,173)	(17,975)	(1,839)	(2,335)	(305)	—	(31,627)
Closing net book amount	169,239	96,775	5,971	7,112	4,142	11,102	294,341
At 31 December 2009							
Cost	243,463	265,280	15,320	24,338	6,641	11,102	566,144
Accumulated depreciation	(74,196)	(166,345)	(9,119)	(16,858)	(2,499)	—	(269,017)
Impairment	(28)	(2,160)	(230)	(368)	—	—	(2,786)
Net book amount	169,239	96,775	5,971	7,112	4,142	11,102	294,341
Year ended 31 December 2010							
Opening net book amount	169,239	96,775	5,971	7,112	4,142	11,102	294,341
Additions	—	2,196	754	1,643	—	17,165	21,758
Internal transfer	5,815	9,327	165	4,793	—	(20,100)	—
Disposals	(380)	(503)	(156)	(6)	—	(68)	(1,113)
Depreciation charge	(9,340)	(18,084)	(1,593)	(2,755)	(326)	—	(32,098)
Closing net book amount	165,334	89,711	5,141	10,787	3,816	8,099	282,888
At 31 December 2010							
Cost	246,571	256,962	13,697	30,297	4,816	8,099	560,442
Accumulated depreciation	(81,237)	(166,976)	(8,556)	(19,510)	(1,000)	—	(277,279)
Impairment	—	(275)	—	—	—	—	(275)
Net book amount	165,334	89,711	5,141	10,787	3,816	8,099	282,888

(a) Depreciation expenses have been charged to the combined income statements as follows (Note 22):

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost of sales	23,791	22,062	22,432
Distribution and selling expenses	1,111	1,149	1,061
General and administrative expenses	7,121	8,416	8,605
	32,023	31,627	32,098

(b) As of respective balance sheet date of the Relevant Periods, the Target Business is still in the process of applying for the building ownership certificates of certain of its buildings and the aggregated carrying amounts of these buildings amounted to approximately RMB6,526,061, RMB6,526,061 and RMB6,526,061 respectively.

9 INTANGIBLE ASSETS

	Know-how	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2008			
Cost	5,280	6,083	11,363
Accumulated amortisation	(1,443)	(3,773)	(5,216)
Net book amount	3,837	2,310	6,147
Year ended 31 December 2008			
Opening net book amount	3,837	2,310	6,147
Amortisation charge *(Note 22)*	(788)	(608)	(1,396)
Closing net book amount	3,049	1,702	4,751
At 31 December 2008			
Cost	5,280	6,083	11,363
Accumulated amortisation	(2,231)	(4,381)	(6,612)
Net book amount	3,049	1,702	4,751
Year ended 31 December 2009			
Opening net book amount	3,049	1,702	4,751
Additions	2,599	—	2,599
Amortisation charge *(Note 22)*	(788)	(608)	(1,396)
Closing net book amount	4,860	1,094	5,954
At 31 December 2009			
Cost	7,879	6,083	13,962
Accumulated amortisation	(3,019)	(4,989)	(8,008)
Net book amount	4,860	1,094	5,954
Year ended 31 December 2010			
Opening net book amount	4,860	1,094	5,954
Amortisation charge *(Note 22)*	(788)	(608)	(1,396)
Closing net book amount	4,072	486	4,558
At 31 December 2010			
Cost	7,879	6,083	13,962
Accumulated amortisation	(3,807)	(5,597)	(9,404)
Net book amount	4,072	486	4,558

(a) Amortisation expenses were charged to the combined income statements as follows (Note 22):

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
General and administrative expenses	1,396	1,396	1,396

10 INVESTMENTS IN ASSOCIATES

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Share of net assets	2,435	—	207,175
Goodwill	—	—	11,652
Share of net assets	2,435	—	218,827
At 1 January	2,646	2,435	—
Acquisition *(Note b)*	—	—	220,000
Share of profit/(loss) for the year	140	—	(1,173)
Dividends received from an associate	(351)	—	—
Liquidation *(Note a)*	—	(2,435)	—
End of the year	2,435	—	218,827

The Target Business's share of the result of its associates, and the aggregated assets and liabilities, are as follows:

(a) Shanghai Maidishen Pharmaceutical Distribution Co., Ltd.:

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	5,630	—	—
Liabilities	(219)	—	—
Revenues	10,111	—	—
Profit for the year	310	—	—
Percentage of interest held	45%	0.00%	0.00%

Shanghai Maidishen Pharmaceutical Distribution Co., Ltd. (上海麥迪申醫藥配送物流有限公司, "Shanghai Maidishen"), in which the Target Business directly held 45% equity interest at 31 December 2008, is principally engaged in the logistics and freight agent and storage. All the equity interest held by the Target Business in Shanghai Maidishen was liquidated at a cash receipt of RMB2,418,000 in May 2009. Net loss before taxation from the disposal of investment in Shanghai Maidishen is analysed as follows:

	Year ended 31 December 2009
	RMB'000
Proceeds received from the liquidation	2,418
Less:	
Carrying amount of Shanghai Maidishen's net assets	2,435
Liquidation loss	(17)

(b) Shandong Ruiying Pioneer Pharmaceutical Co., Ltd.:

	As at and for the year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets	—	—	1,173,559
Liabilities	—	—	(680,286)
Revenues	—	—	396,794
Loss for the year	—	—	(2,792)
Percentage of interest held	0.00%	0.00%	42%

In April 2010, the Target Business acquired 42% equity interests in Shandong Ruiying Pioneer Pharmaceutical Co., Ltd. (山東睿鷹先鋒製藥有限公司, "Shandong Ruiying") through a consideration of RMB220,000,000. Shandong Ruiying is principally engaged in manufacturing raw materials of anti-biotic medicines.

11 INVENTORIES

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials	55,631	47,049	56,603
Work in progress	34,496	43,123	45,955
Finished goods	94,573	73,887	93,532
Less: write-down to net realisable value	(4,614)	(2,140)	(3,497)
At the year end	180,086	161,919	192,593

The cost of inventories recognised as expenses and included in cost of sales, distribution and selling expenses and general and administrative expenses are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost of sales, distribution and selling expenses and general and administrative expenses	1,206,678	1,154,001	980,493

12 TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables from third parties			
Account receivables	346,425	344,852	333,463
Less: Provision for impairment	(145,905)	(137,863)	(139,245)
Account receivables — net	200,520	206,989	194,218
Notes receivables	33,500	115,273	157,646
Trade receivables — net	234,020	322,262	351,864
Other receivables from third parties	117,636	82,482	58,725
Less: Provision for impairment	(47,576)	(44,639)	(48,343)
Other receivables — net	70,060	37,843	10,382
Amounts due from related parties *(Note 29(c))*	838,222	855,897	580,229
Less: Provision for impairment	(49,726)	(55,726)	(40,000)
Amount due from related parties — net	788,496	800,171	540,229
Prepayments to third parties	16,393	9,821	2,890
Trade and other receivables	1,108,969	1,170,097	905,365

(a) The fair values of trade and other receivables approximate their carrying amounts due to the short maturities.

(b) The carrying amounts of trade and other receivables are all denominated in RMB as at 31 December 2008, 2009 and 2010.

(c) Ageing analysis of gross trade receivables (accounts receivable and notes receivable) at the respective balance sheet dates is as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	165,184	252,965	309,116
3 months to 6 months	34,130	47,636	32,584
6 months to 12 months	13,782	4,525	6,646
1 year to 2 years	12,251	14,772	1,911
Over 2 years	154,578	140,227	140,852
	379,925	460,125	491,109

As of 31 December 2008, 2009 and 2010, trade receivables of RMB180,611,000, RMB159,524,000 and RMB149,409,000 were past due and impaired. It was assessed that a portion or none of the receivables is expected to be recovered. The ageing analysis of these trade receivables and expected recovery are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
6 to 12 months	13,782	4,525	6,646
1 to 2 years	12,251	14,772	1,911
Over 2 years	154,578	140,227	140,852
	180,611	159,524	149,409
Less: Expected recovery	(36,669)	(25,208)	(11,134)
Impairment	143,942	134,316	138,275

(d) Movements on the provision for impairment of trade and other receivables are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At beginning of the year	239,135	243,207	238,228
Provision for impairment *(Note 22)*	9,026	8,567	5,997
Write-off against uncollectible receivables	(4,954)	(13,546)	(16,637)
At the end of year	243,207	238,228	227,588

The creation and release of provision for impairment of trade and other receivables have been included in 'general and administrative expenses'. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash at bank	87,000	138,986	173,053
Cash on hand	207	94	44
Less: restricted cash *(Note a)*	(9,270)	(11,450)	(2,221)
Cash and cash equivalents	77,937	127,630	170,876
Denominated in:			
— RMB	85,962	139,080	173,097
— USD	1,245	—	—
	87,207	139,080	173,097

(a) As of the respective balance sheet dates, certain of the Target Business's bank deposits have been pledged for the following purposes:

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Bank deposits pledged for:			
— issue of notes payable	8,000	11,450	2,221
— issue of letter of credit	1,270	—	—
	9,270	11,450	2,221

(b) The above mentioned restricted bank deposits are all interest-bearing and with maturity dates of less than one year.

(c) The Target Business' restricted cash and cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(d) The effective interest rates of cash at banks are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
Effective interest rate (% per annum)	0.72%	0.36%	0.36%

14 FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments by category

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Assets per balance sheet:			
Financial assets at fair value through profit or loss	160	439	413
Loans and receivables			
— Trade and notes receivables *(Note 12)*	234,020	322,262	351,864
— Trade and other receivables from related parties *(Note 29)*	788,119	799,610	539,991
— Other receivables *(Note 12)*	70,060	37,843	10,382
— Cash and bank *(Note 13)*	87,207	139,080	173,097
	1,179,566	1,299,234	1,075,747
Liabilities per balance sheet:			
Other financial liabilities at amortised cost			
— Trade and notes payables *(Note 16)*	207,773	224,731	221,228
— Trade and other payables to related parties *(Note 29)*	20,840	20,430	122,289
— Accrual and other payables	79,166	77,294	193,637
— Bank borrowings *(Note 17)*	776,000	727,000	523,700
	1,083,779	1,049,455	1,060,854

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by types of the financial assets and by reference to historical information about counter party default rates.

(a) Trade receivables

As at 31 December 2008, 2009 and 2010, the Target Business's trade receivables of approximately RMB165,184,000, RMB252,965,000 and RMB309,116,000 were within three months. Trade receivables that were within three months mainly represent those due from customers with good credit history and low default rate.

None of the financial assets that are fully performing has been renegotiated in the Relevant Periods.

(b) Other receivables due from related parties

As at 31 December 2008, 2009 and 2010, the Target Business's other receivables due from related parties of approximately RMB596,198,000, RMB674,443,000 and RMB517,738,000 were all within six months. The management considered the credit risks in respect of the receivables due from related parties are relatively minimum as each of the receivable was reached at a practicable payment term with no history of default.

(c) Cash and cash equivalents

As at 31 December 2008, 2009 and 2010, all the bank deposits are deposited in reputable financial institutions which primarily comprise reputable international banks and state-owned banks.

The management considered the credit risks in respect of cash and bank deposits with financial institutions are relatively minimum as each counter party bears a high credit rating or is a large PRC state-owned banks with no history of default.

15 OWNERS' EQUITY

As mentioned in Note 2 above, the Financial Information has been prepared using the financial information of New Asiatic and Huakang as if Huakang had been a subsidiary of New Asiatic throughout the Relevant Periods. Owners' equity during the Relevant Periods represents the combined deficits/equities of the companies comprising the New Asiatic Group and Huakang after elimination of transactions and balances between the New Asiatic Group and Huakang. Apart from total comprehensive income, movements in owners' equity during the Relevant Periods mainly comprised:

(a) In accordance with the PRC Company Law and the articles of association of the PRC companies now comprising the Target Business (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

(b) In April 2008, New Asiatic purchased the non-controlling interest 22.95% of Shanghai Medical Packing Material Co., Ltd. ("Medical Packing"), a subsidiary of New Asiatic, at total considerations of approximately RMB765,000. Accordingly, the difference between the total consideration paid and the relevant share acquired of the carrying value of net assets of Medical Packing being acquired, of approximately RMB103,000, was recognised in other reserves.

(c) In June 2010, Shanghai Pharma Group purchased the non-controlling interest 10% of Huakang at total considerations of RMB3,000,000. Accordingly, the difference between the total consideration paid and the relevant share acquired of the carrying value of net assets of Huakang being acquired, of approximately RMB21,949,000, was recognised in the other reserves.

16 TRADE AND OTHER PAYABLES

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Accounts payables	167,348	170,725	216,485
Notes payables	40,425	54,006	4,743
Advances received from customers	5,973	13,038	18,321
Payables for purchase of PP&E	7,036	5,255	2,342
Staff welfare and salary payables	21,744	20,059	22,350
Tax liabilities other than income tax	3,523	2,108	39
Amounts due to related parties *(Note 29)*	20,840	20,430	122,289
Accrued expense	30,341	35,162	48,964
Deposits	5,180	5,213	6,068
Others	15,769	11,234	13,974
	318,179	337,230	455,575

(a) Ageing analysis of the accounts payables and notes payables at the respective balances sheet dates are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	90,125	134,301	81,697
3 months to 6 months	3,191	5,628	6,035
6 months to 12 months	102,928	76,741	125,838
1 year to 2 years	3,209	2,747	1,834
2 years to 3 years	2,844	78	883
Over 3 years	5,476	5,236	4,941
	207,773	224,731	221,228

(b) The Target Business's trade and other payables are all denominated in RMB as at 31 December 2008, 2009 and 2010.

17 BORROWINGS

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Non-current			
Long-term bank borrowings			
— pledged *(Note b)*	30,000	—	—
Current			
Short-term bank borrowings			
— guaranteed *(Note a)*	677,000	652,000	429,800
— unsecured	45,000	75,000	93,900
	722,000	727,000	523,700
Current portion of long-term bank borrowings			
— unsecured	24,000	—	—
	746,000	727,000	523,700
Total borrowings	776,000	727,000	523,700

(a) As at 31 December 2008, the bank borrowings guaranteed by independent third parties amounted to approximately RMB15,000,000.

As at 31 December 2008, 2009 and 2010, the bank borrowings as guaranteed by related parties amounted to approximately RMB662,000,000, RMB652,000,000 and RMB429,800,000 respectively (Note 29).

(b) As at 31 December 2008, the long-term bank borrowings secured by the pledge of the investment properties with the net book value RMB118,219,000 (Note 7(d)), amounted to RMB30,000,000.

(c) The carrying amounts of the Target Business's borrowings are all denominated in RMB as at 31 December 2008, 2009 and 2010.

(d) The weighted average effective interest rates of borrowings at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2008	2009	2010
Bank borrowings	6.71%	5.11%	5.02%

Interest rates of bank borrowings are reset periodically according to the benchmark rates announced by the People's Bank of China.

(e) The maturities of the Target Business' total borrowings at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year	746,000	727,000	523,700
Between 1 and 2 years	—	—	—
Between 2 and 5 years	20,000	—	—
Wholly repayable within 5 years	766,000	727,000	523,700
Over 5 years	10,000	—	—
	776,000	727,000	523,700

(f) The exposure of the Target Business's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 6 months	746,000	727,000	523,700
Between 6 — 12 months	30,000	—	—
	776,000	727,000	523,700

(g) The carrying amounts of current borrowings approximate their fair values.

The carrying amount and fair value of non-current borrowings are set out as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Carrying amount	30,000	—	—
Fair value	32,236	—	—

The fair value of non-current borrowings is estimated based on discounted cash flow using the prevailing market rates of interest available to the Target Business for financial instruments with substantially the same terms and characteristics at 31 December 2008.

18 DEFERRED INCOME TAX

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 relate to the same fiscal authority.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Deferred income tax assets			
— To be recovered after more than 12 months	223	223	220
— To be recovered within 12 months	1,287	879	3,192
	1,510	1,102	3,412
Deferred income tax liabilities			
— To be recovered within 12 months	—	38	34
Deferred income tax assets — net	1,510	1,064	3,378

The gross movement on the deferred income tax account is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January	2,738	1,510	1,064
Recognised in the combined income statements *(Note 25)* .	(1,228)	(446)	2,314
Deferred income tax assets — net	1,510	1,064	3,378

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 assets

	Provision for impairment of assets	**Tax losses**	**Accruals**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2008	1,509	223	1,037	2,769
Recognised in the combined income statements	(763)	—	(496)	(1,259)
At 31 December 2008.	746	223	541	1,510
Recognised in the combined income statements	(421)	—	13	(408)
At 31 December 2009.	325	223	554	1,102
Recognised in the combined income statements	1,203	(3)	1,110	2,310
At 31 December 2010.	1,528	220	1,664	3,412

Deferred income tax liabilities

	Fair value change from financial assets at fair value through profit or loss
	RMB'000
At 1 January 2008 and at 31 December 2008	—
Recognised in the combined income statements	38
At 31 December 2009	38
Recognised in the combined income statements	(4)
At 31 December 2010	34

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

The Target Business did not recognise deferred income tax assets of approximately RMB7,237,375, RMB1,818,846, and RMB1,837,653 in respect of tax losses amounting to approximately RMB28,949,499, RMB7,275,384, and RMB7,350,610 for the year ended 31 December 2008, 2009 and 2010, respectively. As at 31 December 2010, tax losses amounting to RMB53,437,018, RMB47,740,449, RMB28,949,499, RMB7,275,384 and RMB7,350,610 will expire in 2011, 2012, 2013, 2014 and 2015, respectively.

19 OTHER NON-CURRENT LIABILITIES

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Project development funds	2,360	2,410	2,410

Certain of the Target Business's subsidiaries received funds from local governments as compensation for expenses arising from research on certain special projects upon the request from the local government. Upon completion of the research, such funds, after offsetting against actual expenses arising during the course of research, will be recognised as other income. As at each respective balance sheet date, the directors expect that such project will not be completed within one year and therefore, the balance is recorded as other non-current liabilities.

20 OTHER INCOME

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Government grants	3,681	5,626	3,816

Government grants mainly represented subsidy income received from various government organisations as incentives to certain Target Business companies.

21 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
(Loss)/gain of financial assets at fair value through profit or loss, net	(233)	280	(26)
(Loss)/gain on disposals of PP&E	(137)	303	(511)
Loss on disposals of investment in associates *(Note 9(a))*	—	(17)	—
Others — net	(108)	(181)	2,309
	(478)	385	1,772

22 EXPENSES BY NATURE

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used	1,233,417	1,141,942	1,002,970
Changes in inventories of finished goods and work in progress	(26,739)	12,059	(22,477)
Employee benefit expenses *(Note 23)*	72,330	97,186	94,047
Promotion and advertising costs	2,202	714	2,158
Amortisation of land use rights *(Note 6)*	434	226	507
Depreciation of investment properties *(Note 7)*	5,501	5,501	5,501
Depreciation of PP&E *(Note 8)*	32,023	31,627	32,098
Amortisation of intangible assets *(Note 9)*	1,396	1,396	1,396
Office expenditures	8,696	7,036	7,732
Travelling expenses	4,515	6,128	5,904
Research expenses	3,205	5,527	20,084
Transportation costs	7,830	6,072	5,432
Real estate tax, stamp duties and other taxes	6,424	6,339	6,331
Operating lease rentals	2,850	1,692	2,730
Repair and maintenance fee	7,640	6,593	10,221
Energy and utilities	20,587	23,455	15,810
Provision for impairment of trade and other receivables *(Note 12(d))*	9,026	8,567	5,997
Write-down of inventories to net realisable value	1,385	1,557	4,289
Auditor's remuneration	963	243	400
Others	71,137	87,585	76,150
Total cost of sales, distribution and selling expenses and general and administrative expenses	1,464,822	1,451,445	1,277,280

23 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	58,211	82,838	78,427
Housing fund, medical insurance and other social insurance *(Note b)*	9,339	8,127	9,013
Others	4,780	6,221	6,607
	72,330	97,186	94,047

(a) As stipulated by rules and regulations in the PRC, the Target Business contributes to state-sponsored retirement schemes for its employees in the PRC. The Target Business's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Target Business contributes 20% to 22% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Employees of the Target Business in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Target Business contributes on a monthly basis to these funds based on approximately 0.5% to 12% of the salaries of the employees. The Target Business's liability in respect of these funds is limited to the contributions payable in each period.

(c) Emoluments of directors and senior management

The remuneration of each director of the Target Business for the Relevant Periods is set out below:

Year ended 31 December 2008

Name of director	Salaries and fee	Bonuses	Retirement plans contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Ci	89	10	25	124
Mr. Li Jianwen	131	51	49	231
Mrs. Zhu Yuhua	97	28	44	169
Mr. Zhang Haifu	68	10	28	106
Mrs. Yuan min	77	14	34	125
Mr. Wu Jianwen	—	—	—	—
Mrs. Cui Yiling	—	—	—	—
Mrs. Yi Zhengyu	—	—	—	—
Mr. Ye Jiming	168	158	22	348
Mr. Gao Fuding	—	—	—	—
Mr. Huang Desheng	—	—	—	—
Mrs. Yin Cuizhi	95	163	22	280
Mr. Hu Leifang	105	203	22	330
	830	637	246	1,713

Year ended 31 December 2009

Name of director	Salaries and fee	Bonuses	Retirement plans contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mrs. Cui Yiling	—	—	—	—
Mr. Zhang Ci	—	—	—	—
Mr. Shi Xingya	—	—	—	—
Mrs. Yu Yanwen	—	—	—	—
Mr. Li Jianwen	195	194	46	435
Mrs. Zhu Yuhua	120	176	51	347
Mr. Zhang Haifu	54	2	23	79
Mrs. Yuan min	94	93	40	227
Mr. Wu Jianwen	—	—	—	—
Mrs. Yi Zhengyu	—	—	—	—
Mr. Ye Jiming	165	8	23	196
Mr. Gao Fuding	—	—	—	—
Mr. Huang Desheng	—	—	—	—
Mrs. Yin Cuizhi	98	85	25	208
Mr. Hu Leifang	108	105	25	238
	834	663	233	1,730

Year ended 31 December 2010

Name of director	Salaries and fee	Bonuses	Retirement plans contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mrs. Cui Yiling	—	—	—	—
Mr. Li Jianwen	—	—	—	—
Mr. Shi Xingya	—	—	—	—
Mrs. Yu Yanwen	—	—	—	—
Mrs. Zhu Yuhua	126	15	55	196
Mr. Xu Hao	—	—	—	—
Mr. Pan Lei	—	—	—	—
Mr. Hu Leifang	110	225	28	363
Mrs. Yin Cuizhi	100	165	28	293
Mr. Yu Wei	81	55	17	153
Mrs. Zhang Dehui	72	65	15	152
	489	525	143	1,157

Note: In addition to the director's emoluments as disclosed above, certain directors of New Asiatic received emoluments (the "Emoluments") from Shanghai Asia Pioneer Pharmaceuticals Co., Ltd., the parent company and Shanghai Pharma Group. No apportionment has been made as the directors consider that it is impractical to apportion the Emoluments between their services rendered to the Target Business and their service rendered to the parent company.

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Business during the Relevant Periods include one director whose emoluments during the Relevant Periods have been included in note (c) above. The emoluments payable to the remaining individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries	596	677	620
Bonuses	602	973	498
Employer's contribution to pension scheme	160	248	222
	1,358	1,898	1,340

The emoluments fell within the following bands:

	Year ended 31 December		
	2008	2009	2010
	Number	Number	Number
Emolument bands (in HK dollars)			
HK$0- HK$500,000	5	5	5

(e) During the Relevant Periods, no emoluments have been paid by the Target Business to the directors or the five highest paid individuals as an inducement to join or upon joining the Target Business or as compensation for loss of office and there is no director waived or agreed to waive any of their emoluments.

24 FINANCE INCOME AND COSTS

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Interest income	678	1,602	1,871
Interest expenses on borrowings	(57,292)	(40,765)	(31,140)
Interest expenses on notes discounted	(1,873)	(3,458)	(1,087)
Other costs	(1,464)	(357)	(213)
	(60,629)	(44,580)	(32,440)

25 TAXATION

(a) Income tax expense

The amounts of income tax expenses charged to the combined income statements represent:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current income tax, PRC enterprise income tax (ii)	22,206	24,383	24,649
Deferred income tax *(Note 18)*	1,228	446	(2,314)
	23,434	24,829	22,335

(i) The Target Business was not subject to Hong Kong profits tax during the Relevant Periods as there was no assessable income arising in or derived from Hong Kong.

(ii) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") which is with effect from 1 January 2008. The New CIT Law reduces (increases) the CIT rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008.

For enterprises which were established before the publication of the new CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates granted by relevant tax authorities, the new CIT rate will be gradually increased to 25% within 5 years. For enterprises that enjoy a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009 and will be 22% for 2010, 24% for 2011 and 25% for 2012. For enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Details of the preferential CIT policies and significant subsidiaries who enjoy these policies are listed as follows:

- Shanghai Asia Pioneer Huakang Pharmaceuticals Co., Ltd., and Shanghai New Asiatic Pharmaceuticals Zao Wu Co., Ltd., used to enjoy the preferential CIT rate of 15% applicable to the domestic enterprises established in Pudong New Area, Shanghai. According to the "Enterprise Income Tax Law of PPC" and "the Circular of the State Council on the Implementation of Transitional Preferential Enterprise income Tax Policies" (GuoFa [2007] No.39), the applicable CIT rate for the subsidiaries abovementioned is 18%, 20% and 22% for the years ended 31 December 2008, 2009 and 2010, respectively.

- Shanghai New Asiatic Pharmaceuticals Co., Ltd., and Shanghai Pharmaceutical Technology Development Co., Ltd., were approved by relevant local tax authorities as the High-technological Enterprise, and had enjoyed a preferential CIT rate of 15% during the Relevant Periods.

- As approved by the local State Tax Bureau, Liaoning Medya Pharmaceuticals Co., Ltd. is entitled to a two-year exemption from CIT followed by a 50% reduction in CIT for the subsequent five years, commencing from the first cumulative profit-making year. Under the relevant regulations of the new CIT, the tax holiday began from 2008. 2010 was the first year for exemption of 50% income taxes.

(iii) The tax on the Target Business's profit before income tax differs from the theoretical amount that could arise using the statutory CIT rates of 25% applicable to respective years as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Profit before income tax	136,318	133,522	110,715
Tax calculated at the domestic CIT rate applicable	34,080	33,381	27,679
Cost not deductible for taxation purposes	3,624	4,610	5,092
Effect of tax holiday	(14,208)	(12,216)	(10,109)
Others	(62)	(946)	(327)
Income tax expenses	23,434	24,829	22,335
Effective tax rate	17%	19%	20%

(b) Business tax ("BT") and related taxes

Certain of the Target Business's revenues are subject to BT at rates ranging from 3% to 5% of the amount of revenue. In addition, the Target Business is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 1% to 7% and 1% to 3% of the amount of BT payable.

(c) Value-added tax ("VAT") and related taxes

Certain of the Target Business's revenues (including sales revenue) are subject to output VAT generally calculated at 6% or 17% of the selling prices pursuant to different circumstances. Input credit relating to input VAT paid on purchases can be used to offset the output VAT. The Target Business is also subject to CCT and ES based on 1% to 7% and 1% to 3% of the net VAT payable.

26 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Profit before income tax	136,318	133,522	110,715
Adjustments for:			
— Share of profit from associates	(140)	—	1,173
— Depreciation of PP&E and investment properties	37,524	37,128	37,599
— Amortisation of land use rights and intangible assets	1,830	1,622	1,903
— Financial assets at fair value through profit or loss	233	(280)	26
— Losses/(gains) on disposals of			
— PP&E	137	(303)	511
— investment in associates	—	17	—
— Provisions for impairment of			
— trade and other receivables	9,026	8,567	5,997
— inventories	1,385	1,557	4,289
— Financial cost — net	60,629	44,580	32,440
	246,942	226,410	194,653
Changes in working capital:			
— Inventories	(26,850)	16,610	(34,963)
— Trade and other receivables	(72,469)	(77,328)	259,795
— Trade and other payables	(81,069)	20,819	119,004
— Restricted cash	730	(2,180)	9,229
Cash generated from operations	67,284	184,331	547,718

(b) In the cash flow statements, proceeds from disposals of PP&E comprise:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net book amount	670	172	1,112
(Loss)/gain on disposal *(Note 21)*	(137)	303	(511)
Receivables in respect of disposal of PP&E	(455)	(383)	—
Proceeds from disposal	78	92	601

(c) In the cash flow statements, proceeds from disposals of associates:

	Year ended 31 December 2009
	RMB'000
Net book amount	2,435
Loss on disposal	(17)
Proceeds from disposal	2,418

27 CONTINGENCIES AND GUARANTEES

(a) The Target Business has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

(b) Outstanding loan guarantees

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Outstanding loan guarantees provided to an associate *(Note ii)*	—	—	229,800
Outstanding loan guarantees provided to related parties *(Note 29 (d))*	101,300	65,640	26,000
Outstanding loan guarantees provided to third parties	323,000	220,000	—
	424,300	285,640	255,800

(i) The Target Business has acted as the guarantor for various external borrowings made by certain related parties and third parties. Settlement of these guarantees did not cause an outflow of resources embodying economic benefits.

(ii) The Target Business has acted as the guarantor for various external borrowings made by Shandong Ruiying, as associate of the Target Business, as at 31 December 2010. According to the agreement between Mr. Peng, Mr. Shang and Mr. Zheng, the shareholders of Shandong Ruiying, and New Asiatic on 27 July 2010, and according to the approval of the board of directors of Shandong Ruiying, the 58% equity interest of Shandong Ruiying owned by Mr. Peng, Mr. Shang and Mr. Zheng are pledged to New Asiatic as a counter-guarantee of the above outstanding loan guarantees of RMB229,800,000.

(c) Outstanding loan pledge

The third party company's borrowings of RMB20,000,000, RMB20,000,000, and RMB20,000,000, as at 31 December 2008, 2009 and 2010 respectively are secured by the Target Business' investment properties (Note 6 (c)).

28 COMMITMENTS

(a) Operating lease commitments

(i) The Target Business is the lessee:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
No later than 1 year	3,458	3,484	2,413
Later than 1 year and no later than 2 years	2,900	2,302	1,992
Later than 2 year and no later than 5 years	2,302	1,741	1,186
Later than 5 years	22,936	21,195	20,306
	31,596	28,722	25,897

(ii) The Target Business is the lessor:

The Target Business leases out certain office premises, plant and equipment under non-cancellable operating lease agreements. The further aggregate minimum rental receivable under these leases is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
No later than 1 year	4,979	6,083	14,515
Later than 1 year and no later than 2 years	2,467	2,808	3,248
Later than 2 years and no later than 5 years	—	984	3,653
	7,446	9,875	21,416

29 SIGNIFICANT RELATED PARTIES TRANSACTION

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Target Business is controlled by Shanghai Pharma Group and Shanghai Industrial Group, the parent company and ultimate parent company, respectively, both of which are government-related enterprise established in the PRC. The PRC government, indirectly, controls Shanghai Industrial Group. In accordance with HKAS 24 (Revised), "Related Party Disclosures", issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Target Business. On that basis, related parties include Shanghai Industrial Group and its subsidiaries (other than the Target Business), other government related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and as well as their close family members. The Target Business' significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly included sales or purchases of assets, goods and services, bank deposits and bank borrowings and related trade and other receivables, trade and other payables, borrowings, pledged bank deposits, cash and cash equivalents. The directors of the Company believe that the meaningful information of related party transactions has been adequately disclosed in this report.

Name of related party	Nature of relationship
Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥 (集團)有限公司)	Controlled by Shanghai Industrial Group
BU of APIs Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥 (集團)有限公司新華聯製藥廠)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceutical Dispensary Co., Ltd. (上海醫藥分銷控股有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceutical Industries Co., Ltd. (上海醫藥工業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceutical Group Sine Yangpu Co., Ltd. (上海醫藥集團信誼洋浦有限公司)	Controlled by Shanghai Industrial Group
Hugang Xinya Pharmaceutical Industry (Yangzhou) Co., Ltd. (滬港新亞藥業 (揚州)有限公司)	Controlled by Shanghai Industrial Group
Ningbo Pharmaceutical Co., Ltd. (寧波醫藥股份有限公司)	Controlled by Shanghai Industrial Group
Shanghai Antibioticos Pioneer Pharmaceutical Co., Ltd. (上海安替比奧先鋒製藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Baihong Industry Co., Ltd. (上海百鴻實業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Haichang Medical Plastic Plant (上海海昌醫用塑膠廠)	Controlled by Shanghai Industrial Group
Shanghai Haoya Investment Co., Ltd. (上海浩亞投資有限公司)	Controlled by Shanghai Industrial Group
Shanghai Huaren Pharmaceutical Co., Ltd (上海華仁醫藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Fahrenheit Pharmacy Distribution Co., Ltd. (上海華氏大藥房配送中心有限公司)	Controlled by Shanghai Industrial Group
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏製藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Huayin Pharmaceutical Co., Ltd (上海華因醫藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Jianer Pharmacy Co., Ltd. (上海健爾藥房有限公司)	Controlled by Shanghai Industrial Group
Shanghai Jinshan Yiyaoyaocai Co., Ltd. (上海金山醫藥藥材有限公司)	Controlled by Shanghai Industrial Group
Shanghai Jinshi Yiyaoyaocai Co., Ltd. (上海金石醫藥藥材有限公司)	Controlled by Shanghai Industrial Group
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. (上海雷允上北區藥業股份有限公司)	Controlled by Shanghai Industrial Group
Shanghai Leiyunshang Pharmaceutical West District Co., Ltd. (上海雷允上藥業西區有限公司)	Controlled by Shanghai Industrial Group
Shanghai Leiyunshang Pharmaceutical Nanxiang Co., Ltd. (上海雷允上南翔醫藥有限公司)	Controlled by Shanghai Industrial Group

Name of related party	Nature of relationship
Shanghai Suzuken Chinese Medicine Co., Ltd. (上海鈴謙滬中醫藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Luoda Pharmaceutical Co., Ltd. (上海羅達醫藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Minhang Medical Material Co., Ltd. (上海閔行區藥材醫藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pudong New Area Caolu Investment And Management Co., Ltd. (上海浦東新區曹路投資管理有限公司)	Controlled by Shanghai Industrial Group
Shanghai Ruijin Pharmacy (上海瑞金藥房)	Controlled by Shanghai Industrial Group
Shanghai Sunve Pharmaceutical Sales Co., Ltd. (上海三維製藥銷售有限公司)	Controlled by Shanghai Industrial Group
Shanghai Sunve Pharmaceutical Co., Ltd. (上海三維製藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (上海實業聯合集團藥業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Industrial United Holdings Changcheng Pharmaceutical Co., Ltd. (上海實業聯合集團長城藥業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceutical Co., Ltd. (上海市醫藥股份有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceutical Co., Ltd. Hudong Branch (上海市醫藥股份有限公司滬東分公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceutical Co., Ltd. Xinyao Branch (上海市醫藥股份有限公司新藥分公司)	Controlled by Shanghai Industrial Group
Shanghai Sifu Pharmaceutical Co., Ltd. (上海思富醫藥有限公司)	Controlled by Shanghai Industrial Group
Shanghai Siyaogu Trading Co., Ltd. (上海思耀穀貿易有限公司)	Controlled by Shanghai Industrial Group
Shanghai Wuzhou Pharmaceutical Co., Ltd. (上海五洲藥業股份有限公司)	Controlled by Shanghai Industrial Group
Shanghai Xinshidai Pharmaceutical Co., Ltd. (上海新時代藥業有限公司)	Controlled by Shanghai Industrial Group
Shanghai New Asiatic — Maclean Chemical Co., Ltd. (上海新亞 — 麥克林化學有限公司)	Controlled by Shanghai Industrial Group
Shanghai New Asiatic Pharmaceutical Gaoyou Co., Ltd. (上海新亞藥業高郵有限公司)	Controlled by Shanghai Industrial Group
Shanghai Xinyun Chemical Co., Ltd. (上海新雲化工有限公司)	Controlled by Shanghai Industrial Group
Shanghai Sine Jiahua Pharmaceutical Co., Ltd. (上海信誼嘉華藥業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Sine Tianyi Pharmaceutical Co., Ltd. (上海信誼天一藥業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Sine Pharmaceutical Laboratories Co., Ltd. (上海信誼藥廠有限公司)	Controlled by Shanghai Industrial Group
Shanghai Yafei Industry Co., Ltd. (上海亞飛實業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmacy Co., Ltd. (上海藥房股份有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceutical Jiading Co., Ltd. (上海醫藥嘉定藥業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd. (上海醫藥物資供銷有限公司)	Controlled by Shanghai Industrial Group
Shanghai Indu-pharm Property Co., Ltd. (上海英達方物業有限公司)	Controlled by Shanghai Industrial Group
Shanghai Far-East Pharmaceutical Machinery Co., Ltd. (上海遠東製藥機械總廠有限公司)	Controlled by Shanghai Industrial Group
Shanghai Yunhu Medical Material Co., Ltd. (上海雲湖醫藥藥材股份有限公司)	Controlled by Shanghai Industrial Group
Shanghai Zhengshen Pharmaceutical Import and Export Co., Ltd. (上海振申醫藥進出口有限公司)	Controlled by Shanghai Industrial Group
Shanghai Shen Wei Pharmaceutical Co., Ltd.(上海申威醫藥有限公司)	Controlled by Shanghai Industrial Group
Shandong Ruiying Pioneer Pharmaceuticals Co., Ltd. (山東睿鷹先鋒製藥有限公司)	Associate

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during the years and balances arising from related party transaction.

(a) Significant transactions with related parties except for other state-owned enterprises

During the Relevant Periods, the Group had the following significant transactions with related parties.

	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Sales of goods			
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	418,037	278,662	95,552
Shangqiu Xin Xian Feng Pharmaceutical Co., Ltd.	69,004	61,437	34,962
Shanghai Sifu Pharmaceutical Co., Ltd.	826	193	19,593
Shanghai Pharmaceutical Dispensary Co., Ltd.	—	—	7,589
Shanghai Suzuken Chinese Medicine Co., Ltd.	—	—	3,351
Shanghai Huaren Pharmaceutical Co., Ltd	2,610	3,025	2,978
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	12,741	9,231	2,449
Shanghai Luoda Pharmaceutical Co., Ltd.	1,337	2,198	1,335
Shanghai Jinshi Yiyaoyaocai Co., Ltd.	564	687	1,040
Shanghai Pharmaceutical Group Sine Yangpu Co., Ltd.	298	271	852
Shanghai Yiyao Jiading Yaoye Youxian Gongsi	17	229	786
Shanghai Yunhu Medical Material Co., Ltd.	125	159	685
Shanghai Jianer Pharmacy Co., Ltd.	—	—	683
Shanghai Jinshan Yiyaoyaocai Co., Ltd.	933	887	497
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	—	—	461
Shanghai Leiyunshang Pharmaceutical West District Co., Ltd.	—	—	456
Shanghai Leiyunshang Pharmaceutical Nanxiang Co., Ltd.	225	374	300
Shanghai Xinshidai Pharmaceutical Co., Ltd.	—	—	253
Shanghai Fahrenheit Pharmacy Distribution Co., Ltd.	—	—	222
Shanghai Ruijin Pharmacy	—	—	203
Shanghai Industrial United Holdings Changcheng Pharmaceutical Co., Ltd.	155	161	198
Shanghai Shen Wei Pharmaceutical Co., Ltd.	—	—	165
Shanghai Pharmaceutical Co., Ltd.	2,145	2,947	—
Shanghai Huashi Pharmaceutical Co., Ltd.	1,369	359	—
Shanghai Huayin Pharmaceutical Co., Ltd.	249	—	—
Others	714	557	630
	511,349	361,377	175,240

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Purchase of goods			
Shanghai Asia Pioneer Pharmaceutical Co., Ltd..	171,142	139,510	10,233
Shanghai Sifu Pharmaceutical Co., Ltd.	333	4,932	7,888
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd..	22,839	13,294	6,348
Shanghai Sine Tianyi Pharmaceutical Co., Ltd..	7,442	7,019	6,275
Shanghai Xinyun Chemical Co., Ltd.	2,502	7,648	5,815
Shanghai Pharmaceutical Dispensary Co., Ltd..	—	—	4,390
Shanghai Pharmacy Co., Ltd.	—	—	3,894
Shangqiu Xin Xian Feng Pharmaceutical Co., Ltd.	981	12,918	1,253
Shanghai Siyaogu Trading Co., Ltd	—	—	1,165
Shanghai Minhang Medical Material Co., Ltd..	79	23	899
Shanghai Zhengshen Pharmaceutical Import and Export Co., Ltd..	113,037	24,635	814
Shanghai Antibioticos Pioneer Pharmaceutical Co., Ltd.	334	1,318	557
Shanghai Pharmaceutical Co., Ltd. Hudong Branch	5,921	4,506	476
BU of APIs Shanghai Pharmaceutical (Group) Co., Ltd.	618	1,889	435
Shanghai Pharmaceutical Co., Ltd. Xinyao Branch	1,420	2,091	367
Shanghai Haichang Medical Plastic Plant	611	502	307
Shanghai Suzuken Chinese Medicine Co., Ltd..	331	161	258
Shanghai Sunve Pharmaceutical Sales Co., Ltd.	—	950	254
Shanghai Shen Wei Pharmaceutical Co., Ltd..	—	—	130
Shanghai Jinshan Yiyaoyaocai Co., Ltd.	64	113	127
Shanghai Minhang Medical Material Co., Ltd..	360	2,245	—
Shanghai Sine Jiahua Pharmaceutical Co., Ltd.	1,517	1,436	—
Shanghai Sunve Pharmaceutical Co., Ltd.	1,339	201	—
Others	273	343	345
	331,143	225,734	52,230

(b) Key management compensation

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries	559	607	296
Bonuses	118	661	68
Retirement plans contributions	222	210	105
	899	1,478	469

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, these transactions are entered into in the ordinary course of business of the Group.

(c) Significant balances with related parties except for other state-owned enterprises

(i) Amounts due from related parties:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables	191,921	125,167	22,253
Other receivables	645,924	730,169	557,738
Prepayments	377	561	238
	838,222	855,897	580,229

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables from			
Shanghai Asia Pioneer Pharmaceutical Co., Ltd..	169,689	113,084	11,327
Shangqiu Xin Xian Feng Pharmaceutical Co., Ltd.	17,458	8,400	3,282
Shanghai Sifu Pharmaceutical Co., Ltd.	235	—	2,806
Shanghai Huaren Pharmaceutical Co., Ltd	543	929	775
Shanghai Suzuken Chinese Medicine Co., Ltd..	—	—	682
Shanghai Pharmaceutical Dispensary Co., Ltd..	670	1,002	662
Shanghai Pharmaceutical Jiading Co., Ltd.	—	222	322
Shanghai Yunhu Medical Material Co., Ltd.	43	79	261
Shanghai Xinshidai Pharmaceutical Co., Ltd..	—	—	226
Shanghai Fahrenheit Pharmacy Distribution Co., Ltd.	—	—	186
Shanghai Luoda Pharmaceutical Co., Ltd..	270	441	178
Ningbo Pharmaceutical Co., Ltd..	—	—	178
Shanghai Antibioticos Pioneer Pharmaceutical Co., Ltd.	171	171	171
Shanghai Jianer Pharmacy Co., Ltd..	—	—	166
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd..	—	—	118
Shanghai Sine Pharmaceutical Laboratories Co., Ltd.	—	—	103
Shanghai Jinshi Yiyaoyaocai Co., Ltd.	112	178	103
Shanghai Jinshan Yiyaoyaocai Co., Ltd.	297	145	73
Shanghai Huashi Pharmaceutical Co., Ltd.	624	137	26
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	1,400	—	—
Others.	409	379	608
	191,921	125,167	22,253

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Other receivables from			
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	591,998	642,983	510,863
Hugang Xinya Pharmaceutical Industry (Yangzhou) Co., Ltd.	39,726	45,726	30,000
Shanghai Antibioticos Pioneer Pharmaceutical Co., Ltd.	10,000	10,000	10,000
Shanghai Pudong New Area Caolu Investment And Management Co., Ltd.	4,080	6,340	6,340
Shanghai New Asiatic — Maclean Chemical Co., Ltd.	—	—	339
Shanghai Yafei Industry Co., Ltd.	—	—	112
Shanghai Pharmaceutical Co., Ltd. Xinyao Branch	—	—	84
Shanghai Indu-pharm Property Co., Ltd.	120	120	—
Shanghai Pharmaceutical Co., Ltd.	—	25,000	—
	645,924	730,169	557,738

Other receivables are all non-trade receivables and will be settled upon demand by the Target Business.

Ageing analysis of the trade and other receivables from related parties are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	775,025	728,966	20,632
3 months to 6 months	344	54,183	500,726
6 months to 12 months	10,402	9,535	137
1 year to 2 years	12,416	22,940	6,739
Over 2 years	39,658	39,712	51,757
	837,845	855,336	579,991

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Prepayments from			
Shanghai Wuzhou Pharmaceutical Co., Ltd.	375	321	238
BU of APIs Shanghai Pharmaceutical (Group) Co., Ltd.	2	240	—
	377	561	238

(ii) Amounts due to related parties:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables	15,851	14,588	8,473
Other payables	3,341	4,144	112,101
Advances	1,648	1,698	1,723
Notes payable	—	—	300
	20,840	20,430	122,597

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables due to			
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	2,458	5,415	2,487
Shanghai Xinyun Chemical Co., Ltd.	2,518	2,264	2,288
Shanghai Pharmacy Co., Ltd.	—	—	1,126
Shanghai Pharmaceutical Dispensary Co., Ltd.	—	—	857
Shanghai Sine Tianyi Pharmaceutical Co., Ltd.	1,548	1,430	768
Shanghai Minhang Medical Material Co., Ltd.	250	839	365
Shangqiu Xin Xian Feng Pharmaceutical Co., Ltd	317	1,194	151
Shanghai Haichang Medical Plastic Plant	201	109	133
Shanghai Sifu Pharmaceutical Co., Ltd.	116	1,631	44
Shanghai Sunve Pharmaceutical Sales Co., Ltd.	—	81	33
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	1,192	—	—
Shanghai Pharmaceuticals Holding Co., Ltd.	1,456	1,086	—
Shanghai Sine Jiahua Pharmaceutical Co., Ltd.	404	276	—
BU of APIs Shanghai Pharmaceutical (Group) Co., Ltd.	266	89	—
Shanghai Sunve Pharmaceutical Co., Ltd.	720	—	—
Shanghai Zhengshen Pharmaceutical Import and Export Co., Ltd.	4,368	—	—
Others	37	174	213
	15,851	14,588	8,465

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Other payables due to			
Shanghai Pharmaceutical (Group) Co., Ltd.	1,050	1,050	100,000
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	516	327	5,150
Shanghai Pharmaceutical Co., Ltd.	—	—	3,606
Shanghai Zhengshen Pharmaceutical Import and Export Co., Ltd.	—	256	543
Shanghai Haoya Investment Co., Ltd.	1,730	2,500	2,802
Shanghai Far-East Pharmaceutical Machinery Co., Ltd.	45	11	—
	3,341	4,144	112,101

Other payables are all non-trade payables and will be settled upon demand of these related parties.

Ageing analysis of the trade and other payables due to related parties are as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than 3 months	6,159	3,682	10,689
3 months to 6 months	1,095	36	101,840
6 months to 12 months	9,105	10,561	3,860
1 year to 2 years	587	1,834	453
2 years to 3 years	—	—	1,058
Above 3 years	2,246	2,619	2,674
	19,192	18,732	120,574

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Advances due to			
Shanghai Pharmaceutical (Group) Co., Ltd.	1,500	1,500	1,500
Others	148	198	223
	1,648	1,698	1,723

Advances are all trade related and will continue after listing of the Company's shares.

(d) Significant guarantees with related parties except for other state-owned enterprises

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Outstanding loan guarantees to			
Shanghai Pharmaceutical Industries Co., Ltd.	59,400	—	—
Shandong Ruiying Pioneer Pharmaceuticals Co., Ltd.	—	—	229,800
Hugang Xinya Pharmaceutical Industry (Yangzhou) Co., Ltd.	6,000	6,000	6,000
Shanghai Baihong Industry Co., Ltd.	20,000	20,000	20,000
Shanghai Whyte Asia Pioneer Pharmaceuticals Ltd.	7,500	7,500	—
Shanghai Zhengshen Pharmaceutical Import and Export Co., Ltd.	8,400	32,140	—
	101,300	65,640	255,800

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Outstanding loan guarantees by			
Shanghai Pharmaceutical (Group) Co., Ltd.	487,000	412,000	229,800
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	175,000	240,000	200,000
	662,000	652,000	429,800

30 PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Subsidiaries

As at the date of this report, New Asiatic has direct interests in the following subsidiaries:

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Effective interests held by the Group	Principal activities and place of operations	Auditors
		RMB'000	Direct %		
Shanghai New Asiatic Pharmaceuticals Ming Hang Co., Ltd (上海新亞藥業閔行有限公司)	PRC, 6 July 1989	37,500	87.24%	Medicine manufacture and trading in the PRC	2007: a(i); 2008: a(ii); 2009-2010: a(i)
Shanghai Pharmaceutical Technology Development Co., Ltd. (上海醫藥科技發展有限公司)	PRC, 25 March 1993	12,000	51.92%	Medicines development in the PRC	2007-2008: a(ii); 2009-2010: a(i)
Liaoning Medya Pharmaceuticals Co., Ltd (遼寧美亞製藥有限公司)	PRC, 26 March 1996	130,000	70%	Medicine manufacture in the PRC	2007: a(i); 2008: a(ii); 2009-2010: a(i)
Shanghai Medical Packing Material Co., Ltd. (上海藥用包裝材料有限公司)	PRC, 04 April 2002	1,500	100%	Packing Material manufacture and trading in the PRC	2007-2008: a(ii); 2009-2010: a(i)
Shanghai New Asiatic Pharmaceuticals Zao Wu Co., Ltd (上海新亞早務醫藥有限公司)	PRC, 11 January 1999	35,000	67.55%	Medicine manufacture and trading in the PRC	2007-2008: a(ii); 2009-2010: a(i)

As at the date of this report, Huakang has no subsidiary.

Associates

As at the date of this report, New Asiatic has direct interests in the following associate:

Company Name	Country and date of incorporation	Issued and paid up capital/ registered capital	Effective interests held by the Group	Principal activities and place of operations	Auditors
		RMB'000	Direct %		
Shandong Ruiying Pioneer Pharmaceuticals Co., Ltd. (山東睿鷹先鋒製藥有限公司)	PRC, 22 March 2010	325,000	42%	Medicine manufacture and trading in the PRC	2010: a(i)

As at the date of this report, Huakang has no associate.

(a) The statutory audits of these companies' financial statements for the years ended 31 December 2007, 2008 and 2009 were performed by certified public accountants in the PRC as follows:

(i) Vocation International CPA Co., Ltd. (天職國際會計師事務所);

(ii) Shanghai Qiu-shi CPA Co., Ltd. (上海求是會計師事務所有限公司).

III. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by New Asiatic or Huakang or any of the companies now comprising the Target Business in respect of any period subsequent to 31 December 2010. No dividend or distribution has been declared or made by New Asiatic or Huakang in respect of any period subsequent to 31 December 2010.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this Appendix III does not form part of the Accountants' Reports from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I and Appendix IIB to this Prospectus, and is included herein for information only.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group as at 31 December 2010 as if it had been taken place on 31 December 2010.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 December 2010 or at any future dates.

	Unadjusted audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share (Note 4)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on the Offer Price of HK$21.80 per Share.	8,618,127	11,661,067	20,279,194	7.63	9.11
Based on the Offer Price of HK$26.00 per Share.	8,618,127	13,927,613	22,545,740	8.49	10.13

Notes:

1. The unadjusted audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010 is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2010 of RMB9,134,559,000 with an adjustment for the intangible assets as of 31 December 2010 of RMB516,432,000, which are extracted from the Accountants' Report of our Company set out in Appendix I to the Prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK$21.80 (equivalent to RMB18.26) and HK$26.00 (equivalent to RMB21.78) per Share, respectively, after deduction of estimated underwriting fees and other related expenses and takes no accounts of any Shares which may be issued upon the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised, the unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company and unaudited pro forma adjusted net tangible assets per Share will increase.

3. The Group's properties as at 28 February 2011 were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix VI — Property Valuation to this Prospectus. The net valuation surplus, representing the excess of market value of the

properties over their carrying value amounting to RMB85.5 million, has not been included in the Group's consolidated financial information as at 31 December 2010. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated at such valuation, an additional depreciation and amortisation of RMB3.7 million per annum in respect of the revaluation surplus, before income taxes, would be charged against the consolidated income statement.

4. The unaudited pro forma adjusted net tangible assets per Share is determined after the adjustments as described in note 2 above and on the basis that 2,656,857,338 Shares were in issue assuming the Global Offering had been completed on 31 December 2010, but takes no account of any shares which may be issued upon the exercise of the Over-Allotment Option.

5. For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8376.

6. The unaudited pro forma adjusted net tangible assets does not take into account the effect of the proposed acquisition of 96.9% equity interest in Shanghai New Asiatic Pharmaceuticals Co., Ltd. ("New Asiatic") and 100% equity interest in Shanghai Asia Pioneer Huakang Pharmaceuticals Co., Ltd. ("Huakang") and 100% equity interest in China Health System Ltd. ("CHS"). Details of the financial effect of the proposed acquisition are set out in the section headed "C. Unaudited Pro Forma Financial Information on the Enlarged Group" below.

7. As approved by the board of directors on 7 March 2011, the Company declared a final dividend of 2010 in the amount of RMB278,970,000 to the shareholders. This proposal is subject to the shareholders' approval. The unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share have not taken into account the effect of such final dividend. If this final dividend has been accounted for, the unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share would be reduced by RMB278,970,000 and RMB0.10 (HK$0.13) per Share, respectively.

8. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2010.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share for the year ending 31 December 2011 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2011. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group had the Global Offering been completed at 1 January 2011 or at any future dates.

Forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2011 *(Note 1)*	not less than RMB2,100 million (approximately HK$2,507 million)
Unaudited pro forma forecast basic earnings per Share *(Note 2)*	not less than RMB0.79 (approximately HK$0.94)

Notes:

1. The forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2011 is extracted from the section headed "Financial Information — Profit Forecast" in this Prospectus. The bases and assumptions on which the above profit forecast for the year ending 31 December 2011 has been prepared are summarised in Appendix V to this Prospectus.

2. The calculation of the unaudited pro forma forecast basic earnings per share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2011 assuming that the Global Offering were completed on 1 January 2011 and a total of 2,656,857,338 Shares were in issue during the entire year. This calculation has not taken into account any Shares which may be issued upon the exercise of Over-Allotment Option.

3. For the purpose of this unaudited pro forma forecast earnings per Share, the amount stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8376.

C. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and pro forma balance sheet, income statement and cash flow statement of the Group, New Asiatic, Huakang and CHS (collectively referred to as the "Enlarged Group") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of New Asiatic, Huakang and CHS (the "Acquisition") as if it had taken place on 31 December 2010 for the pro forma balance sheet and 1 January 2010 for the pro forma income statement and cash flow statement. The pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2010 and 1 January 2010, respectively or at any future date.

1. Unaudited pro forma balance sheet of the Enlarged Group as at 31 December 2010

			Pro forma adjustments			Pro forma adjustments			
	Note	Consolidated balance sheet of the Group as at 31 December 2010 (Note 1)	Combined balance sheet of New Asiatic and Hukang as at 31 December 2010 (Note 2)	Other pro forma adjustments	Unaudited pro forma balance sheet of the Group, New Asiatic and Huakang as at 31 December 2010	Consolidated balance sheet of CHS as at 31 December 2010 (Note 3)	Reclassification (Note 4)	Other pro forma adjustments	Unaudited pro forma balance sheet of the Enlarged Group as at 31 December 2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets									
Non-current assets									
Land use rights		782,933	16,092	—	799,025	—	—	—	799,025
Investment properties		261,056	138,107	—	399,163	—	—	—	399,163
Property, plant and equipment		4,100,592	282,888	—	4,383,480	27,304	—	—	4,410,784
Goodwill		—	—	—	—	7,703	(7,703)	—	—
Intangible assets	5, 8	516,432	4,558	—	520,990	4,671	7,703	2,628,175	3,161,539
Investments in jointly controlled entities		204,695	—	—	204,695	—	—	—	204,695
Investments in associates	5	1,062,201	218,827	—	1,281,028	—	100,678	22,990	1,404,696
Interest in associates		—	—	—	—	108,785	(108,785)	—	—
Deferred tax assets		—	—	—	—	10,690	(10,690)	—	—
Deferred income tax assets		150,167	3,412	—	153,579	—	10,690	—	164,269
Available-for-sale financial assets	8	383,716	—	—	383,716	—	627	(93,989)	290,354
Available-for-sale investments		—	—	—	—	627	(627)	—	—
Other long-term prepayments	8	816,236	—	—	816,236	—	—	(816,236)	—
		8,278,028	663,884	—	8,941,912	159,780	(8,107)	1,740,940	10,834,525
Current assets									
Inventories	5	5,040,729	192,593	—	5,233,322	1,451,626	—	25,390	6,710,338
Trade and other receivables	6	8,580,616	905,365	(17,169)	9,468,812	—	2,105,573	(87,341)	11,487,044
Trade and bills receivables		—	—	—	—	2,021,686	(2,021,686)	—	—
Prepayments and other receivables		—	—	—	—	69,572	(69,572)	—	—
Amounts due from associates		—	—	—	—	6,208	(6,208)	—	—
Financial assets at fair value through profit or loss		3,234	413	—	3,647	—	—	—	3,647
Restricted bank deposits		—	—	—	—	128,673	(128,673)	—	—
Restricted cash		298,764	2,221	—	300,985	—	128,673	—	429,658
Cash and bank balances		—	—	—	—	111,792	(111,792)	—	—
Cash and cash equivalents	7, 8	6,039,573	170,876	(1,487,780)	4,722,669	—	111,792	(2,673,628)	2,160,833
		19,962,916	1,271,468	(1,504,949)	19,729,435	3,789,557	8,107	(2,735,579)	20,791,520
Total assets		28,240,944	1,935,352	(1,504,949)	28,671,347	3,949,337	—	(994,639)	31,626,045

	Note	Consolidated balance sheet of the Group as at 31 December 2010 (Note 1)	Pro forma adjustments: Combined balance sheet of New Asiatic and Hukang as at 31 December 2010 (Note 2)	Pro forma adjustments: Other pro forma adjustments	Unaudited pro forma balance sheet of the Group, New Asiatic and Huakang as at 31 December 2010	Pro forma adjustments: Consolidated balance sheet of CHS as at 31 December 2010 (Note 3)	Pro forma adjustments: Reclassification (Note 4)	Pro forma adjustments: Other pro forma adjustments	Unaudited pro forma balance sheet of the Enlarged Group as at 31 December 2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity									
Equity attributable to owners of the parent.	7, 8	9,134,559	895,238	(1,507,795)	8,522,002	996,198	—	(996,198)	8,522,002
Non-controlling interests	7	2,749,704	48,727	20,015	2,818,446	—	—	—	2,818,446
Total equity		11,884,263	943,965	(1,487,780)	11,340,448	996,198	—	(996,198)	11,340,448
Liabilities									
Non-current liabilities									
Borrowings		66,098	—	—	66,098	—	—	—	66,098
Deferred tax liabilities .		—	—	—	—	3,797	(3,797)	—	—
Deferred income tax liabilities	5	43,520	34	—	43,554	—	3,797	103,753	151,104
Termination benefit obligations		79,835	—	—	79,835	—	—	—	79,835
Other non-current liabilities		224,717	2,410	—	227,127	—	—	—	227,127
		414,170	2,444	—	416,614	3,797	—	103,753	524,164
Current liabilities									
Trade and other payables	6, 8	10,912,154	455,575	(17,169)	11,350,560	—	1,764,452	(102,194)	13,012,818
Trade and bills payables		—	—	—	—	1,636,564	(1,636,564)	—	—
Other payables		—	—	—	—	123,240	(123,240)	—	—
Amounts due to associates and shareholders. . .		—	—	—	—	4,648	(4,648)	—	—
Income tax payable . . .		—	—	—	—	32,225	(32,225)	—	—
Current income tax liabilities		211,980	9,668	—	221,648	—	32,225	—	253,873
Interest-bearing borrowings.		—	—	—	—	1,152,665	(1,152,665)	—	—
Borrowings		4,818,377	523,700	—	5,342,077	—	1,152,665	—	6,494,742
		15,942,511	988,943	(17,169)	16,914,285	2,949,342	—	(102,194)	19,761,433
Total liabilities		16,356,681	991,387	(17,169)	17,330,899	2,953,139	—	1,559	20,285,597
Total equity and liabilities		28,240,944	1,935,352	(1,504,949)	28,671,347	3,949,337	—	(994,639)	31,626,045

2. Unaudited pro forma income statement of the Enlarged Group for the year ended 31 December 2010

			Pro forma adjustments			Pro forma adjustments			
	Note	Consolidated Income statement of the Group for the year ended 31 December 2010 (Note 1)	Combined Income statement of New Asiatic and Hukang for the year ended 31 December 2010 (Note 2)	Other pro forma adjustments	Unaudited pro forma income statement of the Group, New Asiatic and Huakang for the year ended 31 December 2010	Consolidated income statement of CHS for the year ended 31 December 2010 (Note 3)	Reclassification (Note 4)	Other pro forma adjustments	Unaudited pro forma income statement of the Enlarged Group for the year ended 31 December 2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	9	37,381,568	1,414,149	(103,561)	38,692,156	6,111,948	—	(463,348)	44,340,756
Cost of sales	9, 10	(30,723,323)	(1,086,513)	103,561	(31,706,275)	(5,633,842)	—	437,958	(36,902,159)
Gross profit		6,658,245	327,636	—	6,985,881	478,106	—	(25,390)	7,438,597
Distribution and selling expenses	10	(3,006,095)	(65,427)	—	(3,071,522)	—	(165,105)	(36,663)	(3,273,290)
Selling and distribution costs		—	—	—	—	(165,105)	165,105	—	—
General and administrative expenses		(1,843,345)	(125,340)	—	(1,968,685)	—	(105,740)	—	(2,074,425)
Administrative expenses		—	—	—	—	(105,740)	105,740	—	—
Operating profit		1,808,805	136,869	—	1,945,674	207,261	—	(62,053)	2,090,882
Other income		165,677	3,816	—	169,493	—	1,211	—	170,704
Gains on disposal of subsidiaries and associates		17,479	—	—	17,479	—	16	—	17,495
Other gains — net		63,877	1,772	—	65,649	—	16,293	—	81,942
Other gains and losses		—	—	—	—	21,385	(21,385)	—	—
Finance income		45,846	1,871	—	47,717	—	3,865	—	51,582
Finance costs		(212,619)	(32,440)	—	(245,059)	—	(52,592)	—	(297,651)
Interest on bank borrowings repayable within five years		—	—	—	—	(52,592)	52,592	—	—
Share of profit of jointly controlled entities		12,296	—	—	12,296	—	—	—	12,296
Share of profit/(loss) of associates		271,174	(1,173)	—	270,001	13,760	—	—	283,761
Profit before income tax		2,172,535	110,715	—	2,283,250	189,814	—	(62,053)	2,411,011
Income tax expense	10	(393,550)	(22,335)	—	(415,885)	(58,099)	—	15,514	(458,470)
Profit for the year		1,778,985	88,380	—	1,867,365	131,715	—	(46,539)	1,952,541
Profit attributable to:									
Equity holders of the Company	7	1,368,253	90,589	(2,639)	1,456,203	104,807	—	(46,539)	1,514,471
Non-controlling interests	7	410,732	(2,209)	2,639	411,162	26,908	—	—	438,070
		1,778,985	88,380	—	1,867,365	131,715	—	(46,539)	1,952,541

3. Unaudited pro forma cash flow statement of the Enlarged Group for the year ended 31 December 2010

			Pro forma adjustments			Pro forma adjustments			
	Note	Consolidated cash flow statement of the Group for the year ended 31 December 2010 (Note 1)	Combined cash flow statement of New Asiatic and Hukang for the year ended 31 December 2010 (Note 2)	Other pro forma adjustments	Unaudited pro forma income statement of the Group, New Asiatic and Huakang for the year ended 31 December 2010	Consolidated cash flow statement of CHS for the year ended 31 December 2010 (Note 3)	Reclassification (Note 4)	Other pro forma adjustments	Unaudited pro forma cash flow statement of the Enlarged Group for the year ended 31 December 2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities									
Cash generated from/(used in) operations		2,099,187	547,718	—	2,646,905	(486,795)	—	—	2,160,110
Interest paid.		(231,768)	(32,617)	—	(264,385)	—	(52,592)	—	(316,977)
Income tax paid		(405,738)	(23,014)	—	(428,752)	—	(49,865)	—	(478,617)
PRC income tax paid . .		—	—	—	—	(49,865)	49,865	—	—
Net cash generated from/(used in) operating activities .		1,461,681	492,087	—	1,953,768	(536,660)	(52,592)	—	1,364,516
Cash flows from investing activities									
Business combination under common control	7	(2,002,177)	—	(1,487,780)	(3,489,957)	—	—	—	(3,489,957)
Decrease in restricted bank balances		—	—	—	—	107,994	—	—	107,994
Acquisition of subsidiaries, net of cash acquired	8	26,604	—	—	26,604	—	(433)	(2,338,694)	(2,312,523)
Acquisition of a subsidiary		—	—	—	—	(433)	433	—	—
Acquisition of partial interest of an subsidiary from non-controlling interests .		—	—	—	—	(463,936)	463,936	—	—
Acquisition of an associate		—	(220,000)	—	(220,000)	—	—	—	(220,000)
Acquisition of partial interests of an associate		—	—	—	—	(35,000)	35,000	—	—
Cash prepaid in respect of acquiring subsidiaries		(1,090,373)	—	—	(1,090,373)	—	—	—	(1,090,373)
Increase in investments in associates		(130,514)	—	—	(130,514)	—	(35,000)	—	(165,514)
Increase in investment in subsidiaries		—	(3,000)	—	(3,000)	—	(463,936)	—	(466,936)
Purchases of property, plant and equipment ("PP&E") and investment properties		(505,441)	(22,820)	—	(528,261)	—	(13,851)	—	(542,112)
Proceeds from disposal of PP&E and investment properties		510,250	601	—	510,851	—	629	—	511,480

	Note	Consolidated cash flow statement of the Group for the year ended 31 December 2010 (Note 1)	Pro forma adjustments: Combined cash flow statement of New Asiatic and Hukang for the year ended 31 December 2010 (Note 2)	Pro forma adjustments: Other pro forma adjustments	Unaudited pro forma income statement of the Group, New Asiatic and Huakang for the year ended 31 December 2010	Pro forma adjustments: Consolidated cash flow statement of CHS for the year ended 31 December 2010 (Note 3)	Pro forma adjustments: Reclassification (Note 4)	Pro forma adjustments: Other pro forma adjustments	Unaudited pro forma cash flow statement of the Enlarged Group for the year ended 31 December 2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchases of land use rights and intangible assets		(46,012)	(108)	—	(46,120)	—	(934)	—	(47,054)
Purchases of available-for-sale financial assets		(1,093)	—	—	(1,093)	—	—	—	(1,093)
Purchase of intangible assets		—	—	—	—	(934)	934	—	—
Purchase of PP&E		—	—	—	—	(13,851)	13,851	—	—
Interest received		45,041	—	—	45,041	3,865	—	—	48,906
Dividends received		219,636	—	—	219,636	—	—	—	219,636
Proceeds from disposal of available-for-sale financial assets		142,521	—	—	142,521	—	—	—	142,521
Proceeds from disposal of land use rights and intangible assets		44,058	—	—	44,058	—	51	—	44,109
Proceeds from disposal of intangible assets		—	—	—	—	51	(51)	—	—
Proceeds from disposal of property, plant and equipment		—	—	—	—	629	(629)	—	—
Proceeds from disposal of subsidiaries, associates and jointly controlled entities		76,255	—	—	76,255	—	(403)	—	75,852
Net cash outflow from disposal of subsidiary		—	—	—	—	(403)	403	—	—
Other cash flows used in investing activities		(39,089)	—	—	(39,089)	—	—	—	(39,089)
Net cash used in investing activities		(2,750,334)	(245,327)	(1,487,780)	(4,483,441)	(402,018)	—	(2,338,694)	(7,224,153)
Cash flows from financing activities									
Proceeds from equity holders of certain subsidiaries		46,813	—	—	46,813	—	543,213	—	590,026
Proceeds from issuance of ordinary shares of the Company for the purpose of business combination under common control		1,999,604	—	—	1,999,604	—	—	—	1,999,604
Proceeds from issuance of shares		—	—	—	—	543,213	(543,213)	—	—
Proceeds from borrowings		6,255,332	728,700	—	6,984,032	1,152,665	—	—	8,136,697

	Note	Consolidated cash flow statement of the Group for the year ended 31 December 2010 (Note 1)	Pro forma adjustments: Combined cash flow statement of New Asiatic and Hukang for the year ended 31 December 2010 (Note 2)	Pro forma adjustments: Other pro forma adjustments	Unaudited pro forma income statement of the Group, New Asiatic and Huakang for the year ended 31 December 2010	Pro forma adjustments: Consolidated cash flow statement of CHS for the year ended 31 December 2010 (Note 3)	Pro forma adjustments: Reclassification (Note 4)	Pro forma adjustments: Other pro forma adjustments	Unaudited pro forma cash flow statement of the Enlarged Group for the year ended 31 December 2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Repayments of borrowings		(5,212,429)	(932,000)	—	(6,144,429)	(946,627)	—	—	(7,091,056)
Dividends paid by the Company		(115,062)	—	—	(115,062)	—	—	—	(115,062)
Dividends paid by certain subsidiaries .		(369,795)	—	—	(369,795)	—	—	—	(369,795)
Advances from shareholders		—	—	—	—	18,877	—	—	18,877
Interest paid		—	—	—	—	(52,592)	52,592	—	—
Other cash flows used in financing activities		(47,250)	(192)	—	(47,442)	—	—	—	(47,442)
Net cash generated from/(used in) financing activities .		2,557,213	(203,492)	—	2,353,721	715,536	52,592	—	3,121,849
Net increase/(decrease) in cash and cash equivalents		1,268,560	43,268	(1,487,780)	(175,952)	(223,142)	—	(2,338,694)	(2,737,788)
Cash and cash equivalents at beginning of year . .	8	4,776,503	127,630	—	4,904,133	334,934	—	(334,934)	4,904,133
Exchange losses on cash and cash equivalents.		(5,490)	(22)	—	(5,512)	—	—	—	(5,512)
Cash and cash equivalents at end of year		6,039,573	170,876	(1,487,780)	4,722,669	111,792	—	(2,673,628)	2,160,833

Notes:

1. These amounts are extracted from the Accountants' Report of the Company as set out in Appendix I to this Prospectus.

2. These amounts are extracted from the Accountants' Report of New Asiatic and Huakang as set out in Appendix IIB to this Prospectus.

3. These amounts are extracted from the Accountants' Report of CHS as set out in Appendix IIA to this Prospectus.

4. It represents the reclassification of those balance sheet, income statement and cash flow statement items in the Accountants' Report of CHS to conform to the current presentation of the consolidated balance sheet, income statement and cash flow statement in the Accountants' Report of the Company, respectively.

5. Upon completion of the Acquisition, the identifiable assets and liabilities of CHS were accounted for in the consolidated financial statements of the Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3").

For the purpose of the unaudited pro forma balance sheet of the Enlarged Group, the investment in associates, intangible assets other than goodwill and inventories of CHS as at 31 December 2010 are stated at their fair values of RMB123,668,000, RMB371,301,000 and RMB1,477,016,000 as at 31 December 2010, which are estimated by the directors of the Company with reference to the advice from a professional advisor. The differences between the fair values and the carrying amounts of above-mentioned assets amounting to RMB415,010,000 are presented as the pro forma adjustment to the respective items. Deferred tax liabilities of RMB103,753,000 is also included in the unaudited pro forma balance sheet of the Enlarged Group as at 31 December 2010 as a result of the aforesaid fair value adjustments.

6. The adjustment represents the elimination of intra-company balances amounting to RMB104,510,000 between the Group, New Asiatic, Huangkang and CHS as at 31 December 2010.

7. The adjustment represents the settlement of consideration for the acquisition of 96.9% equity interest of New Asiatic and Huangkang by cash of RMB1,487,780,000. As the Company, New Asiatic and Huakang are under common control, the Acquisitions will be treated pursuant to Hong Kong Accounting Guideline 5 "Merger accounting for common control combination" and the assets, liabilities and equity interests of New Asiatic and Huakang will be accounted for at their respective existing book values. The amount of the cost of acquisition of RMB1,487,780,000 in excess of the Group's share of the book value of equity of New Asiatic and Huakang have been debited to owner's equity in the unaudited pro forma balance sheet of the Enlarged Group. The net assets and profit for the year of approximately RMB20,015,000 and RMB2,639,000 attributable to the remaining 3.1% equity interest in New Asiatic have been credited to non-controlling interest respectively. For the purpose of preparing the unaudited pro forma consolidated balance sheet of the Enlarged Group, the net asset value of New Asiatic and Huakang as at 31 December 2010 has been used in the calculation of the reserve arising on consolidation. Since the net asset value of the New Asiatic and Huakang at the date of completion may be substantially different from its net asset value used in the preparation of the unaudited pro forma consolidated balance sheet of the Enlarged Group presented above, the actual amounts of the reserve arising on consolidation may be different from the amounts shown in this unaudited pro forma consolidated balance sheet of the Enlarged Group.

8. The adjustments represent the additional cash paid out for the acquisition of CHS of RMB2,673,628,000 and the cash and cash equivalent of RMB334,934,000 in CHS acquired as of 1 January 2010. As at 31 December 2010, the Group had an acquired 2.63% equity interest in CHS which was accounted for as available-for-sale financial assets of RMB93,989,000. In addition, the Group has prepaid deposits of RMB816,236,000 for the acquisition and record a payable of RMB14,853,000 as at 31 December 2010. The amount of the total consideration of RMB3,569,000,000 in excess of the Group's share of fair value of the net identifiable assets of CHS of RMB1,307,455,000 is recognised as Intangible assets-goodwill in the unaudited pro forma balance sheet of the Enlarged Group. The Group is required under HKFRS 3 to recognise CHS's identifiable assets and liabilities at their fair values as at the date of the completion of the acquisition. Since the fair values of the identifiable assets and liabilities of CHS at the date of completion of the acquisition may be different from the fair values used in the preparation of the above unaudited pro forma balance sheet of the Enlarged Group, the actual amount of goodwill, if any, maybe different from the estimated amount shown in this pro forma financial information.

9. The adjustment represents the elimination of intra-company transactions amounting to RMB566,909,000 between the Group, New Asiatic, Huangkang and CHS for the year ended 31 December 2010.

10. The adjustment represents the additional cost of sales, amortisation expenses and deferred income tax benefit arising from the fair value adjustment on the inventory, property, plant and equipment, intangible assets and the reversal of deferred income tax liabilities of CHS assuming the Acquisition had been completed at 1 January 2010. This adjustment is expected to have a continuing effect.

11. Apart from the above-mentioned adjustments in respect of the Acquisition, no adjustments have been made to reflect any operating results or other transactions of the Group, New Asiatic and Huankang and CHS entered into subsequent to 31 December 2010 for pro forma information.

D. REPORT FROM THE REPORTING ACCOUNTANTS ON THE 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.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

We report on the unaudited pro forma financial information of Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages III-1 to III-9 under the headings of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets", "Unaudited Pro Forma Forecast Earnings Per Share" and "Unaudited Pro Forma Financial Information of The Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the Company's prospectus dated 6 May 2011 (the "Prospectus"), in connection with the proposed initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. 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 public offering and the acquisitions of Shanghai New Asiatic Pharmaceuticals Co., Ltd., Shanghai Asia Pioneer Huakang Pharmaceuticals Co., Ltd. and China Health System Ltd. 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 III-1 to III-9 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 31 December 2010, the audited consolidated balance sheet of the Group as at 31 December 2010 and the audited consolidated income statement and cash flow statement of the Group for the year ended 31 December 2010 with the accountants' report of the Company as set out in Appendix I of the Prospectus, comparing the unaudited forecast profit attributable to equity holders of the Company for the year ending 31 December 2011 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 the 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 financial position of the Group as at 31 December 2010 or any future date,

— the earnings per share of the Group for the year ending 31 December 2011 or any future periods, or

— the results and cash flows of the Group for the year ended 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, 6 May 2011

Under the rules of the Shanghai Stock Exchange on which our A Shares are listed, we are required to publish, on a quarterly basis, reports containing unaudited financial statements. Since we published certain financial statements for the three months ended March 31, 2011 in the PRC prior to the date of this Prospectus, we have prepared condensed consolidated interim financial information as of and for the three months ended March 31, 2011 in accordance with the HKFRS and have included such condensed consolidated interim financial information in this Prospectus.

A. UNAUDITED INTERIM FINANCIAL INFORMATION

a. Condensed Consolidated Balance Sheet

	Note	31 March 2011	31 December 2010
		RMB'000	RMB'000
Assets			
Non-current assets			
Land use rights	5	762,037	782,933
Investment properties	5	258,933	261,056
Property, plant and equipment	5	3,951,074	4,100,592
Intangible assets	5	451,146	516,432
Investments in jointly controlled entities		222,781	204,695
Investments in associates	6	1,919,587	1,062,201
Deferred income tax assets		135,766	150,167
Available-for-sale financial assets		323,345	383,716
Other long-term prepayments	7	2,733,294	816,236
		10,757,963	8,278,028
Current assets			
Inventories		4,774,927	5,040,729
Trade and other receivables	8	9,683,216	8,580,616
Financial assets at fair value through profit or loss		3,011	3,234
Restricted cash		262,425	298,764
Cash and cash equivalents		6,083,868	6,039,573
		20,807,447	19,962,916
Total assets		31,565,410	28,240,944
Equity attributable to owners of the parent			
Share capital	9	1,992,643	1,992,643
Share premium		3,282,151	3,282,151
Other reserves		700,038	742,742
Retained earnings		3,965,619	3,117,023
		9,940,451	9,134,559
Non-controlling interests		2,589,559	2,749,704
Total equity		12,530,010	11,884,263
Liabilities			
Non-current liabilities			
Borrowings	11	40,514	66,098
Deferred income tax liabilities		177,006	43,520
Termination benefit obligations		75,322	79,835
Other non-current liabilities		234,257	224,717
		527,099	414,170
Current liabilities			
Trade and other payables	10	11,592,967	10,912,154
Current income tax liabilities		175,531	211,980
Borrowings	11	6,739,803	4,818,377
		18,508,301	15,942,511
Total liabilities		19,035,400	16,356,681
Total equity and liabilities		31,565,410	28,240,944
Net current assets		2,299,146	4,020,405
Total assets less current liabilities		13,057,109	12,298,433

b. Condensed Consolidated Income Statement

	Note	Three months ended 31 March 2011	Three months ended 31 March 2010
		RMB'000	RMB'000
Revenue	4	11,851,742	9,341,750
Cost of sales		(10,044,966)	(7,603,100)
Gross profit		1,806,776	1,738,650
Distribution and selling expenses		(755,163)	(747,028)
General and administrative expenses		(495,979)	(516,870)
Operating profit	12	555,634	474,752
Other income		8,917	23,740
Gains/(losses) on disposal of subsidiaries	13	526,996	(7,960)
Other gains — net	14	74,637	36,818
Finance income		17,273	10,287
Finance costs		(80,713)	(53,253)
Share of profit of jointly controlled entities		18,086	10,936
Share of profit of associates	6	117,084	106,023
Profit before income tax		1,237,914	601,343
Income tax expense	15	(277,910)	(84,683)
Profit for the period		960,004	516,660
Profit attributable to:			
Equity holders of the Company		848,596	409,266
Non-controlling interests		111,408	107,394
		960,004	516,660
Earnings per share attributable to equity holders of the Company during the period (expressed in RMB per share)			
— Basic and diluted	16	0.43	0.21
Dividends	17	—	35,557

c. Condensed Consolidated Statement of Comprehensive Income

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Profit for the period	960,004	516,660
Other comprehensive income		
Available-for-sale financial assets		
— Gross	(45,910)	(14,499)
— Tax	11,478	3,623
Currency translation differences, net	(2,429)	(2,706)
Others	—	2
Other comprehensive income for the period, net of tax	(36,861)	(13,580)
Total comprehensive income for the period	923,143	503,080
Attributable to:		
— Equity holders of the Company	811,735	395,686
— Non-controlling interests	111,408	107,394
Total comprehensive income for the period	923,143	503,080

d. Condensed Consolidated Statement of Cash Flows

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Net cash generated from operating activities	350,155	386,962
Net cash used in investing activities	(2,121,241)	(2,012,053)
Net cash generated from financing activities	1,816,754	2,162,748
Net increase in cash and cash equivalents	45,668	537,657
Cash and cash equivalents at beginning of period	6,039,573	4,776,503
Exchange (losses)/gains on cash and cash equivalents	(1,373)	606
Cash and cash equivalents at end of period	6,083,868	5,314,766

e. Condensed Consolidated Statement of Changes in Equity

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company						
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		569,173	4,760,996	766,795	2,185,046	8,282,010	2,153,134	10,435,144
Total comprehensive income for the period ended 31 March 2010		—	—	(13,580)	409,266	395,686	107,394	503,080
Transactions with owners								
Deemed distribution to equity holders		—	—	—	(272,721)	(272,721)	(55,772)	(328,493)
Issue of shares as the consideration for business combination under common control	9	1,423,470	6,722,470	—	—	8,145,940	—	8,145,940
Consideration for business combination under common control	1	—	(8,201,315)	—	—	(8,201,315)	—	(8,201,315)
Acquisition of subsidiaries		—	—	—	—	—	31,184	31,184
Disposal of a subsidiary		—	—	—	—	—	(1,120)	(1,120)
Transaction with non-controlling interests		—	—	(3,161)	—	(3,161)	1,758	(1,403)
Others		—	—	—	3,029	3,029	(2,250)	779
Total transaction with owners		1,423,470	(1,478,845)	(3,161)	(269,692)	(328,228)	(26,200)	(354,428)
Balance at 31 March 2010		1,992,643	3,282,151	750,054	2,324,620	8,349,468	2,234,328	10,583,796
Balance at 1 January 2011		1,992,643	3,282,151	742,742	3,117,023	9,134,559	2,749,704	11,884,263
Total comprehensive income for the period ended 31 March 2011		—	—	(36,861)	848,596	811,735	111,408	923,143
Transactions with owners								
Dividends of subsidiaries		—	—	—	—	—	(75,406)	(75,406)
Capital injections from non-controlling interests		—	—	—	—	—	84,000	84,000
Disposal of a subsidiary	2, 13	—	—	—	—	—	(290,959)	(290,959)
Transaction with non-controlling interests		—	—	—	—	—	(1,720)	(1,720)
Others		—	—	(5,843)	—	(5,843)	12,532	6,689
Total transaction with owners		—	—	(5,843)	—	(5,843)	(271,553)	(277,396)
Balance at 31 March 2011		1,992,643	3,282,151	700,038	3,965,619	9,940,451	2,589,559	12,530,010

f. Notes to the unaudited interim financial information

1 GENERAL INFORMATION

1.1 Organisation and history

Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company"), initially known as Shanghai No. 4 Pharmaceutical Co., Ltd. (上海四藥股份有限公司), was incorporated in the People's Republic of China (the "PRC") on 18 January 1994 as a joint stock company with limited liability under the Company Law of the PRC. Pursuant to a restructuring, the Company issued 42,966,600 domestic shares of RMB1 each ("A Shares") to its then shareholder and succeeded all the businesses of Shanghai No. 4 Pharmaceutical Factory (上海第四製藥廠), which was mainly engaged in the manufacturing and sale of pharmaceutical products. The Company then issued 15,000,000 new A Shares to public and all of the Company's A Shares were listed on Shanghai Stock Exchange on 24 March 1994.

In 1998, Shanghai Pharmaceutical (Group) Corporation, the predecessor of Shanghai Pharmaceutical (Group) Co., Ltd. ("Shanghai Pharma Group", 上海醫藥(集團)有限公司) which is the intermediate holding company of the Company, injected certain assets and wholly owned subsidiaries to the Company. In return, the Company issued 40,000,000 new A Shares and disposed of all of its then assets and liabilities before the assets injection to Shanghai Pharma Group. After the assets injection, the Company changed its name to Shanghai Pharmaceutical Co., Ltd. (上海市醫藥股份有限公司) and was then engaged in distribution of pharmaceutical products business.

In 2009, for the purpose of streamlining and restructuring the pharmaceutical businesses under the control of Shanghai Pharma Group and Shanghai Industrial Investment (Holdings) Co., Ltd. (Shanghai Industrial Group, 上海實業(集團)有限公司), the ultimate holding company of the Company, the Company entered into a series of restructuring agreements with Shanghai Pharma Group and Shanghai Industrial Group and their respective subsidiaries. The principal restructuring transactions are summarised as follows:

(i) The Company acquired all the assets, liabilities and businesses of Shanghai Industrial Pharmaceutical Investment Co., Ltd. ("Shang Shi Pharma", 上海實業醫藥投資股份有限公司), a company controlled by Shanghai Industrial Group and was a listed company on the Shanghai Stock Exchange. As consideration, the Company issued 592,181,860 new A Shares to the then shareholders of Shang Shi Pharma. After the acquisition, Shang Shi Pharma was de-listed and de-registered.

(ii) The Company acquired all the assets, liabilities and businesses of Shanghai Zhong Xi Pharmaceutical Co., Ltd. ("Zhong Xi Pharma", 上海中西藥業股份有限公司), a company controlled by Shanghai Pharma Group and was a listed company on the Shanghai Stock Exchange. As consideration, the Company issued 206,970,842 new A Shares to the then shareholders of Zhong Xi Pharma. After the acquisition, Zhong Xi Pharma was de-listed and de-registered.

(iii) The Company acquired certain subsidiaries, associates and assets from Shanghai Pharma Group by issuing 455,289,547 new A Shares to the later.

(iv) The Company acquired certain subsidiaries from Shanghai Industrial Holdings Limited (上海實業控股有限公司), a subsidiary of Shanghai Industrial Group at a cash consideration of RMB1,999.6 million. To finance the cash consideration, the Company issued 169,028,205 new A Shares to Shanghai Shangshi (Group) Co., Ltd. ("Shanghai Shangshi", 上海上實(集團)有限公司), another company controlled by Shanghai Industrial Group for cash of RMB1,999.6 million.

The subsidiaries and associates acquired in above-mentioned transactions are collectively referred to as "Acquired Businesses" in this report. After the above restructuring transactions were completed in the three-month period ended 31 march 2010, the Company changed its name to Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司).

The parent of the Company is Shanghai Pharma Group and the ultimate holding company of the Company is Shanghai Industrial Group.

The address of the Company's registered office is No. 92 Zhangjiang Road, Pudong New District, Shanghai, PRC.

This condensed consolidated interim financial information was approved for issue on 6 May 2011.

This condensed consolidated interim financial information has not been audited.

1.2 Principal activities

The Company and its subsidiaries (the "Group") are principally engaged in following activities:

- Research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;

- Pharmaceutical distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and

- Operation of a network of retail pharmacy stores.

2 KEY EVENT FOR CURRENT PERIOD

During the year ended and up to 31 December 2010, the Group held 40.8% equity interest in Techpool Bio-Pharma Co., Ltd. ("TECHPOOL"). The directors of the Company and the Group's management were of the view that the Group had the power to govern the financial and operating policies of TECHPOOL during the year ended and up to 31 December 2010 although its equity interests in this company was below 50%, after considering the facts that the Group can control the financial and operating policies of the entity by virtue of an agreement with other shareholders. From 1 January 2011 onwards, the relevant agreement expired and the Group does not exert control over TECHPOOL. Accordingly, from 1 January 2011, TECHPOOL was no longer accounted for as a subsidiary of the Group but as an associate, despite the fact that there was no changes in the respective shareholding percentage between the Group and the other shareholders. Refer to Note 13 to this unaudited interim financial information for details of such event.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

3.1 Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the Appendix I — Accountants' Report of the Company as set out in the prospectus of the Company dated 6 May 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As mentioned in Note 1 of this section, during year 2009 and 2010, the Company acquired certain subsidiaries and associates from Shanghai Pharma Group and Shanghai Industrial Group. These subsidiaries and associates form an intergrated part of the pharmaceutical business of Shanghai Pharm Group and Shanghai Industrial Group. As the Company and the Acquired Businesses are under common control of Shanghai Industrial Group, which is controlled by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("SASAC Shanghai"), the aforementioned acquisitions of subsidiaries and associates from Shanghai Pharma Group and Shanghai Industrial Group have been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial information includes the financial positions, results and cash flows of the Acquired Businesses as if the acquisitions had been completed prior to the beginning of the interim periods.

3.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the Appendix I — Accountants' Report of the Company as set out in the prospectus of the Company dated 6 May 2011 for the years ended 31 December 2008, 2009 and 2010.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New standards, amendments and interpretations to existing standards that are effective during the interim periods have been adopted and applied by the Group consistently throughout the interim periods unless prohibited by the relevant standard to apply retrospectively.

The Group has adopted following new standards and interpretations to existing standards and annual improvement published by the HKICPA which are mandatory for the first time for the financial period beginning 1 January 2011.

- 'Classification of rights issues' (amendment to HKAS 32). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

- HK (IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap).

- Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) — Int 14). The amendments correct an unintended consequence of HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The adoption of the abovementioned new or revised standards, amendments and interpretations and also those third annual improvements project (2010) published in May 2010 by the HKICPA did not result in any significant changes to the Group's significant accounting policies and presentation of this condensed consolidated interim financial information.

New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

- HKFRS 9, 'Financial instruments'. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The Group will apply this standard for the financial reporting period commencing on 1 January 2013.

3.3 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of the investment in TECHPOOL upon its initial recognition

The Group initially recognised its investment in associate arising from the deemed disposal of TECHPOOL at its fair value (Notes 2,13). As the shares of TECHPOOL are not traded in an active market, the Group uses its judgement to select a method and make assumptions to estimate its fair value. The Group has used discounted cash flow analysis to determine the fair value of its investment in TECHPOOL. The assumptions used in determining the fair value include expected future cash flows, the discount rate determined by weighted average cost of capital and lack of control discount. Any changes in these assumptions will impact the fair value of the investment.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The board of directors consider the business from a business type perspective.

The reportable operating segments derive their revenue primarily from the following four business types in the PRC:

(a) Pharmaceutical business (Production segment) — research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;

(b) Distribution and supply chain solutions (Distribution segment) — distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies;

(c) Pharmaceutical retail (Retail segment) — operation of a network of retail pharmacy stores; and

(d) Other business operations (Others) — assets management, investment holding and etc.

Inter-segment revenue are conducted at prices and terms mutually agreed amongst those business segments.

The board of directors assess the performance of the operating segments based on a measure of revenue and operating profit.

Unallocated assets consist of current income tax recoverable and deferred income tax assets. Unallocated liabilities consist of current and deferred income tax liabilities.

Capital expenditure comprises mainly additions to land use rights, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations under common control.

The segment information provided to the board of directors for the reportable segments for the interim periods is as follows:

For the three-month period ended 31 March 2010

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	1,846,120	6,908,111	527,644	59,875	—	9,341,750
Inter-segment revenue	278,249	193,784	—	—	(472,033)	—
Segment revenue	2,124,369	7,101,895	527,644	59,875	(472,033)	9,341,750
Segment operating profit	312,471	171,129	3,638	11,662	(24,148)	474,752
Other income						23,740
Losses on disposal of subsidiaries						(7,960)
Other gains — net						36,818
Finance costs — net						(42,966)
Share of profit of jointly controlled entities	—	10,936				10,936
Share of profit of associates	105,487	536				106,023
Profit before income tax						601,343
Income tax expense						(84,683)
Profit for the period						516,660

For the three-month period ended 31 March 2011

	Production Segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	1,884,299	9,387,973	532,371	47,099	—	11,851,742
Inter-segment revenue	291,038	250,400	—	—	(541,438)	—
Segment revenue	2,175,337	9,638,373	532,371	47,099	(541,438)	11,851,742
Segment operating profit	280,494	250,190	20,847	5,738	(1,635)	555,634
Other income						8,917
Gains on disposal of subsidiaries						526,996
Other gains — net						74,637
Finance costs — net						(63,440)
Share of profit of jointly controlled entities	—	18,086				18,086
Share of profit of associates	106,003	11,081				117,084
Profit before income tax						1,237,914
Income tax expense						(277,910)
Profit for the period						960,004

Other segment items included in the condensed consolidated interim financial information for the three-month period ended 31 March 2010 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment and investment properties	63,788	22,902	2,331	2,880	—	91,901
Amortisation of intangible assets and land use rights	4,938	1,454	128	56	—	6,576
Capital expenditure	149,102	42,870	5,712	387	—	198,071

Other segment items included in the condensed consolidated interim financial information for the three-month period ended 31 March 2011 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment and investment properties	64,324	26,448	2,216	1,398	—	94,386
Amortisation of intangible assets and land use rights	6,638	2,131	120	61	—	8,950
Capital expenditure	78,430	20,354	516	3,272	—	102,572

The segment assets and liabilities as at 31 December 2010 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investments in jointly controlled entities	—	204,695	—	—	—	204,695
Investments in associates	982,971	79,230	—	—	—	1,062,201
Other assets	10,144,117	13,936,391	590,501	10,962,944	150,167	35,784,120
Elimination						(8,810,072)
Total assets						28,240,944
Segment liabilities	4,924,727	11,424,178	333,922	3,311,345	255,500	20,249,672
Elimination						(3,892,991)
Total liabilities						16,356,681

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB'000	RMB'000
Segment assets/liabilities after elimination	28,090,777	16,101,181
Unallocated:		
Current income tax liabilities	—	211,980
Deferred tax assets/liabilities	150,167	43,520
Total	28,240,944	16,356,681

The segment assets and liabilities as at 31 March 2011 are as follows:

	Production segment	Distribution segment	Retail segment	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investments in jointly controlled entities	—	222,781	—	—	—	222,781
Investments in associates	1,553,746	365,841	—	—	—	1,919,587
Other assets	11,234,992	13,654,588	722,426	12,302,416	135,766	38,050,188
Elimination						(8,627,146)
Total assets						31,565,410
Segment liabilities	4,984,050	11,788,993	443,180	4,285,437	352,537	21,854,197
Elimination						(2,818,797)
Total liabilities						19,035,400

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB'000	RMB'000
Segment assets/liabilities after elimination	31,429,644	18,682,863
Unallocated:		
Current income tax liabilities	—	175,531
Deferred tax assets/liabilities	135,766	177,006
Total	31,565,410	19,035,400

5 LAND USE RIGHTS, INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Land use rights	Investment properties	Property, plant and equipment ("PP&E")	Intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended 31 March 2010				
Opening net book amount 1 January 2010	805,161	600,033	4,051,959	134,900
Additions	6,610	—	184,018	7,443
Depreciation and amortisation charge *(Note 12)*	(4,808)	(5,795)	(86,106)	(1,768)
Disposals	(8,431)	(1,421)	(47,360)	(11,190)
Closing net book amount 31 March 2010	798,532	592,817	4,102,511	129,385
Three months ended 31 March 2011				
Opening net book amount 1 January 2011	782,933	261,056	4,100,592	516,432
Additions	—	—	101,175	1,397
Depreciation and amortisation charge *(Note 12)*	(6,759)	(2,123)	(92,263)	(2,191)
Disposals *(Note)*	(14,137)	—	(158,430)	(64,492)
Closing net book amount 31 March 2011	762,037	258,933	3,951,074	451,146

Note: The disposals of PP&E and intangible assets primarily represent the deemed disposal of PP&E and goodwill arising from loss of control in TECHPOOL (Note 13).

6 INVESTMENTS IN ASSOCIATES

Three months ended 31 March 2010

	RMB'000
Opening net book amount 1 January 2010	842,296
Share of profit for the period	106,023
Dividends received from associates	(80,769)
Deductions	(1,483)
Closing net book amount 31 March 2010	866,067

Three months ended 31 March 2011

	RMB'000
Opening net book amount 1 January 2011	1,062,201
Addition arising from deemed disposal of TECHPOOL *(Note 13)*	742,754
Share of profit for the period	117,084
Dividends received from associates	(2,452)
Closing net book amount 31 March 2011	1,919,587

7 OTHER LONG-TERM PREPAYMENTS

Pursuant to the approval of the board of directors on 13 December 2010 and a series of agreements entered into by the Group with certain third parties, the Group would acquire 65.24% equity interests of China Health System Ltd. ("CHS"), which is mainly engaged in the distribution of pharmaceutical products, at a consideration of approximately RMB2,328,000,000.

Pursuant to a subsequent approval by the board of directors on 28 January 2011, the Group would acquire the remaining 34.76% equity interests of CHS from certain third parties at a consideration of approximately RMB1,241,000,000.

As at 31 December 2010 and 31 March 2011, approximately RMB93,989,000, representing 2.63% of equity interest of CHS, had been acquired and recognised by the Group as available-for-sale financial assets.

As at 31 December 2010, approximately RMB816,236,000 had been paid by the Group to certain shareholders of CHS as prepayment for the acquisition of equity interest of 62.61% of CHS.

During the three months ended 31 March 2011, the Group had paid an additional RMB1,917,058,000 to certain shareholders of CHS as prepayments for the acquisition of CHS. As at 31 March 2011, total prepayment made to shareholders of CHS for acquiring the remaining 97.37% equity interest of CHS amounted to approximately RMB2,733,294,000.

This acquisition of 100% equity interest in CHS was completed in early April 2011 as disclosed in Note 19.

8 TRADE AND OTHER RECEIVABLES

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Trade receivables from third parties		
Accounts receivable	8,561,200	7,318,273
Less: Provision for impairment	(592,393)	(613,491)
Accounts receivable — net	7,968,807	6,704,782
Notes receivable	302,198	421,474
Trade receivables — net	8,271,005	7,126,256
Other receivables from third parties	1,306,818	1,376,295
Less: Provision for impairment	(686,027)	(694,413)
Other receivables — net	620,791	681,882
Amount due from related parties *(Note 18(c))*	131,674	114,633
Prepayments	659,746	657,845
Trade and other receivables, current portion	9,683,216	8,580,616

Retail sales at the Group's medicine and pharmaceutical chain stores are usually made in cash or by debit or credit cards. For medicine and pharmaceutical distribution and manufacturing businesses, sales are made on credit terms of within 180 days. Ageing analysis of gross trade receivables from third parties (accounts receivable and notes receivable) at the respective balance sheet dates are as follows:

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Less than 3 months	6,586,229	5,564,342
3 months to 6 months	1,497,793	719,966
6 months to 12 months	149,346	800,801
1 year to 2 years	49,958	61,225
Over 2 years	580,072	593,413
	8,863,398	7,739,747

9 SHARE CAPITAL

	Number of A Shares	A Shares of RMB1 each
	(thousands)	RMB'000
Issued and fully paid:		
At 1 January 2010	569,173	569,173
Issue of A Shares *(Note 1)*	1,423,470	1,423,470
At 31 March 2010	1,992,643	1,992,643
Issued and fully paid:		
At 1 January and 31 March 2011	1,992,643	1,992,643

10 TRADE AND OTHER PAYABLES

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Accounts payable to third parties	7,344,619	6,615,806
Notes payable	1,856,523	1,875,014
Advances received from customers	306,368	307,383
Payables for purchase of PP&E	86,382	60,860
Staff welfare and salary payables	309,407	318,395
Tax liabilities other than income tax	206,708	114,218
Amounts due to related parties *(Note 18(c))*	315,585	354,462
Accrued expense	410,737	408,693
Deposits	105,054	136,403
Dividends payable	93,665	48,383
Considerations payable in respect of acquisition of certain subsidiaries	14,853	234,695
Others	543,066	437,842
	11,592,967	10,912,154

Ageing analysis of the accounts payables to third parties and notes payables at the respective balance sheet dates are as follows:

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Less than 3 months	7,590,568	6,722,232
3 months to 6 months	877,407	546,420
6 months to 12 months	342,754	982,442
1 year to 2 years	185,026	122,953
2 years to 3 years	103,028	34,268
Over 3 years	102,359	82,505
	9,201,142	8,490,820

11 BORROWINGS

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— guaranteed	5,200	5,200
— secured	19,458	45,042
— unsecured	11,423	11,423
Other borrowings	4,433	4,433
	40,514	66,098
Current		
Short-term bank borrowings		
— guaranteed	231,250	294,550
— secured	662,746	768,822
— unsecured	5,754,413	3,695,988
Other borrowings arising from discount of notes receivables	75,664	31,287
	6,724,073	4,790,647
Current portion of long-term bank borrowings		
— guaranteed	730	730
— secured	15,000	27,000
	6,739,803	4,818,377
Total borrowings	6,780,317	4,884,475

Movement in borrowings is analysed as follows:

	RMB'000
Three months ended 31 March 2010	
Opening net book amount 1 January 2010	3,416,247
Additions	1,523,874
Repayments of borrowings	(1,298,929)
Closing net book amount 31 March 2010	3,641,192
Three months ended 31 March 2011	
Opening net book amount 1 January 2011	4,884,475
Additions	3,549,159
Repayments of borrowings	(1,619,317)
Disposal of subsidiaries	(34,000)
Closing net book amount 31 March 2011	6,780,317

(a) The weighted average effective interest rates of major borrowings at the respective balance sheet dates are set out as follows:

	31 March 2011	31 December 2010
Bank borrowings		
— RMB	4.92%	4.59%
— USD	1.83%	1.23%

Interest rates of bank borrowings denominated in RMB are reset periodically according to the benchmark rates announced by the People's Bank of China.

(b) The maturities of the Group's borrowings are as follows:

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Within 1 year	6,739,803	4,818,377
Between 1 and 2 years	—	1,635
Between 2 and 5 years	22,844	30,080
Wholly repayable within 5 years	6,762,647	4,850,092
Over 5 years	17,670	34,383
	6,780,317	4,884,475

12 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the periods:

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Depreciation of PP&E	92,263	86,106
Depreciation of investment properties	2,123	5,795
Amortisation of		
— land use rights	6,759	4,808
— intangible assets	2,191	1,768
Employee benefit expenses	464,460	426,889
Reversal for impairment of trade and other receivables	(4,260)	(3,212)
Reversal of write-down of inventories to net realisable value	(7,562)	(22,041)

13 GAINS ON DISPOSAL OF SUBSIDIARIES

For the three-month period ended 31 March 2011, gain on disposal of subsidiaries primarily represented pre-tax gain of approximately RMB479,195,000 from the deemed disposal of TECHPOOL (Note 2).

From 1 January 2011, because of the loss of control over TECHPOOL (Note 2), the Group has accounted for its investment in TECHPOOL as investment in associate. Consequently, in recording such transaction, the Group (a) derecognised the assets (including goodwill) and liabilities of the TECHPOOL at their carrying amounts at 1 January 2011; (b) derecognised the carrying amount of non-controlling interests in TECHPOOL at 1 January 2011; (c) recognised the investment retained in TECHPOOL at fair value at 1 January 2011; and (d) recognised the resulting difference as gain in the income statement. Impact of the transaction is analysed as below:

	Three months ended 31 March 2011
	RMB'000
Fair value of the 40.8% equity investment in TECHPOOL *(Note 6)*	742,754
Less: Carrying amount of net assets of TECHPOOL as at 1 January 2011	(491,485)
Goodwill in relation to TECHPOOL as at 1 January 2011	(63,033)
Carrying amount of non-controlling interest in TECHPOOL as at 1 January 2011	290,959
Gain on disposal of TECHPOOL	479,195

14 OTHER GAINS

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
(Loss)/ gain of financial assets at fair value through profit or loss, net	(270)	1,542
Gain/ (loss) on disposals of PP&E	6,621	(1,497)
Gain on disposals of available-for-sale financial assets	55,421	35,741
Foreign exchange gain/(loss)	9,970	(165)
Others — net	2,895	1,197
	74,637	36,818

15 TAXATION

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Current income tax, PRC enterprise income tax	126,997	90,662
Deferred income tax	150,913	(5,979)
	277,910	84,683

(a) The Group was not subject to Hong Kong profits tax during the three-month periods ended 31 March 2011 and 2010 as there was no assessable income arising in or derived from Hong Kong.

(b) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") which is with effect from 1 January 2008. The New CIT Law reduces (increases) the CIT rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008.

For enterprises which were established before the publication of the new CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates granted by relevant tax authorities, the new CIT rate will be gradually increased to 25% within 5 years. For enterprises that enjoy a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009 and will be 22% for 2010, 24% for 2011 and 25% for 2012. For enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Details of the preferential CIT policies and significant subsidiaries who enjoy these policies are listed as follows:

- Shanghai WaiGaoQiao Pharmaceutical Business and Distribution Centre, Shanghai SiFu Pharmaceutical Co., Ltd., and Shanghai XinLing Pharmaceutical Co., Ltd., used to enjoy the preferential CIT rate of 15% applicable to the domestic enterprises established in Pudong New Area, Shanghai. According to the "Enterprise Income Tax Law of PRC" and "the Circular of the State Council on the Implementation of Transitional Preferential Enterprise income Tax Policies" (GuoFa [2007] No.39), the applicable CIT rate for the subsidiaries abovementioned is 22% and 24% for the three-month periods ended 31 March 2010 and 2011, respectively.

- Shanghai SanWei Bio-technology Co., Ltd., Hangzhou HuQingYuTang Pharmaceutical Co., Ltd., Liaoning Herbapex Pharmaceutical (group) Co., Ltd., Shanghai Xingling Pharmaceutical Technology Co., Ltd., Chiatai Qingchunbao Pharmaceuticals Co., Ltd., Shanghai LeiYunShang Pharmaceutical Co., Ltd., Shanghai HuaYu Pharmaceutical Co., Ltd., Shanghai Zhongxisunve Pharmaceutical Co., Ltd., Shanghai No.1 Biochemical Pharmaceutical Co.,Ltd., Shanghai Sine Pharmaceutical Laboratories Co., Ltd., Shanghai ZhongXi Pharmaceutical Co., Ltd., Shanghai Medical Instruments Co., Ltd., Techpool Bio-Pharma Co., Ltd. (Note 2), and Changzhou Pharmaceutical Factory Co., Ltd., were approved by relevant local tax authorities as the High-technological Enterprise, and had enjoyed a preferential CIT rate of 15% during the three-month periods ended 31 March 2010 and 2011.

- Qingdao Growful Pharmaceutical Co., Ltd., Xiamen Traditional Chinese Medicine Co., Ltd. and Shanghai Harvest Pharmaceutical Co., Ltd. were approved by relevant local tax authorities as the High-technological Enterprise for the three-month periods ended 31 March 2010 and 2011, and had enjoyed a preferential CIT rate of 15%.

16 EARNINGS PER SHARE

Basic earnings per share are based on the profit attributable to equity holders of the Company for the three-month periods ended 31 March 2010 and 2011 and the assumption that approximately 1,992,643,000 shares, including approximately 1,423,470,000 shares issued in the three-month period ended 31 March 2010 as the consideration for the restructuring (Note 1.1), were deemed to have been in issue throughout the underlying periods.

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	848,596	409,266
Number of ordinary shares (thousands)	1,992,643	1,992,643
Basic earnings per share (RMB)	0.43	0.21

The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential shares existed during the three-month periods ended 31 March 2010 and 2011.

17 DIVIDENDS

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Dividends declared by the Company	—	35,557

In April 2010, the directors of the Company proposed a final dividend for 2009 and a special dividend for one month ended 31 January 2010. Net amount of the dividend for 2009 and special dividend was approximately RMB104,012,000 and RMB35,557,000, respectively, representing RMB0.102 per share. This proposal was approved by the shareholders meeting in May 2010.

18 SIGNIFICANT RELATED PARTIES TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by Shanghai Pharma Group and Shanghai Industrial Group, the parent company and ultimate holding company, both of which are government-related enterprise established in the PRC. The PRC government indirectly controls Shanghai Industrial Group. In accordance with HKAS 24 (Revised), "Related Party Disclosures", issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include Shanghai Industrial Group and its subsidiaries (other than the Group), other government related entities and their subsidiaries, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group's significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include sales or purchases of assets, goods and services, bank deposits and bank borrowings and related trade and other receivables, trade and other payables, borrowings, pledged bank deposits, cash and cash equivalents. The directors of the Company believe that the meaningful information of related party transactions has been adequately disclosed in this report.

Name of related party	Nature of relationship
Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)	Parent company
Shanghai SIICINV Consulting Co., Ltd. (上海上實投資管理諮詢有限公司)	Controlled by Shanghai Industrial Group
Shanghai Industrial Trade Co., Ltd. (上海實業貿易有限公司)	Controlled by Shanghai Industrial Group
Shanghai Zhenshen Pharmaceutical Import and Export Co., Ltd. (上海振申醫藥進出口有限公司)	Controlled by Shanghai Pharma Group
Shanghai New Asiatic Pharmaceuticals Co., Ltd. (上海新亞藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd. (上海新先鋒華康醫藥有限公司)	Controlled by Shanghai Pharma Group
Liaoning Medya Pharmaceutical Co., Ltd. (遼寧美亞藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Hutchison Pharmaceutical Co., Ltd. (上海和黃藥業有限公司)	Jointly controlled entity
Jiangxi Nanhua Medicines Co., Ltd. (江西南華醫藥有限公司)	Jointly controlled entity
Shanghai Sanhe Biotechnology Co., Ltd. (上海三合生物技術有限公司)	Associate
Shanghai Sine Promod Pharmaceutical Corp., Ltd. (上海信誼百路達藥業有限公司)	Associate
Shanghai Deyi Pharmaceutical Co., Ltd. (上海得一醫藥有限公司)	Associate
Shanghai Roche Pharmaceuticals Ltd. (上海羅氏製藥有限公司)	Associate
Shanghai Beisiou Pharmaceutical Co., Ltd. (上海貝斯歐藥業有限公司)	Associate
Shanghai Luoda Pharmaceutical Co., Ltd. (上海羅達醫藥有限公司)	Associate
Shanghai Tongyong Pharmaceutical Corp., Ltd. (上海通用藥業股份有限公司)	Associate
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. (上海雷允上北區藥業股份有限公司)	Associate
Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥有限公司)	Associate
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司)	Associate
Shanghai Lvyuan Pharmacy Co., Ltd. (上海綠苑藥房有限公司)	Associate
Chongqing Medicines Shanghai Pharma Sales Co., Ltd. (重慶醫藥上海藥品銷售有限公司)	Associate
Shanghai Baohua Industrial Co., Ltd. (上海保華實業公司)	Associate
Shanghai Bracco Sine Pharmaceutical Corp., Ltd. (上海信誼博萊科藥業有限公司)	Associate
Shanghai Draeger Medical Instrument Co., Ltd. (上海德爾格醫療器械有限公司)	Associate
TECHPOOL (廣東天普生化醫藥股份有限公司)	Associate
Shenzhen Kondarl (Group) Corp., Ltd. (深圳市康達爾(集團)有限公司)	Investee

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other government-related enterprises, during the periods and balances arising from related party transaction.

(a) Significant transactions with related parties except for other government-related enterprises

During the three-month periods ended 31 March 2011 and 2010, the Group had the following significant transactions entered into in the ordinary course of business between the Group and its related parities.

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Sales of goods		
Jiangxi Nanhua Medicines Co., Ltd.	56,303	55,178
Shanghai Hutchison Pharmaceutical Co., Ltd.	19,611	12,308
Shanghai Deyi Pharmaceutical Co., Ltd.	10,876	11,754
Shanghai Luoda Pharmaceutical Co., Ltd.	12,724	12,701
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	8,565	10,371
Shanghai Lvyuan Pharmacy Co., Ltd.	6,375	4,208
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd.	3,580	4,646
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	2,475	—
Others	6,671	8,876
	127,180	120,042

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Purchase of goods		
Shanghai Roche Pharmaceuticals Ltd.	194,910	152,535
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	118,897	109,385
Shanghai Hutchison Pharmaceutical Co., Ltd.	34,328	34,517
TECHPOOL	16,841	—
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd.	7,792	3,842
Shanghai Luoda Pharmaceutical Co., Ltd.	4,163	2,260
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	2,745	7,979
Shanghai Deyi Pharmaceutical Co., Ltd.	1,632	2,948
Shanghai Tongyong Pharmaceutical Corp., Ltd	1,322	2,200
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	270	2,795
Shanghai Zhenshen Pharmaceutical Import and Export Co., Ltd.	72	5,110
Shanghai Pharmaceutical (Group) Co., Ltd.	—	3,005
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	—	3,087
Others	4,119	2,015
	387,091	331,678

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Rental income		
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	2,019	2,019

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Rental expense		
Shanghai Pharmaceutical (Group) Co., Ltd.	3,835	3,835
Others	138	138
	3,973	3,973

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Sales of PP&E and land use rights		
Shanghai SIICINV Consulting Co., Ltd.	—	74,256

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, these transactions are in the ordinary course of business of the Group.

(b) Key management compensation

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Salaries and fee	503	264
Bonuses	1,351	—
Retirement plans contributions	100	77
	1,954	341

(c) Significant balances with related parties except for other government-related enterprises

Amount due from related parties:

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Trade receivables	112,211	89,572
Other receivables	18,600	18,144
Dividends receivables	863	6,917
	131,674	114,633

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Trade receivables due from		
Jiangxi Nanhua Medicines Co., Ltd..	49,662	41,468
Shanghai Hutchison Pharmaceutical Co., Ltd.	21,091	6,773
Shanghai Luoda Pharmaceutical Co., Ltd..	13,824	15,026
Shanghai Deyi Pharmaceutical Co., Ltd.	6,342	6,513
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	4,621	6,911
Shanghai Lvyuan Pharmacy Co., Ltd.	2,923	1,488
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	2,485	3,045
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd.	1,861	2,185
Others	9,402	6,163
	112,211	89,572

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Other receivables due from		
Shanghai Sanhe Biotechnology Co., Ltd.	7,209	7,209
Shanghai Beisiou Pharmaceutical Co., Ltd.	5,800	5,800
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	4,363	3,252
Others	1,228	1,883
	18,600	18,144

Other receivables are all non-trade receivables and will be settled upon demand of the Group.

Ageing analysis of the trade and other receivables due from related parties are as follows:

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Less than 3 months	53,332	33,583
3 months to 6 months	20,437	19,877
6 months to 12 months	14,505	13,567
1 year to 2 years	10,203	8,412
Over 2 years	32,334	32,277
	130,811	107,716

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Dividends receivable		
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	863	863
Shanghai Draeger Medical Instrument Co., Ltd..	—	2,518
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	—	2,212
Shanghai Roche Pharmaceuticals Ltd.	—	982
Others	—	342
	863	6,917

Amount due to related parties:

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Trade payables	205,188	176,841
Other payables	49,625	84,218
Advances	2,257	2,088
Dividends payable	58,515	91,315
	315,585	354,462

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Trade payables due to		
Shanghai Roche Pharmaceuticals Ltd.	131,056	77,401
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	38,153	25,490
TECHPOOL	8,380	—
Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd.	7,344	6,033
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	5,914	8,061
Shanghai Hutchison Pharmaceutical Co., Ltd.	4,467	14,187
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	3,296	2,551
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	490	3,397
Shanghai Zhenshen Pharmaceutical Import and Export Co., Ltd.	36	2,911
Shanghai New Asiatic Pharmaceutical Co., Ltd.	19	3,294
Shanghai Pharmaceutical (Group) Co., Ltd.	—	19,337
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	—	7,942
Others	6,033	6,237
	205,188	176,841

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Other payables due to		
Shanghai Pharmaceutical (Group) Co., Ltd.	37,289	4,064
Shanghai Roche Pharmaceuticals Ltd.	4,627	—
Shanghai Industrial Trade Co., Ltd.	—	79,647
Others	7,709	507
	49,625	84,218

Other payables are all non-trade payables and will be settled upon demand of these related parties.

Ageing analysis of the trade and other payables due to related parties are as follows:

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Less than 3 months	212,925	221,411
3 months to 6 months	18,997	17,889
6 months to 12 months	21,777	20,645
1 year to 2 years	1,114	1,114
	254,813	261,059

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Advances due to		
Shanghai Baohua Industrial Co., Ltd.	2,064	2,064
Others	193	24
	2,257	2,088

Advances are all trade payables and will continue after listing of the Company's shares.

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Dividends payable		
Shanghai Pharmaceutical (Group) Co., Ltd.	56,564	91,236
Others	1,951	79
	58,515	91,315

Dividends payable will be settled upon demand of these related parties.

(d) Significant guarantees with related parties except for other government-related enterprises

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Outstanding loan guarantees to		
Shenzhen Kondarl (Group) Corp., Ltd.	72,633	73,026
Jiangxi Nanhua Medicines Co., Ltd.	20,000	20,000
Others	2,558	2,558
	95,191	95,584

	31 March 2011	31 December 2010
	RMB'000	RMB'000
Outstanding loan guarantees by		
Shanghai Pharmaceutical (Group) Co., Ltd.	5,810	25,810

19 SUBSEQUENT EVENT

Completion of the acquisition of CHS from third parties

CHS is mainly engaged in distribution of pharmaceutical products. As approved by the board of directors on 13 December 2010 and 28 January 2011, the Group would acquire 100% equity interests of CHS from certain third parties at a consideration of approximately RMB3,569,000,000 (Note 7).

This acquisition was completed in early April 2011. Due to the proximity in timing between this event and the issuance date of this interim financial information, it is impracticable for the Group to finalize accounting for this business combination as at the date this unaudited interim financial information are authorised for issuance. Consequently, the Group has not presented the effect resulting from this acquisition in detail in this interim financial information.

20 OTHER EVENT

Completion of the acquisition of Shanghai New Asiatic Pharmaceuticals Co., Ltd. ("Shanghai New Asiatic") and Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd. ("Huakang")

As approved by the board of directors on 13 December 2010, the Group proposed to acquire 96.9% equity interests of Shanghai New Asiatic and 100% equity interests of Huakang from the Shanghai Pharma Group at a consideration of approximately RMB1,487,780,000. Shanghai New Asiatic and Huakang are mainly engaged in manufacturing and distribution of anti-biotic medicine and other pharmaceutical products.

This proposed acquisition was approved by the shareholders of the Company on 30 December 2010 and is expected to be completed in the first half of 2011.

B. REPORT FROM THE REPORTING ACCOUNTANT

The following is the text of a report received from our reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in connection with the unaudited interim financial information of our Company for the three months ended 31 March 2011 for the purposes of incorporation in this Prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.
(incorporated in the People's Republic of China (the "PRC") with limited liability)

Introduction

We have reviewed the interim financial information set out on pages IV-1 to IV-24, which comprises the condensed consolidated balance sheet of Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 31 March 2011 and the related condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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 than an audit conducted in accordance with Hong Kong Standards on Auditing 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 6 May 2011

Our forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2011 is set out in the section headed "Financial Information — Profit Forecast" in this Prospectus.

A. BASES AND ASSUMPTIONS

Our directors have prepared the forecast of the consolidated profit attributable to our equity holders for the year ending December 31, 2011, based on the audited consolidated results of the Group for the three years ended December 31, 2010, the unaudited consolidated results based on management accounts for the two months ended February 28, 2011 and a forecast of the consolidated results for the remaining ten months ending December 31, 2011. For the purpose of the forecast profit, industry projection and trend are used as a basis since there are limited confirmed orders to support the forecast revenue. We expect the growth of our revenue in 2011 to be attributable to both our existing business and the recent acquisitions. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as summarized in the Accountants' Report of the Company as set forth in Appendix I to this Prospectus.

The profit forecast has been prepared on the following principal assumptions:

- there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions, law or regulations relating to the Group's products including price control in the respective countries or industry in which the Group operates;
- the acquisition of the Antibiotics Business will be completed by the end of June 2011;
- the manufacture and distribution of pharmaceutical and healthcare products and operation of the pharmaceutical retail network will continue to be the core business and major source of revenue for the Group;
- the Group will be able to continue in business and will not be materially interrupted by any unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes;
- the Group will continually benefit from the growth of the PRC pharmaceutical market, primarily driven by the favorable socioeconomic factors, government policies and the market consolidation trend;
- there will be no significant changes in the bases and rates of income tax, value-added tax and business tax;
- there will be no material changes in inflation or interest rate from those currently prevailing in the PRC where our customers and suppliers operate;
- no material abnormal or extraordinary items will occur;
- there will be no material changes in exchange rates;
- the forecasts have been prepared taking into account of the Directors' and key senior management's continued involvement in the operations of the Group;

- the Group will be able to recruit sufficient qualified personnel to achieve its planned expansion and that staffing level will be sufficient for the operation requirements of the Group;

- there will be no material change in the credit policies offered to customers and granted by suppliers of the Group;

- all of the Group's assets, including property, plant and equipment, trade receivables and inventories are carried at amount not materially different from their recoverable amount;

- the net proceeds from the Global Offering will be received in the second quarter of 2011; and

- the Group's operations, results, and financial position will not be adversely affected by the occurrence of any of the events described in the risk factors as mentioned in this Prospectus.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

6 May 2011

The Directors
Shanghai Pharmaceuticals Holding Co., Ltd.

Goldman Sachs (Asia) L.L.C.
China International Capital Corporation
Hong Kong Securities Limited
Deutsche Bank AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited

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 Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") for the year ending 31 December 2011 (the "Profit Forecast") as set out in the subsection headed "Profit forecast" in the section headed "Financial information" in the prospectus of the Company dated 6 May 2011 (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 unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") based on management accounts for the two months ended 28 February 2011 and a forecast of the consolidated results of the Group for the remaining ten months ending 31 December 2011.

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 V-1 and V-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 Consolidated Financial Statements section in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

C. LETTER FROM THE JOINT SPONSORS

Set out below is the text of a letter prepared for inclusion in this Prospectus by the Joint Sponsors in connection with the forecast of the consolidated profit attributable to our equity holders for the year ending December 31, 2011.

May 6, 2011

To: The Directors
Shanghai Pharmaceuticals Holding Co., Ltd.

Dear Sirs,

We refer to the forecast consolidated profit attributable to the equity holders of Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the year ending December 31, 2011 (the "Profit Forecast") as set out in the prospectus issued by the Company dated May 6, 2011 (the "Prospectus").

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 Group for the three years ended December 31, 2010, the unaudited consolidated results based on management accounts for the two months ended February 28, 2011 and a forecast of the consolidated results for the remaining ten months ending December 31, 2011.

We have discussed with you the bases made by the Directors as set out in Appendix V to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated May 6, 2011 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 the 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
Goldman Sachs (Asia) L.L.C.

Steven Barg
Managing Director

For and on behalf of
China International Capital Corporation Hong Kong Securities Limited

Zhaohui Huang
Managing Director

For and on behalf of
Deutsche Bank AG, Hong Kong Branch

Angelo Zhang
Managing Director

Jeffrey Li
Managing Director

For and on behalf of
Credit Suisse (Hong Kong) Limited

Mervyn Chow
Managing 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 as at 28 February 2011 of the property interests of the Group. As described in section "Documents Available for Inspection" in Appendix XI, a copy of the full valuation report will be made available for public inspection.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

6 May 2011

The Board of Directors
Shanghai Pharmaceuticals Holding Co., Ltd.
No. 200 Taicang Road
Luwan District
Shanghai
the PRC

Dear Sirs,

In accordance with your instructions to value the properties in which Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), Hong Kong and Sudan, 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 28 February 2011 (the "date of valuation").

For the purpose of the report, according to the natures of the properties, we have categorized the property interests into four groups, namely Group I — Property interests held and occupied by the Group in the PRC, Group II — Property interest owned and occupied by the Group in Hong Kong, Group III — Property interests owned and occupied by the Group in Sudan, and Group IV — Property interests rented and occupied by the Group in the PRC. The 14 sub-groups of properties in Group I are classified according to the names of the Company and its directly controlled subsidiaries or their locations while the properties in Group IV are leased properties. The property interests of each sub-group are held by the Company, or a directly controlled subsidiary and its subsidiaries located in various provinces, autonomous regions or directly administered municipalities in the PRC.

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 portions of the property interests in Group I, Group II and Group III which are held by the Group 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.

Where, due to the nature of the buildings and structures of the portions of the properties in Group I and Group III and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have 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 portions of the property interests in property nos. 3, 7 and 11 in Group I which are currently under construction, we have assumed that they 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 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.

As at the date of valuation, the Group held 90 parcels of land with an aggregate site area of approximately 2,315,906.31 sq.m. in the PRC. Among them, 47 parcels of land with an aggregate site area of approximately 1,668,788.4 sq.m. are granted land with State-owned Land Use Rights Certificates ("LURCs"), 27 parcels of land with an aggregate site area of approximately 420,146.64 sq.m. are allocated land with LURCs; 6 parcels of land with an aggregate site area of approximately 105,846.6 sq.m. are collectively-owned land with LURCs; the remaining 10 parcels of land with an aggregate site area of approximately 121,124.67 sq.m. have not obtained any proper title certificates.

As at the date of valuation, the Group held 1,386 buildings or units with an aggregate gross floor area of approximately 1,389,382.52 sq.m. in the PRC. Among them, 1,133 buildings or units with an aggregate gross floor area of approximately 1,101,485.21 sq.m. have obtained Building Ownership Certificates ("BOCs") or Real Estate Title Certificates ("RETCs"), and 253 buildings or units with an aggregate gross floor area of approximately 287,897.31 sq.m. have not obtained any BOCs or RETCs.

As at the date of valuation, the Group owned a unit with a gross floor area of approximately 39.9 sq.m. in Hong Kong.

As at the date of valuation, the Group also owned a parcel of land with a site area of approximately 18,371 sq.m. and 4 buildings with a total gross floor area of approximately 3,300 sq.m. in Sudan.

As at the date of valuation, the Group leased 16 parcels of land with an aggregate site area of approximately 213,456.46 sq.m. in the PRC.

As at the date of valuation, the Group also leased 815 properties in the PRC. Among them, 784 properties with an aggregate gross floor area of approximately 228,585.7 sq.m. were leased from various independent third parties and 31 properties with an aggregate gross floor area of approximately 217,106.12 sq.m. were leased from 2 connected parties of the Company.

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 except for those in respect of which exemptions and waivers have been applied for and granted in respect of Rules 5.01, 5.06, Rule 19A.27(4) and paragraph 3(a) of Practice Note 16, of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and paragraph 34(2) of the Third Schedule to the Companies Ordinance; 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.

As the Company is in compliance with paragraph 3(b) of Practice Note 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the Company has obtained a waiver to exclude the full details of the individual leased properties from the valuation certificates in our valuation report in this Prospectus. A summary of the property interests covered by this exemption is included in the Summary of Values and the Valuation Certificate for leased properties.

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 Certificates, 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 — Grandall Legal Group (Shanghai), 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 except for the properties in Sudan. 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 Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive 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). In valuation the property interests in Group II and III, we have adopted exchange rates of HK$1 to RMB0.8436, USD1 to SDG2.6930 and USD1 to RMB6.5752, which were approximately the prevailing exchange rates as at the date of valuation.

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	**Sam B. Q. Zhu**
B.Sc. FRICS FHKIS	*MRICS*
Chief Valuation Adviser	*Director*

Note:

1. Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong and the United Kingdom, as well as relevant valuation experience in the Asia-Pacific region and certain African countries.

2. Sam B. Q. Zhu is a Chartered Surveyor who has 13 years' experience in the valuation of properties in the PRC.

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 28 February 2011	Capital value attributable to the Group as at 28 February 2011
		RMB	RMB
1.	Various properties held by the Company in Guangdong Province and Shanghai The PRC	246,553,000	246,553,000
2.	A unit held by Shanghai Pharmaceutical Import and Export Co., Ltd. in Shanghai The PRC	No commercial value	No commercial value
3.	Various properties held by Shanghai Pharmaceutical Distribution Co., Ltd. and its subsidiaries in Anhui Province, Beijing, Guizhou Province, Guangdong Province, Henan Province, Hubei Province, Jiangsu Province, Liaoning Province, Shanghai, Tianjin and Zhejiang Province The PRC	993,234,000	695,906,000
4.	Various properties held by Shanghai Harvest Pharmaceutical Co., Ltd. in Shanghai The PRC	38,276,000	19,139,000
5.	Various properties held by Shanghai Sine Pharmaceutical Laboratories Co., Ltd. and its subsidiaries in Shanghai The PRC	138,281,000	136,710,000

No.	Property	Capital value in existing state as at 28 February 2011	Capital value attributable to the Group as at 28 February 2011
		RMB	RMB
6.	Various properties held by Shanghai No.1 Biochemical and Pharmaceutical Co., Ltd. and its subsidiaries in Shanghai The PRC	No commercial value	No commercial value
7.	Various properties held by Shanghai Traditional Chinese Medicine Co., Ltd. and its subsidiaries in Hainan Province, Sichuan Province, Shanghai and Zhejiang Province The PRC	544,461,000	456,790,000
8.	Various properties held by Qingdao Growful Pharmaceutical Co., Ltd. and its subsidiaries in Shandong Province The PRC	302,452,000	187,895,000
9.	A unit held by Shanghai Zhonghua Pharmaceutical Co., Ltd. in Fujian Province The PRC	802,000	802,000
10.	Various properties held by Shanghai Zhongxisunve Pharmaceutical Co., Ltd. and its subsidiaries in Shanghai The PRC	119,819,000	116,798,000
11.	Various properties held by Changzhou Pharmaceutical Co., Ltd. and its subsidiaries in Jiangsu Province, Inner Mongolia Autonomous Region and Tianjin The PRC	498,155,000	268,177,000

No.	Property	Capital value in existing state as at 28 February 2011	Capital value attributable to the Group as at 28 February 2011
		RMB	RMB
12.	Various properties held by Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. and its subsidiaries in Shanghai The PRC	61,505,000	60,658,000
13.	Various properties held by Shanghai Medical Instruments Co., Ltd. and its subsidiaries in Jiangsu Province and Shanghai The PRC	9,150,000	9,150,000
14.	Various properties held by the subsidiaries of SIIC Medical Science and Technology (Group) Limited in Beijing, Fujian Province, Guangdong Province, Liaoning Province, Sichuan Province and Zhejiang Province The PRC	387,680,000	211,894,000
	Sub-total:	**3,340,368,000**	**2,410,472,000**

Group II — Property interest owned and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 28 February 2011	Capital value attributable to the Group as at 28 February 2011
		RMB	RMB
15.	Flat B, 5th Floor Henning House Nos. 385-391 Hennessy Road Causeway Bay Hong Kong	2,531,000	1,291,000
	Sub-total:	**2,531,000**	**1,291,000**

Group III — Property interests owned and occupied by the Group in Sudan

No.	Property	Capital value in existing state as at 28 February 2011	Capital value attributable to the Group as at 28 February 2011
		RMB	RMB
16.	Various properties held by the subsidiary of Shanghai Pharmaceutical Distribution Co., Ltd. in Kafori District, North Khartoum, Khartoum, Sudan	38,777,000	21,327,000
	Sub-total:	**38,777,000**	**21,327,000**

Group IV — Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 28 February 2011	Capital value attributable to the Group as at 28 February 2011
		RMB	RMB
17.	815 leased properties located in the PRC	No commercial value	No commercial value
	Sub-total:	**Nil**	**Nil**
	Grand total:	**3,381,676,000**	**2,433,090,000**

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 28 February 2011
				RMB
1.	Various properties held by the Company in Guangdong Province and Shanghai The PRC	The properties comprise 30 buildings or units with a total gross floor area of approximately 35,966.88 sq.m. which were completed in various stages between 1995 and 2008. Details of uses and gross floor areas of the properties are listed as follows: **Use** / **Area (sq.m.)** Office .... 30,100.88 Storage .... 4,858.00 Residential .... 1,008.00 Total: 35,966.88	The properties are currently occupied by the Group for office storage and residential uses except for portions of the properties with a total gross floor area of approximately 15,237 sq.m. which are vacant.	246,553,000 interest attributable to the Group: RMB246,553,000

Notes:

1. Pursuant to 12 RETCs, the building ownership rights for 12 buildings or units of the properties with a total gross floor area of approximately 11,350 sq.m. have been obtained by the Group and the corresponding land use rights of 12 buildings or have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above properties.

2. Pursuant to a LURC, a RETC and a BOC, the building ownership rights of 16 buildings or units of the properties with a total gross floor area of approximately 16,320.88 sq.m. have been obtained by the Group and corresponding land use rights of 16 buildings or units have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers:

   (i) For 15 buildings or units with a total gross floor area of approximately 15,237 sq.m. which are on the list of the Government plan, the Group can not go through the land grant procedure at the present time. The Group is entitled to occupy and use the above buildings and units; and

   (ii) For the remaining building with a gross floor area of approximately 1,083.88 sq.m., the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above building. However, if the Group intends to transfer, lease or mortgage the building, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

3. We have not been provided with LURCs and BOCs for 2 buildings with a total gross floor area of approximately 8,296 sq.m.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings or units upon obtaining the relevant BOCs and LURCs by way of grant.

4. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in notes 2 and 3 as proper LURCs and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them as at the date of valuation would be RMB340,203,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
2.	A unit held by Shanghai Pharmaceutical Import and Export Co., Ltd. in Shanghai The PRC	The property comprises an office unit on Level 10 of a 24-storey building completed in 1999. The property has a gross floor area of approximately 65 sq.m.	The property is currently occupied by the Group for office use.	No commercial value

Notes:

1. Shanghai Pharmaceutical Import and Export Co., Ltd. is a wholly-owned subsidiary of the Company.

2. The unit of the property with a floor area of approximately 65.5 sq.m. has obtained a BOC, however, no relevant LURC has been obtained.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above unit.

3. In the valuation of the property, we have attributed no commercial value to the property as the proper LURC has not been obtained. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB1,980,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
3.	Various properties held by Shanghai Pharmaceutical Distribution Co., Ltd. and its subsidiaries in Anhui Province, Beijing, Guizhou Province, Guangdong Province, Henan Province, Hubei Province, Jiangsu Province, Liaoning Province, Shanghai, Tianjin and Zhejiang Province The PRC	The properties comprise 16 parcels of land with a total site area of approximately 353,038.77 sq.m. and 98 buildings with a total gross floor area of approximately 152,762.45 sq.m. erected thereon. The properties also comprise 232 buildings or units with a total gross floor area of approximately 101,100.12 sq.m. The buildings or units have a total gross floor area of approximately 253,862.57 sq.m. and were completed in various stages between 1947 and 2010. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, commercial, industrial, storage, residential and ancillary uses except for the CIP buildings which are under construction and portions of the properties which are rented to various independent third parties. (Refer to note 12)	993,234,000 interest attributable to the Group: RMB695,906,000

Use	Area
	(sq.m.)
Office	51,770.22
Commercial	40,370.81
Industrial	32,972.19
Storage	112,898.62
Residential	4,669.68
Ancillary	11,181.05
Total:	253,862.57

The properties also comprise a parcel of land with a site area of approximately 4,213 sq.m. and 3 buildings (the "CIP buildings") which are currently under construction thereon. The construction of the CIP buildings is scheduled to be completed in May 2011. The planned gross floor area of CIP buildings upon completion is approximately 2,915 sq.m.

Notes:

1. Shanghai Pharmaceutical Distribution Co., Ltd. is a wholly-owned subsidiary of the Company.

2. According to 6 Real Estate Purchase Contracts, 6 buildings or units of the properties with a total gross floor area of approximately 5,296.28 sq.m. were purchased by the Group at a total consideration of RMB23,084,757.

3. Pursuant to 112 LURCs, 70 RETCs and 86 BOCs, the building ownership rights for 193 buildings or units of the properties with a total gross floor area of approximately 115,815.03 sq.m. have been obtained by the Group and the corresponding land use rights of 193 buildings or units including 10 parcels of land with a total site area of approximately 185,009.64 sq.m. have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings.

4. For 19 buildings of the properties with a total gross floor area of approximately 45,467.01 sq.m. erected on the land mentioned in note 2, we have not been provided with BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings after obtaining the relevant BOCs.

5. Pursuant to 13 LURCs, 16 RETCs and 10 BOCs, the building ownership rights of 71 buildings or units of the properties with a total gross floor area of approximately 73,187.32 sq.m. have been obtained by the Group and corresponding land use rights of 71 buildings or units including 4 parcels of land with a total site area of approximately 157,925.13 sq.m. have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers:

   (i) For 27 buildings with a total gross floor area of approximately 44,768.6 sq.m. and corresponding land use rights of 2 parcels of land with a total site area of 139,589 sq.m. which are on the list of the Government plan, the Group can not go through the land grant procedure at the present time. The Group is entitled to occupy and use the above land and buildings; and

   (ii) For the remaining 44 buildings or units with a total gross floor area of approximately 28,418.72 sq.m. and corresponding land use rights of 44 buildings or units including 2 parcels of land with a total site area of approximately 18,336.13 sq.m., the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land and buildings. However, if the Group intends to transfer, lease or mortgage the land and buildings, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

6. Pursuant to 34 BOCs, the buildings ownership rights for 34 buildings or units of the properties with a total gross floor area of approximately 15,815.85 sq.m. have been obtained by the Group. However, no relevant LURCs have been obtained.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above buildings or units.

7. Pursuant to a RETC and a Land Use Rights Lease Agreement, the building ownership rights for a building of the properties with a gross floor area of approximately 1,152.9 sq.m. have been obtained by the Group and corresponding land use rights of a parcel of land with a site area of approximately 319 sq.m. have been leased to the Group from a connected party for a term with the expiry date on 31 March 2012 at an annual rent of RMB300,000.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above building.

8. We have not been provided with LURCs and BOCs for 12 buildings or units with a total gross floor area of approximately 2,424.46 sq.m. and a parcel of land with a site area of 9,785 sq.m.

   According to the opinion given by the Company's PRC legal advisers:

   (i) For a parcel of land with a site area of approximately 9,785 sq.m. which are on the list of the Government plan, the Group can not go through the land grant procedure at the present time and it will not affect the Group's ability to occupy and use the land; and

   (ii) For the remaining 13 buildings or units with a total gross floor area of approximately 10,080.46 sq.m., the Group will have rights to occupy, use, receive benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings or units upon obtaining the relevant BOCs and LURCs by way of grant.

9. Pursuant to a LURC, the land use rights of a parcel of land with a site area of approximately 4,213 sq.m. have been granted to the Group and the CIP buildings are erected thereon.

   According to the opinion given by the Company's PRC legal advisers, the Group can legally occupy, use, benefit from, transfer, lease and mortgage the land mentioned in note 9.

10. We have not been provided with the construction permits for 3 CIP buildings with a total planned gross floor area of approximately 2,915 sq.m.

11. As advised by the Group, the total construction cost of the CIP buildings is estimated to be approximately RMB4,709,000, of which approximately RMB3,157,341 has been paid up to the date of valuation.

    According to the opinion given by the Company's PRC legal advisers, the Group may be punished by the relevant authorities for not obtaining the construction permits prior to the construction of the CIP buildings.

12. According to 37 Tenancy Agreements entered into between the Group and various independent third parties, portions of the properties with a total gross floor area of approximately 46,175.32 sq.m. are rented to various independent third parties for terms with the expiry dates between 30 April 2011 and 30 April 2023 at the total annual rent of RMB20,549,776.

13. According to various Mortgage Contracts, portions of the properties with 42 buildings or units with a total gross floor area of approximately 34,024.35 sq.m. mentioned in note 3 and 5 are subject to mortgages as securities for bank loans.

    According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with mortgagee's approval to transfer, mortgage or otherwise dispose of the above buildings or units.

14. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in notes 4 to 8 and 10 as proper LURCs and/or BOCs or construction permits have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB473,376,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
4.	Various properties held by Shanghai Harvest Pharmaceutical Co., Ltd. in Shanghai The PRC	The properties comprise a parcel of land with a site area of approximately 20,000 sq.m. and 3 buildings with a total gross floor area of approximately 16,548.47 sq.m. erected thereon. The properties also comprise 2 units with a total gross floor area of approximately 199.89 sq.m. The buildings or units have a total gross floor area of approximately 16,748.36 sq.m. and were completed in various stages between 1992 and 2005. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for industrial, residential and ancillary uses.	38,276,000 interest attributable to the Group: RMB19,139,000

Use	Area
	(sq.m.)
Industrial	15,698.97
Residential	199.89
Ancillary	849.50
Total:	16,748.36

Notes:

1. Shanghai Harvest Pharmaceutical Co., Ltd. is a 50% interest owned subsidiary of the Company.

2. Pursuant to a LURC, a RETC and a BOC, the building ownership rights for a building and a unit of the properties with a gross floor area of approximately 15,820.38 sq.m. have been obtained by the Group and the corresponding land use rights of the above properties including a parcel of land with a site area of approximately 20,000 sq.m. have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings.

3. Pursuant to a RETC, the building ownership rights for a unit of the properties with a gross floor area of approximately 78.48 sq.m. have been obtained by the Group and the corresponding land use rights of the unit have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above unit. However, if the Group intends to transfer, lease or mortgage the unit, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

4. For 2 buildings of the properties with a total gross floor area of approximately 849.5 sq.m. erected on the land mentioned in note 2, we have not been provided with the BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings after obtaining the relevant BOCs.

5. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in notes 3 and 4 as proper LURCs and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB2,662,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
5.	Various properties held by Shanghai Sine Pharmaceutical Laboratories Co., Ltd. and its subsidiaries in Shanghai The PRC	The properties comprise 21 parcels of land with a total site area of approximately 302,314.04 sq.m. and 157 buildings with a total gross floor area of approximately 159,069.32 sq.m. erected thereon. The properties also comprise a building with a gross floor area of approximately 16,802 sq.m. The buildings have a total gross floor area of approximately 175,871.32 sq.m. and were completed in various stages between 1986 and 2009. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, commercial, industrial, storage and ancillary uses except for a building of the properties which is rented to an independent third party. (Refer to note 12)	138,281,000 interest attributable to the Group: RMB136,710,000

Use	Area
	(sq.m.)
Office	18,976.03
Commercial	16,802.00
Industrial	98,635.28
Storage	11,473.36
Ancillary	29,984.65
Total:	175,871.32

Notes:

1. Shanghai Sine Pharmaceutical Laboratories Co., Ltd. is a wholly-owned subsidiary of the Company.

2. Pursuant to 5 RETCs, the building ownership rights for 15 buildings of the properties with a total gross floor area of approximately 21,462.45 sq.m. have been obtained by the Group and the corresponding land use rights of 5 parcels of land with a total site area of approximately 55,502 sq.m. have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings.

3. For 2 buildings of the properties with a gross floor area of approximately 8,805 sq.m. erected on the land mentioned in note 2, we have not been provided with the BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings after obtaining the relevant BOCs.

4. Pursuant to a LURC, 4 RETCs and a BOC, the building ownership rights for 44 buildings of the properties with a total gross floor area of approximately 48,042.07 sq.m. have been obtained by the Group and the corresponding land use rights of 4 parcels of land with a total site area of approximately 42,616 sq.m. have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers:

   (i) For 7 buildings with a total gross floor area of approximately 6,388.71 sq.m. and corresponding land use rights of a parcel of land with a site area of 7,804 sq.m. which are on the list of the Government plan, the Group can not go through the land grant procedure at the present time. The Group is entitled to occupy and use the above land and buildings; and

   (ii) For the remaining 37 buildings or units with a total gross floor area of approximately 41,653.36 sq.m. and corresponding land use rights of 37 buildings or units including 3 parcels of land with a total site area of approximately 34,812 sq.m., the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land and buildings. However, if the Group intends to transfer, lease or mortgage the land and buildings, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

5. For 2 buildings of the properties with a total gross floor area of approximately 610.22 sq.m. erected on the land mentioned in note 4, we have not been provided with BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings after obtaining the relevant BOCs and LURCs by way of land grant.

6. Pursuant to 2 RETCs, the building ownership rights for 13 buildings of the properties with a total gross floor area of approximately 13,145.11 sq.m. have been obtained by the Group and the corresponding land use rights of 2 parcels of land with a total site area of approximately 37,908 sq.m. are in collectively-owned land status.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land and buildings. However, if the Group intends to transfer, lease or mortgage the land and buildings, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

7. For 2 buildings with a total gross floor area of approximately 1,931.49 sq.m. erected on the land mentioned in note 6, we have not been provided with the BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings or units after obtaining the relevant BOCs and LURCs by way of land grant.

8. Pursuant to a RETC and a Land Lease Agreement, the building ownership rights for 13 buildings of the properties with a total gross floor area of approximately 30,680.87 sq.m. have been obtained by the Group and the corresponding land use rights of a parcel of land with a site area of approximately 60,492 sq.m. is leased to the Group for a term expiring on 31 December 2040.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above buildings.

9. Pursuant to 3 RETCs, the building ownership rights for 25 buildings of the properties with a total gross floor area of approximately 18,333.71 sq.m. have been obtained by the Group and the corresponding collectively-owned land use rights of 3 parcels of land with a total site area of approximately 43,392 sq.m. are leased to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above buildings.

10. As advised by the Group, the Group has leased 3 parcels of land with a total site area of approximately 24,711.04 sq.m. and constructed 20 buildings thereon with a total gross floor area of approximately 8,542.47 sq.m.

    According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings upon obtaining the relevant LURCs and BOCs by way of grant.

11. We have not been provided with the LURCs and BOCs for 3 parcels of land with a total site area of approximately 37,693 sq.m. and 22 buildings with a total gross floor area of approximately 24,317.93 sq.m. erected thereon.

    According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings upon obtaining the relevant LURCs and BOCs by way of grant.

12. According to a Tenancy Agreement entered into between the Group and an independent third party, a building of the properties with a gross floor area of approximately 10,000 sq.m. is rented to the independent third party for a term with the expiry date on 31 December 2024 at the annual rent of RMB6,386,620.

13. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in notes 3 to 11 as proper LURCs and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB278,368,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
6.	Various properties held by Shanghai No.1 Biochemical and Pharmaceutical Co., Ltd. and its subsidiaries in Shanghai The PRC	The properties comprise 4 parcels of land with a total site area of approximately 77,754.6 sq.m. and 40 buildings with a total gross floor area of approximately 35,812.91 sq.m. erected thereon. The buildings have a total gross floor area of approximately 43,793.91 sq.m. and were completed in various stages between 1985 and 2010. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, industrial, storage and ancillary uses.	No commercial value

Use	Area
	(sq.m.)
Office	5,854.38
Industrial	33,944.26
Storage	1,143.36
Ancillary	2,851.91
Total:	43,793.91

Notes:

1. Shanghai No.1 Biochemical and Pharmaceutical Co., Ltd. is a wholly-owned subsidiary of the Company.

2. Pursuant to a RETC, the building ownership rights for 17 buildings of the properties with a total gross floor area of approximately 27,565.61 sq.m. have been obtained by the Group and the corresponding land use rights of a parcel of land with a site area of approximately 38,633 sq.m. have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above buildings and there is no legal impediment for the Group in obtaining the LURC after going through the land grant procedure.

3. For 2 buildings of the properties with a total gross floor area of approximately 252.8 sq.m. erected on the land mentioned in note 2, we have not been provided with the BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings after obtaining the relevant BOCs.

4. Pursuant to a Land Use Rights Lease Agreement, the land use rights of a parcel of land of the properties with a site area of approximately 14,342 sq.m. were rented to the Group from an independent third party for industrial use at the annual rent of RMB757,257.6. As advised by the Group, a building of the properties with a gross floor area of approximately 4,660 sq.m. was constructed on the above leased land.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings upon obtaining the relevant LURC and BOCs by way of grant.

5. Pursuant to a Land Use Rights Lease Agreement, the collectively owned land use rights of a parcel of land of the properties with a site area of approximately 9,060 sq.m. were rented to the Group from a connected party for a term with the expiry date on 31 December 2014 for industrial use at the annual rent of RMB81,540. As advised by the Group, 18 buildings of the properties with a total gross floor area of approximately 3,587.3 sq.m. were constructed on the above leased land.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings upon obtaining the relevant LURC and BOCs by way of grant.

6. We have not been provided with the LURC for a parcel of land with a site area of approximately 15,719.6 sq.m. and the BOCs for 2 buildings with a total gross floor area of approximately 7,728.2 sq.m. which are erected thereon.

7. Pursuant to a State-owned Land Use Rights Grant Contract dated 30 November 2006, the land use rights of a parcel of land of the properties with a site area of approximately 15,719.6 sq.m. were contracted to be granted to the Group for industrial use. The land premium was RMB1,391,185.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings after obtaining the relevant BOCs and LURC by way of land grant. There is no legal impediment for the Group in obtaining the LURC.

8. In the valuation of the properties, we have attributed no commercial value to the properties as proper LURCs and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding the land) as at the date of valuation would be RMB85,561,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
7.	Various properties held by Shanghai Traditional Chinese Medicine Co., Ltd. and its subsidiaries in Hainan Province, Sichuan Province, Shanghai and Zhejiang Province The PRC	The properties comprise 8 parcels of land with a total site area of approximately 193,337.42 sq.m. and 114 buildings with a total gross floor area of approximately 91,209.4 sq.m. erected thereon. The properties also comprise 9 units with a total gross floor area of approximately 11,783.11 sq.m. The buildings or units have a total gross floor area of approximately 102,992.51 sq.m. and were completed in various stages between 1968 and 2010. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, industrial, residential and ancillary uses except for the CIP buildings which are under construction and portions of the properties which are rented to various independent third parties (Refer to note 14).	544,461,000 interest attributable to the Group: RMB456,790,000

Use	Area
	(sq.m.)
Office	19,793.04
Industrial	41,198.24
Residential	839.27
Ancillary	41,161.96
Total:	102,992.51

The properties also comprise 2 parcels of land with a total site area of approximately 49,710.07 sq.m. and 9 buildings (the "CIP buildings") which are currently under construction thereon. The construction of the CIP buildings is scheduled to be completed in June 2011. The planned gross floor area of CIP buildings upon completion is approximately 34,046.9 sq.m.

Notes:

1. Shanghai Traditional Chinese Medicine Co., Ltd. is a wholly-owned subsidiary of the Company.

2. Pursuant to 9 RETCs, the building ownership rights for 16 buildings or units of the properties with a total gross floor area of approximately 31,990.96 sq.m. have been obtained by the Group and the corresponding land use rights of 16 buildings or units including a parcel of land with a site area of approximately 81,267 sq.m. have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings.

3. Pursuant to a LURC, 5 RETCs and a BOC, the building ownership rights for 62 buildings of the properties with a total gross floor area of approximately 41,223.61 sq.m. have been obtained by the Group and the corresponding land use rights of 5 parcels of land with a total site area of approximately 82,907 sq.m. have been allocated to the Group.

4. For 20 buildings of the properties with a total gross floor area of approximately 5,265.17 sq.m. erected on the land mentioned in note 3, we have not been provided with BOCs.

   According to the opinion given by the Company's PRC legal advisers, the above land and buildings mentioned in notes 3 and 4 are on the list of the Government plan, the Group can not go through the land grant procedure at the present time and it will not affect the Group's ability to occupy and use the land and the buildings.

5. Pursuant to a RETC, the building ownership rights for 2 buildings of the properties with a total gross floor area of approximately 3,309.27 sq.m. have been obtained by the Group and the corresponding land use rights of a parcel of land with a site area of approximately 17,693.42 sq.m. have been leased to the Group. We have not been provided with the BOCs for remaining 2 buildings with a total gross floor area of approximately 697 sq.m. which are erected on the above leased land.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the 2 buildings with a total gross floor area of approximately 3,309.27 sq.m. and will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the remaining 2 buildings with a total gross floor area of approximately 697 sq.m. upon obtaining the relevant BOCs and LURC by way of grant.

6. Pursuant to 2 BOCs, the building ownership rights for 2 units of the properties with a total gross floor area of approximately 187.86 sq.m. have been obtained by the Group. However, no relevant LURCs have been obtained.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above buildings.

7. We have not been provided with LURCs and BOCs for 4 buildings of the properties with a total gross floor area of approximately 8,580.47 sq.m.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings upon obtaining the relevant BOCs and LURCs by way of grant.

8. As advised by the Group, the Group has leased a parcel of land with a site area of approximately 11,470 sq.m. and 15 buildings of the properties with a total gross floor area of approximately 11,738.17 sq.m. were constructed on the above leased land.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings upon obtaining the relevant LURC and BOCs by way of grant.

9. We have not been provided with the LURCs for 2 parcels of land with a total site area of approximately 49,710.07 sq.m. which the CIP buildings are erected thereon.

   According to the opinion given by the Company's PRC legal advisers, the Group can legally occupy, use, benefit from, transfer, lease and mortgage the above land with a total site area of approximately 49,710.07 sq.m. upon going through the land grant procedure. For one of the above parcels of land with a site area of approximately 35,710 sq.m., it is no legal impediment for the Group in obtaining the LURC.

10. Pursuant to 2 Construction Work Planning Permits — Jian Zi Hu Feng Jian (2008) No. 20080117F00145 and Hu Feng Jian (2008) No. 20080807F01913, the development of 3 CIP buildings with a total planned gross floor area of approximately 22,539 sq.m. has been approved for construction.

11. Pursuant to 2 Construction Work Commencement Permits, permission by the relevant local authority was given to commence the construction of 3 CIP buildings mentioned in note 10.

12. We have not been provided with construction permits for the remaining 6 CIP buildings with a total planned gross floor area of approximately 11,507.92 sq.m.

13. As advised by the Group, the total construction cost of the CIP buildings is estimated to be approximately RMB109,158,874, of which approximately RMB100,115,564 has been paid up to the date of valuation.

    According to the opinion given by the Company's PRC legal advisers:

    (i) For 3 CIP buildings with a total planned gross floor area of approximately 22,539 sq.m. mentioned in note 10, the Group has obtained the requisite construction permits and there is no legal impediment for the Group in obtaining the BOCs after completion of construction.

    (ii) For the remaining 6 CIP buildings with a total planned gross floor area of approximately 11,507.92 sq.m., the Group may be punished by the relevant authorities for not obtaining the construction permits prior to the construction of the CIP buildings.

14. According to 4 Tenancy Agreements entered into between the Group and various independent third parties, portions of the properties with a total gross floor area of approximately 946.52 sq.m. are rented to various independent third parties for office use for terms with the expiry date on 28 February 2012 at the total annual rent of RMB742,421.

15. According various Mortgage Contracts, portions of the properties with 40 buildings or units with a total gross floor area of approximately 23,925.18 sq.m. mentioned in notes 2 and 3 are subject to mortgages as securities for bank loans.

    According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with mortgagee's approval to transfer, mortgage or otherwise dispose of the above buildings.

16. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in notes 3 to 12 as proper LURCs and/or BOCs or construction permits have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB169,470,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
8.	Various properties held by Qingdao Growful Pharmaceutical Co., Ltd. and its subsidiaries in Shandong Province The PRC	The properties comprise 9 parcels of land with a total site area of approximately 393,647.31 sq.m. and 53 buildings with a total gross floor area of approximately 122,587.42 sq.m. erected thereon. The properties also comprise 8 units with a total gross floor area of approximately 1,966.72 sq.m. The buildings or units have a total gross floor area of approximately 124,554.14 sq.m. and were completed in various stages between 1969 and 2006. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, commercial, industrial, storage, residential and ancillary uses except for portions of the properties which are rented to various independent third parties (Refer to note 8).	302,452,000 interest attributable to the Group: RMB187,895,000

Use	Area
	(sq.m.)
Office	23,938.80
Commercial	9,177.60
Industrial	70,715.66
Storage	10,292.35
Residential	349.01
Ancillary	10,080.72
Total:	124,554.14

Notes:

1. Qingdao Growful Pharmaceutical Co., Ltd. is a 63.93% interest owned subsidiary of the Company.

2. Pursuant to 2 LURCs, 4 RETCs and a BOC, the building ownership rights for 26 buildings or units of the properties with a total gross floor area of approximately 85,356.95 sq.m. have been obtained by the Group and the corresponding land use rights of 26 buildings or units including 4 parcels of land with a total site area of approximately 380,526.2 sq.m. have been granted to the Group.

3. According to various Mortgage Contracts, portions of the properties with 3 parcels of land with a total site area of approximately 375,898.2 sq.m. and 19 buildings with a total gross floor area of approximately 82,677.87 sq.m. mentioned in note 2 are subject to mortgages as securities for bank loans.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings except for the mortgaged parts which can be transferred, mortgaged or otherwise disposed of upon the approval from the mortgagee.

4. For the 18 buildings with a total gross floor area of approximately 29,307.99 sq.m. erected on the land mentioned in note 2, we have not been provided with the BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings after obtaining the relevant BOCs.

5. Pursuant to 3 LURCs, 3 RETCs and 3 BOCs, the building ownership rights for 9 buildings or units of the properties with a total gross floor area of approximately 3,671.41 sq.m. have been obtained by the Group and the corresponding land use rights of 9 buildings or units including 3 parcels of land with a total site area of approximately 5,171.11 sq.m. have been allocated to the Group.

   According to the opinion given by the Company's legal advisers, the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land and buildings. However, if the Group intends to transfer, lease or mortgage the land and buildings, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

6. Pursuant to 5 BOCs, the building ownership rights for 6 buildings or units of the properties with a total gross floor area of approximately 5,987.58 sq.m. However, we have not been provided with the LURCs for the corresponding land use rights of the above 6 buildings or units including 2 parcels of land with a total gross floor area of approximately 7,950 sq.m.

   According to the opinion given by the Company's legal advisers, the Group is entitled to occupy and use the above buildings and will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land after obtaining the relevant LURCs by way of land grant.

7. We have not been provided with LURCs and BOCs for 2 units of the properties with a total gross floor area of approximately 230.21 sq.m.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above units upon obtaining the relevant BOCs and LURCs by way of grant.

8. According to 14 Tenancy Agreements entered into between the Group and various independent third parties, portions of the properties with a total gross floor area of approximately 20,081.37 sq.m. are rented to various independent third parties for office and commercial uses for terms with the expiry dates between 30 November 2011 and 30 August 2018 at the total annual rent of RMB5,421,500.

9. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in 4 to 7 as proper LURC and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB91,862,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
9.	A unit held by Shanghai Zhonghua Pharmaceutical Co., Ltd. in Fujian Province The PRC	The property comprises a unit on Level 2 of a 2-storey residential building completed in 1980. The property has a gross floor area of approximately 102.81 sq.m.	The property is currently vacant.	802,000 interest attributable to the Group: RMB802,000

Notes:

1. Shanghai Zhonghua Pharmaceutical Co., Ltd. is a wholly-owned subsidiary of the Company.

2. Pursuant to a RETC, the building ownership rights of the property have been obtained by the Group and the corresponding land use rights of the property have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
10.	Various properties held by Shanghai Zhongxisunve Pharmaceutical Co., Ltd. and its subsidiaries in Shanghai The PRC	The properties comprise 8 parcels of land with a total site area of approximately 217,847 sq.m. and 150 buildings with a total gross floor area of approximately 121,912.69 sq.m. erected thereon. The properties also comprise 3 units with a total gross floor area of approximately 2,284.32 sq.m. The buildings or units have a total gross floor area of approximately 124,197.01 sq.m. and were completed in various stages between 1958 and 2010. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, industrial, storage and ancillary uses except for portions of the properties which are rented to various independent third parties (Refer to note 8).	119,819,000 interest attributable to the Group: RMB116,798,000

Use	Area
	(sq.m.)
Office	6,105.42
Industrial	93,330.54
Storage	10,260.91
Ancillary	14,500.14
Total:	124,197.01

Notes:

1. Shanghai Zhongxisunve Pharmaceutical Co., Ltd. is a wholly- owned subsidiary of the Company.

2. Pursuant to 4 RETCs, the building ownership rights for 37 buildings or units of the properties with a total gross floor area of approximately 24,387.98 sq.m. have been obtained by the Group and the corresponding land use rights of 37 buildings or units including 4 parcels of land with a total site area of approximately 131,747 sq.m. have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings.

3. Pursuant to 2 RETCs, the building ownership rights for 97 buildings or units of the properties with a total gross floor area of approximately 73,923.03 sq.m. have been obtained by the Group and the corresponding land use rights of 2 parcels of land with a total site area of approximately 49,826 sq.m. have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers:

   (i) For 72 buildings or units with a total gross floor area of approximately 58,304.76 sq.m. and corresponding land use rights of 72 buildings or units including a parcel of land with a site area of 12,696 sq.m. which are on the list of the Government plan, the Group can not go through the land grant procedure at the present time. The Group is entitled to occupy and use the above land and buildings; and

(ii) For the remaining 25 buildings or units with a total gross floor area of approximately 15,618.27 sq.m. and corresponding land use rights of 25 buildings or units including a parcel of land with a site area of approximately 37,130 sq.m., the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land and buildings. However, if the Group intends to transfer, lease or mortgage the land and buildings, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

4. For 2 buildings of the properties with a total gross floor area of approximately 6,649.75 sq.m. erected on the land mentioned in note 3, we have not been provided with BOCs.

According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings or units after obtaining the relevant BOCs and LURCs by way of land grant.

According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with mortgagee's approval to transfer, mortgage or otherwise dispose of the above buildings.

5. Pursuant to a RETC, the building ownership rights for a building of the properties with a gross floor area of approximately 12,468.25 sq.m. have been obtained by the Group and the corresponding land use rights of a parcel of land with a site area of approximately 26,355 sq.m. are in collectively-owned status.

According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land and buildings. However, if the Group intends to transfer, lease or mortgage the land and buildings, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

6. Pursuant to a Land Use Rights Lease Agreement, the land use rights of a parcel of collectively-owned land with a site area of approximately 9,919 sq.m. were rented to the Group from an independent third party for an undetermined term for industrial use at the total annual rent of RMB400,000.

7. Pursuant to a LURC and a BOC, the building ownership rights for 16 buildings of the properties with a total gross floor area of approximately 6,768 sq.m. have been obtained by the Group and the land is a parcel of leased land mentioned in note 6.

According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use above buildings.

8. According to 2 Tenancy Agreements entered into between the Group and various independent third parties, portions of the properties with a total gross floor area of approximately 1,522.88 sq.m. are rented to various independent third parties for office uses for term with the expiry dates on 31 March 2013 and 3 September 2016 at the total annual rent of RMB660,000.

9. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in 3 to 5 and 7 as proper LURC and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB91,212,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
11.	Various properties held by Changzhou Pharmaceutical Co., Ltd. and its subsidiaries in Jiangsu Province, Inner Mongolia Autonomous Region and Tianjin The PRC	The properties comprise 10 parcels of land with a total site area of approximately 206,377.99 sq.m. and 103 buildings with a total gross floor area of approximately 125,912.91 sq.m. erected thereon. The properties also comprise 140 buildings or units with a total gross floor area of approximately 51,748.9 sq.m. The buildings or units have a total gross floor area of approximately 177,661.81 sq.m. and were completed in various stages between 1975 and 2010. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, commercial, industrial, storage, residential and ancillary uses except for the CIP buildings which are under construction and portions of the properties which are rented to various independent third parties (Refer to note 13).	498,155,000 interest attributable to the Group: RMB268,177,000

Use	Area
	(sq.m.)
Office	44,447.59
Commercial	17,039.44
Industrial	59,560.76
Storage	47,494.77
Residential	1,456.21
Ancillary	7,663.04
Total:	177,661.81

The properties also comprise a parcel of land with a site area of approximately 10,086.67 sq.m. and 4 buildings (the "CIP buildings") which are currently under construction thereon. The construction of the CIP buildings is scheduled to be completed in May 2011. The planned gross floor area of CIP buildings upon completion is approximately 10,385.49 sq.m.

Notes:

1. Changzhou Pharmaceutical Co., Ltd. is a 62.69% interest owned subsidiary of the Company.

2. Pursuant to 25 LURCs and 148 BOCs, the building ownership rights for 178 buildings or units of the properties with a total gross floor area of approximately 135,161.41 sq.m. have been obtained by the Group and the corresponding land use rights of 178 buildings or units including 10 parcels of land with a total site area of approximately 216,207.16 sq.m. have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings.

3. For 46 buildings of the properties with a total gross floor area of approximately 36,531.43 sq.m. erected on the land mentioned in note 2, we have not been provided with BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings after obtaining the relevant BOCs.

4. Pursuant to 3 LURCs and 3 BOCs, the building ownership rights for 3 units of the properties with a total gross floor area of approximately 2,177.49 sq.m. have been obtained by the Group and the corresponding land use rights of 3 units have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above units. However, if the Group intends to transfer, lease or mortgage the units, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

5. Pursuant to a LURC, a parcel of land with a site area of approximately 257.5 sq.m. have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land. However, if the Group intends to transfer, lease or mortgage the land, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

6. Pursuant to a LURC, the land use rights of 3 buildings of the properties with a total gross floor area of approximately 585.5 sq.m. have been allocated to the Group. However, no relevant BOCs have been obtained.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings or units upon obtaining the relevant BOCs and LURCs by way of grant.

7. Pursuant to 11 BOCs, the building ownership rights for 13 buildings or units of the properties with a total gross floor area of approximately 3,205.98 sq.m. have been obtained by the Group. However, no relevant LURCs have been obtained.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above buildings.

8. Pursuant to a LURC, the land use rights of a parcel of land with a site area of approximately 10,086.67 sq.m. have been granted to the Group and the CIP buildings are erected thereon.

   According to the opinion given by the Company's PRC legal advisers, the Group can legally occupy, use, benefit from, transfer, lease and mortgage the land mentioned in note 8.

9. Pursuant to 2 Construction Work Planning Permits — Jian Zi Nos. 150402200910022 and 1504022100022, the development of the CIP buildings with a total planned gross floor area of approximately 10,385.49 sq.m. has been approved for construction.

10. Pursuant to a Construction Work Commencement Permit, permission by the relevant local authority was given to commence the construction of one of the CIP buildings with a planned gross floor area of approximately 8,036.79 sq.m. We have not been provided with the Construction Work Commencement Permit for the remaining 3 CIP buildings with a total planned gross floor area of approximately 2,348.7 sq.m.

11. As advised by the Group, the total construction cost of the CIP buildings is estimated to be approximately RMB17,700,000, of which approximately RMB13,014,220 has been paid up to the date of valuation.

    According to the opinion given by the Company's PRC legal advisers:

    (i) For one of the CIP buildings with a planned gross floor area of approximately 8,036.79 sq.m., the Group has obtained the requisite construction permits and there is no legal impediment for the Group in obtaining the BOC after completion of the construction;

    (ii) For the remaining 3 CIP buildings with a total planned gross floor area of approximately 2,348.7 sq.m., the Group may be punished by the relevant authorities for not obtaining the construction permits prior to the construction of the CIP buildings.

12. According to 2 Mortgage Contracts, portions of the properties with 3 parcels of land with a total site area of approximately 30,507.49 sq.m. and 2 buildings with a total gross floor area of approximately 17,711.11 sq.m. mentioned in note 2 are subject to mortgages as securities for bank loans.

    According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with mortgagee's approval to transfer, mortgage or otherwise dispose of the above land and buildings.

13. According to 68 Tenancy Agreements entered into between the Group and various independent third parties, portions of the properties with a total gross floor area of approximately 24,263.43 sq.m. are rented to various independent third parties for office uses for terms with the expiry dates between 31 July 2011 and 30 September 2023 at the total annual rent of RMB9,176,215.

14. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in notes 3 to 7 and portions of the CIP buildings mentioned in note 10 as proper LURC and/or BOCs or construction permits have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB68,927,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
12.	Various properties held by Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. and its subsidiaries in Shanghai The PRC	The properties comprise 3 parcels of land with a total site area of approximately 87,261.6 sq.m. and 25 buildings with a total gross floor area of approximately 26,323.57 sq.m. erected thereon. The properties also comprise 5 buildings or units with a total gross floor area of approximately 7,987.9 sq.m. The buildings or units have a total gross floor area of approximately 34,311.47 sq.m. and were completed in various stages between 1984 and 2005. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, commercial, industrial, residential and ancillary uses.	61,505,000 interest attributable to the Group: RMB60,658,000

Use	Area
	(sq.m.)
Office	6,741.00
Commercial	1,178.40
Industrial	26,050.27
Residential	68.50
Ancillary	273.30
Total:	34,311.47

Notes:

1. Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. is a wholly-owned subsidiary of the Company.

2. Pursuant to 3 RETCs, the building ownership rights for 14 buildings or units of the properties with a total gross floor area of approximately 19,423.21 sq.m. have been obtained by the Group and the corresponding land use rights of 14 buildings or units including a parcel of land with a site area of approximately 78,528 sq.m. have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings.

3. Pursuant to 3 RETCs, the building ownership rights for 3 units of the properties with a total gross floor area of approximately 7,766 sq.m. have been obtained by the Group and the corresponding land use rights of 3 units have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the units. However, if the Group intends to transfer, lease or mortgage the units, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

4. Pursuant to 2 RETCs, the building ownership rights for 12 buildings with a total gross floor area of approximately 7,081.1 sq.m. and the corresponding land use rights of 2 parcels of land with a site area of approximately 8,733.6 sq.m. are in collectively-owned land status.

According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the above buildings and it is no legal impediment for the Group in obtaining the LURC.

5. For a building of the properties with a gross floor area of approximately 41.16 sq.m. erected on the land mentioned in note 4, we have not been provided with BOC.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above building after obtaining the relevant BOCs and LURCs by way of land grant.

6. According to various Mortgage Contracts, portions of the properties with 2 parcels of land with a total site area of approximately 8,733.6 sq.m. and 14 buildings with a total gross floor area of approximately 7,762.5 sq.m. mentioned in notes 2 and 4 are subject to mortgages as securities for bank loans.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with mortgagee's approval to transfer, mortgage or otherwise dispose of the above land and buildings.

7. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in 3 to 5 as proper LURC and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB108,073,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
13.	Various properties held by Shanghai Medical Instruments Co., Ltd. and its subsidiaries in Jiangsu Province and Shanghai The PRC	The properties comprise 12 parcels of land with a total site area of approximately 97,985.9 sq.m. and 47 buildings with a total gross floor area of approximately 68,058.79 sq.m. erected thereon. The properties also comprise 3 units with a total gross floor area of approximately 550.44 sq.m. The buildings or units have a total gross floor area of approximately 68,609.23 sq.m. and were completed in various stages between 1936 and 2010. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, commercial, industrial, storage, residential and ancillary uses.	9,150,000 interest attributable to the Group: RMB9,150,000

Use	Area
	(sq.m.)
Office	9,352.97
Commercial	550.44
Industrial	44,990.82
Storage	10,316.07
Residential	476.60
Ancillary	2,922.33
Total:	68,609.23

Notes:

1. Shanghai Medical Instruments Co., Ltd. is a wholly-owned subsidiary of the Company.

2. Pursuant to 2 RETCs, the building ownership rights for 2 units of the properties with a total gross floor area of approximately 230.44 sq.m. have been obtained by the Group and the corresponding land use rights of 2 units have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above units.

3. Pursuant to 7 RETCs, the building ownership rights for 21 buildings of the properties with a total gross floor area of approximately 39,548.61 sq.m. have been obtained by the Group and the corresponding land use rights of 21 buildings including 7 parcels of land with a total site area of approximately 42,810.9 sq.m. have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers:

   (i) For 12 buildings with a total gross floor area of approximately 16,262.41 sq.m. and the corresponding land use rights of 5 parcels of land with a total site area of approximately 10,570 sq.m., the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land and buildings. However, if the Group intends to transfer, lease or mortgage the land and buildings, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields;

(ii) For 7 buildings with a total gross floor area of approximately 22,016.2 sq.m. and the corresponding land use rights of a parcel of land with a site area of approximately 30,886 sq.m., the Group has entered into a Relocation Agreement and it will not affect the operation of the Group; and

(iii) For the remaining 2 buildings with a total gross floor area of approximately 1,270 sq.m. and the corresponding land use rights of a parcel of land with a site area of approximately 1,354.9 sq.m. which are on the list of the Government plan, the Group can not go through the land grant procedure at the present time. The Group is entitled to occupy and use the above land and buildings.

4. For 2 buildings of the properties with a gross floor area of approximately 2,628.75 sq.m. erected on the land mentioned in note 3(ii), we have not been provided with BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group has entered into a Relocation Agreement and it will not affect the operation of the Group.

5. Pursuant to a LURC, the corresponding land use rights of a building of the properties with a gross floor area of approximately 320 sq.m. have been allocated to the Group. However, no relevant BOC has been obtained.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above building after obtaining the relevant BOC and LURC by way of land grant.

6. Pursuant to a RETC, the building ownership rights for 10 buildings of the properties with a total gross floor area of approximately 11,345.36 sq.m. have been obtained by the Group and the corresponding land use rights of a parcel of land with a site area of approximately 32,850 sq.m. is in collectively-owned land status.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use or with approval to transfer, lease, mortgage or otherwise dispose of the above land and buildings. However, if the Group intends to transfer, lease or mortgage the land and buildings, it should go through the land grant procedure at the relevant land authority and pay additional land premium or land appreciation yields.

7. Pursuant to a Land Use Rights Lease Agreement, a parcel of allocated land of the properties with a site area of approximately 11,484 sq.m. was rented to the Group from an independent third party for a term with the expiry date on 31 December 2012 at an annual rent of RMB500,000. As advised by the Group, 4 buildings of the properties with a total gross floor area of approximately 6,190.72 sq.m. were constructed on the above leased land.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings upon obtaining the relevant LURCs and BOCs by way of grant.

8. Pursuant to a LURC and a BOC, the building ownership rights for 6 buildings of the properties with a total gross floor area of approximately 2,628.38 sq.m. have been obtained by the Group and the corresponding land use rights of a parcel of collectively-owned land with a site area of approximately 7,912 sq.m. is leased to the Group. We have not been provided with the BOC for 2 buildings with a total gross floor area of approximately 2,840.97 sq.m. which was erected on the above leased land.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy and use the 6 buildings with a total gross floor area of approximately 2,628.38 sq.m. and will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the 2 buildings with a total gross floor area of approximately 2,840.97 sq.m. upon obtaining the relevant LURC and BOCs by way of grant.

9. We have not been provided with the LURC and BOC of a building with a gross floor area of approximately 506 sq.m. which is erected on a parcel of land with a site area of approximately 267 sq.m.

   According to the opinion given by the Company's PRC legal advisers, the Group will legally occupy and use the above land and building obtaining the relevant BOC and LURC.

10. As advised by the Group, the Group leased a parcel of collectively-owned land with a site area of approximately 2,662 sq.m. and constructed a building thereon with a gross floor area of approximately 2,370 sq.m.

    According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings upon obtaining the relevant LURCs and BOCs by way of grant.

11. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in notes 3 to 10 as proper LURC and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB88,725,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
14.	Various properties held by the subsidiaries of SIIC Medical Science and Technology (Group) Limited in Beijing, Fujian Province, Guangdong Province, Liaoning Province, Sichuan Province and Zhejiang Province The PRC	The properties comprise 10 parcels of land with a total site area of approximately 515,788.4 sq.m. and 155 buildings with a total gross floor area of approximately 227,057.81 sq.m. erected thereon. The properties also comprise 6 buildings or units with a total gross floor area of approximately 3,587.69 sq.m. The buildings or units have a total gross floor area of approximately 230,645.5 sq.m. and were completed in various stages between 1957 and 2009. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, commercial, industrial, storage, residential and ancillary uses except for portions of the properties which are rented to various independent third parties (Refer to note 6).	387,680,000 interest attributable to the Group: RMB211,894,000

Use	Area
	(sq.m.)
Office	10,982.57
Commercial	3,117.14
Industrial	135,224.52
Storage	34,609.13
Residential	7,690.71
Ancillary	39,021.43
Total:	230,645.50

Notes:

1. SIIC Medical Science and Technology (Group) Limited is a wholly-owned subsidiary of the Company.

2. Pursuant to 11 LURCs, a RETC and 129 BOCs, the building ownership rights for 137 buildings or units of the properties with a total gross floor area of approximately 174,560.06 sq.m. have been obtained by the Group and the corresponding land use rights of 137 buildings or units including 10 parcels of land with a total site area of approximately 515,788.4 sq.m. have been granted to the Group.

3. According to a Mortgage Contract, portions of the properties with a parcel of land with a site area of approximately 6,925 sq.m. and a building with a gross floor area of approximately 3,219.72 sq.m. mentioned in note 2 are subject to mortgages as securities for bank loans.

   According to the opinion given by the Company's PRC legal advisers, the Group is entitled to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above land and buildings except for the mortgaged parts which can be transferred, mortgaged or otherwise disposed of upon the approval from the mortgagee.

4. For 23 buildings of the properties with a gross floor area of approximately 55,941.64 sq.m. erected on the land mentioned in note 2, we have not been provided with the BOCs.

   According to the opinion given by the Company's PRC legal advisers, the Group will have rights to occupy, use, benefit from, transfer, lease, mortgage or otherwise dispose of the above buildings after obtaining the relevant BOCs. For 9 buildings with a total gross floor area of approximately 46,024.57 sq.m., there is no legal impediment for Group in obtaining the BOCs.

5. Pursuant to a BOC, the building ownership rights for a unit of the properties with a gross floor area of approximately 143.8 sq.m. However, the relevant LURC has not been obtained.

   According to the opinion given by the Company's legal advisers, the Group is entitled to occupy and use the above unit.

6. According to 2 Tenancy Agreements entered into between the Group and various independent third parties, portions of the properties with a total gross floor area of approximately 2,282.52 sq.m. are rented to various independent third parties for terms with the expiry dates between 31 August 2011 and 31 August 2016 at the total annual rent of RMB2,040,000.

7. In the valuation of the properties, we have attributed no commercial value to the properties mentioned in notes 4 and 5 as proper LURC and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB67,954,000 assuming all relevant title certificates have been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

Group II — Property interest owned and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
15.	Flat B, 5th Floor Henning House Nos. 385-391 Hennessy Road Causeway Bay Hong Kong	The property comprises a unit on the 5th floor of a 19-storey residential building completed in about 1972. The property has a gross floor area of approximately 39.9 sq.m. (429.48 sq.ft.). The property is held under a Government Lease for a term of 99 years commencing from 1 December 1928.	The property is currently occupied by the Group for staff quarter purpose.	2,531,000 interest attributable to the Group: RMB1,291,000

Notes:

1. Shanghai Pharmaceutical Distribution Co., Ltd. is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Siful Limited vide Memorial No. 07083100910144 dated 20 August 2007.

VALUATION CERTIFICATE

Group III — Property interests owned and occupied by the Group in Sudan

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
16.	Various properties held by the subsidiary of Shanghai Pharmaceutical Distribution Co., Ltd. in Kafori District, North Khartoum, Khartoum, Sudan	The properties comprise a parcel of land with a site area of approximately 18,371 sq.m. and 3 buildings with a total gross floor area of approximately 2,500 sq.m. erected thereon. The properties also comprise a building with a gross floor area of approximately 800 sq.m. The buildings have a total gross floor area of approximately 3,300 sq.m. and were completed in various stages between 2002 and 2005. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for industrial and residential uses.	38,777,000 interest attributable to the Group: RMB21,327,000

Use	Area
	(sq.m.)
Industrial	2,500
Residential	800
Total:	3,300

Notes:

1. Shanghai Pharmaceutical Distribution Co., Ltd. is a wholly-owned subsidiary of the Company.

2. According to a Sales Agreement dated 18 January 2010, a building of the properties with a gross floor area of approximately 800 sq.m. was purchased by the Group at a consideration of SDG1,005,000.

3. Pursuant to 3 Title Certificates, the properties are owned by the Group.

VALUATION CERTIFICATE

Group IV — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2011
				RMB
17.	815 leased properties located in the PRC	The properties comprise 815 buildings or units with a total gross floor area of approximately 445,691.82 sq.m., which were mainly completed in various stages between 1910's and 2000's. Details of uses and gross floor areas of the properties are listed as follows: **Use** / **Area (sq.m.)** Industrial .... 117,990.51 Office .... 49,852.12 Storage .... 150,128.42 Commercial .... 126,318.37 Residential .... 1,386.40 Ancillary .... 16.00 Total: .... 445,691.82 The properties are rented to the Group from various independent third parties and 2 connected parties (the "Lessors") for various terms.	The properties are currently occupied by the Group for industrial, office, storage, commercial, residential and ancillary purposes.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements, 784 buildings or units with a total gross floor area of approximately 228,585.7 sq.m. are leased to the Group from various independent third parties for various terms at a total annual rent of RMB144,056,730.64 for industrial, office, storage, commercial, residential and ancillary uses.

2. Pursuant to 12 Tenancy Agreements, 31 buildings or units with a total gross floor area of approximately 217,106.12 sq.m. are rented from 2 connected parties of the Company for various terms with a total annual rent of RMB32,757,679.69.

3. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the properties issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   (i) For the above properties, the Lessors have provided the Building Ownership Certificates and/or registration with local authorities for 446 properties with a total gross floor area of approximately 373,889.37 sq.m. The relevant Tenancy Agreements are valid; and

   (ii) For the remaining 369 properties with a total gross floor area of approximately 71,802.45 sq.m., for which the Lessors have not provided relevant Building Ownership Certificates, the Lessors of 6 properties with a total gross floor area of approximately 7,957 sq.m. have provided with written confirmation letters undertaking to indemnify any loss of the Group arising from any defect of property titles. Besides, Shanghai Pharmaceutical (Group) Co., Ltd. has undertaken to indemnify any loss of the Group arising from any defect of the property titles for the remaining 363 properties which the relevant Lessors have not provided the written confirmation letters. The lack of relevant title certificates of the leased properties will not have material adverse effect on the business of the Group.

TAXATION OF SECURITY HOLDERS

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong as in effect on the date hereof and the agreement entered into between the PRC and the United States for the avoidance of double taxation (the "Treaty"), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

For the purpose of this section of the Prospectus, "Eligible US Holders" refer to H Shares beneficial holders who meet the following conditions: (i) US residents under the Treaty; (ii) beneficial holders who do not have any permanent establishment or fixed base in the PRC in relation to H Shares, and who have not carried on any business through such establishment or base, whether in the past or at present (in the case of individual, not having carried on any independent personal services, either in the past or at present), and (iii) being otherwise to be entitled to the benefits under the Treaty in respect of the revenue and income deriving from H Shares.

This section of the Prospectus does not address any aspects of Hong Kong or PRC taxation other than income taxation, capital taxation, stamp duty and estate duty. Prospective investors are urged to consult their respective tax advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC

1. Taxation on Dividends

Individual Investors. According to *the Individual Income Tax Law of China* (中華人民共和國個人所得稅法) (the "Individual Income Tax Law"), as amended on December 29, 2007 and effective on March 1, 2008, and the *Provisional Regulations Concerning Questions of Taxation on Enterprises Experimenting with the Share System* (股份制試點企業有關稅收問題的暫行規定) (the "**Provisional Regulations**"), dividends received by any and all foreign individuals who are residents of the PRC is normally subject to an individual income tax of 20%. However, pursuant to a *Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign-invested Enterprises, Foreign Enterprises and Foreign Individuals* (國家稅務總局關於外商投資企業、外國企業和外籍個人取得股票（股權）轉讓收益和股息所得稅收問題的通知) (the "**Tax Notice**"), which was issued by the SAT on July 21, 1993, enterprise income tax and individual income tax are temporarily exempted in respect of dividends (bonus) income paid by PRC enterprises, which issue B Shares or overseas shares, to foreign enterprises or foreign individuals who hold such B Shares or overseas shares.

Pursuant to a Letter on Issues Relating to Taxes on Dividends Received by Foreign Individuals Holding the Shares of Companies Listed in the PRC, issued by the SAT on July 26, 1994, it is further specifically pointed out that, in respect of foreign nationals holding B Shares or overseas shares (including H Shares), individual income tax is temporarily exempted for dividend (bonus) received by them from domestic enterprises.

Enterprises. According to the *Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds 25% equity interest or more in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

According to the 2008 EIT Law and the *Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) (the "**Implementation Regulations**"), which both became effective on January 1, 2008, non-resident enterprises shall be subject to 10% enterprise tax for income originated from the PRC provided that the non-resident enterprises do not establish offices or premises in the PRC, or where there are offices and premises established, there is no connection between the dividends and bonuses received and the offices or premises established by the non-resident enterprises. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

According to the *Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (Guoshuihan [2008] NO. 897)* (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知國稅函[2008]897號), which became effective on November 6, 2008, PRC enterprises should withhold enterprise income tax at a rate of 10% when they distribute dividends to non-resident enterprise shareholders of H shares from the year 2008. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

Tax Treaties. Investors who do not reside in the PRC and reside in countries that have entered into double taxation treaties with the PRC may be entitled to a reduction of the withholding tax imposed on the payment of dividends to investors of our Company who do not reside in the PRC. The PRC currently has double taxation treaties with many nations in the world, which include but are not limited to:

- Australia;
- Canada;
- France;
- Germany;
- Japan;
- Malaysia;
- the Netherlands;
- Singapore;
- the United Kingdom; and
- the United States.

Pursuant to the Treaty, the PRC Government may levy a tax at a maximum rate of 10% of the total amount of the dividend paid by our Company to Eligible US Holders.

2. Taxation of Capital Gains

The Tax Notice provides that gains realized by foreign enterprises that are holders of Overseas Shares that are not held by their offices and premises in the PRC would, temporarily, not be subject to capital gains taxes. With respect to individual holders of H shares, the Provisions for Implementation of Individual Income Tax Law of the PRC (中華人民共和國個人所得税法實施條例) (the "Provisions") as amended on February 18, 2008, generally stipulate that gains derived from assignment of property shall be subject to income tax at a rate of 20%. In addition, the Provisions stipulate that measures for the levying of individual income tax on gains derived from the sale of equity securities shall be formulated separately by the Ministry of Finance and shall be implemented following approval of the State Council. However, no income tax on gains realized on the sale of equity shares has been collected. Gains on the sale of shares by individuals were temporarily exempted from individual income tax pursuant to notices issued jointly by the Ministry of Finance and State Administration of Taxation dated June 20, 1994, February 9, 1996 and March 30, 1998. In the event this temporary exemption is withdrawn or ceases to be effective, individual holders of H Shares may be subject to capital gains tax at the rate of 20% unless such tax is reduced or eliminated by an applicable double taxation avoidance treaty. In the event that capital gains on sale of H Shares are subject to tax, the Treaty may be interpreted as providing that China may start to levy a tax on the capital gains obtained from any sale or disposal of H Shares by any Eligible US Holders holding 25% or more of the interests in our Company.

On November 18, 2000, the State Council issued a notice entitled State Council Notice on the Income Tax Reduction for Interest and Other Income that Foreign Enterprises Derive in the PRC (國務院關於外國企業來源於我國境內的利息等所得減徵所得税問題的通知) (the "Tax Reduction Notice"). Under the Tax Reduction Notice, beginning from January 1, 2000, enterprise income tax at a reduced 10% rate will apply to interest, rental, license fees and other income obtained in the PRC by foreign enterprises without agent or establishment in the PRC, or by foreign enterprises without any substantive relationship with their agent or establishment in the PRC.

According to the 2008 EIT Law and the Implementation Regulations of the Enterprise Income Tax of the PRC, the non-resident enterprises shall be subject to 10% enterprise tax for income originated from the PRC provided that the non-resident enterprises do not establish offices or premises in the PRC, or where there are offices and premises established, there is no connection between the gains received and the offices or premises established by the non-resident enterprises. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

3. Stamp Duty

PRC stamp duty imposed on the transfer of shares of PRC publicly traded companies under the Provisional Regulations should not apply to the acquisition and disposal by non-PRC investors of H Shares outside the PRC by virtue of the Provisional Regulations of China Concerning Stamp Duty (中華人民共和國印花税暫行條例), which became effective on October 1, 1988 and which provide that PRC stamp duty is imposed only on documents, executed or received within the PRC that are legally binding in the PRC and are protected under PRC law.

4. Estate Duty

No liability for estate duty under PRC law will arise from non-PRC national's holding of H shares.

HONG KONG

1. Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

2. Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of the H shares. Trading gains from the sale of H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a maximum rate of 15.0%. Gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

3. Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the H shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

4. Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H shares whose deaths occur on or after February 11, 2006.

TAXATION OF THE COMPANY BY THE PRC

1. Income Tax

Beginning from January 1, 1994, the income tax payable by PRC enterprises was governed by the Provisional Regulations of the PRC on the Enterprise Income Tax, which came into effect on January 1, 1994 ("EIT Regulations"). As stipulated under the EIT Regulations, unless a lower tax rate was stipulated by laws, administrative regulations or the regulations promulgated by the State Council, the income tax rate should be 33%. The Company should generally pay its tax at a tax rate of 33% under the EIT Regulations.

The 2008 EIT Law, which was promulgated on March 16, 2007, came into force on January 1, 2008. Accordingly, the income tax rate for PRC enterprises is reduced from the original 33% to 25%, which is the same as the rate applied to foreign-invested enterprises and foreign enterprises. The Law of the PRC on the Income Taxes of Foreign-invested Enterprises and Foreign Enterprises and the Regulations on Enterprise Income Tax ceased to be effective at the same time.

Pursuant to the relevant law and regulations of the PRC, Chinese-foreign enterprises are entitled to certain tax preferences during the transition period. Nevertheless, upon completion of the global offering, our Company will not be eligible for applying to become a Chinese-foreign joint stock limited liability company, nor does our Company intend to apply for such status. However, pursuant to the applicable laws, regulations and rules of the PRC, even if our Company obtains such status, our Company will not enjoy any tax preferences.

2. Value-added Tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) effective from January 1, 1994 which was amended in November 2008 and their implementing rules, the sale of products within the PRC, the importation of products and the provision of processing and/or repair services within the PRC by our Company are subject to value-added tax ("VAT"). VAT payable is calculated as "output VAT" minus "input VAT."

3. Business Tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax (中華人民共和國營業稅暫行條例) effective from January 1, 1994 which was amended in November 2008 and the relevant implementing rules, a business tax is imposed on enterprises which provide taxable services, transfer intangible property or sell real estate in the PRC. The business tax is levied at a rate from 3% to 20% on the provision of taxable services, transfer of intangible property or sale of real estate in the PRC.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at present. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated new Regulation of Foreign Exchange (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulations") which became effective from April 1, 1996. The Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the approval from the SAFE while capital account items still are. The Foreign Exchange Regulations was subsequently amended on January 14, 1997 and on August 1, 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**") which took effect on July 1, 1996. The Settlement Regulations superseded *the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On the basis of the Settlement Regulations, the PBOC also published the Announcement on the Implementation of Foreign Exchange Settlement and Sale at Banks by Foreign-invested Enterprises (中國人民銀行關於對外商投資企業實行銀行結售匯的公告) on June 20, 1996. The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On October 25, 1998, PBOC and SAFE promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (關於停辦外匯調劑業務的通知) pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

On July 21, 2005, the PBOC announced that effective on the same date, the PRC would implement a regulated and managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar only. The PBOC would announce the closing price of a foreign currency such as the U.S. dollar against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day. This closing price will be used as the middle price for quoting the Renminbi exchange rate on the following working day.

Since January 4, 2006, the PBOC improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the interbank spot foreign exchange market. In addition, the PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market. After the introduction of the enquiry system, the generation of the middle price for quoting the Renminbi was transformed to a mechanism under which the PBOC authorized the China Foreign Exchange Trading System to determine and announce the middle price for quoting the Renminbi against the U.S. dollar, based on the enquiry system, at 9:15 am on each business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC must sell their foreign exchange recurrent income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by our Company from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited in foreign exchange accounts at the designated foreign exchange banks.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, may on the strength of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and is subject to prior examination and approval by the SAFE and its branches.

The dividend of H Shares holder shall be calculated in Renminbi, but shall be paid in Hong Kong dollars.

The Group prepares consolidated financial statements using Renminbi as its unit of account.

Everyday, the PBOC determines and promulgates the basic exchange rate of Renminbi against the U.S. dollars mainly with reference to the market supply and demand of Renminbi against the U.S. dollars on the preceding day. Meanwhile, the PBOC will also consider the prevailing overall situation of the international foreign exchange market and other factors. The PRC government implemented policies in 1996 to relax the restriction on conversion of Renminbi into foreign exchange in respect of current account items; however, conversion of Renminbi into foreign exchange in respect of foreign direct investment, loans or securities and other capital items is still subject to the approval of the SAFE and other relevant authorities.

PRC JUDICIAL SYSTEM

Under the *PRC Constitutional Law* (《中華人民共和國憲法》) and the Law of Organization of the People's Courts (《中華人民共和國人民法院組織法》), the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are organized into civil, criminal, economic and administrative divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and are further organized into other special divisions, such as the intellectual property division. The higher level people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts employ a "second instance as final" appellate system. A party may appeal against a judgment or order of the people's court of first instance to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment or order which has been given in any people's court at a lower level, or the president of the people's court finds an error in a judgment or order, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law"), which was adopted on April 9, 1991 and amended on October 28, 2007, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an expressed agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to satisfy a judgment or ruling made by a people's court or an effective award granted by an arbitration panel in the PRC, the other party may apply to the people's court for enforcement. There are time limits imposed on the right to apply for such enforcement and the time limit is two year. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment or ruling.

If a party applies to the people's courts for enforcement of a judgment or ruling against another party who or whose property is not located within the PRC the applying party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

On December 29, 1993, the Standing Committee of the Eighth National People's Congress of China adopted the PRC Company Law which came into effect on July 1, 1994 and was amended on December 25, 1999, August 28, 2004 and October 27, 2005. The latest amendment to the PRC Company Law has been promulgated, and came into force on January 1, 2006.

On July 4, 1994, the Special Regulations were passed at the Twenty-Second Standing Committee Meeting of the State Council, and they were promulgated and implemented on August 4, 1994. The Special Regulations are formulated according to the provisions of Sections 85 and 155 of the PRC Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions were issued jointly by the Securities Commission and the State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in the appendix entitled "Appendix IX — Summary of the Articles of Association" to this Prospectus). References to a "company" are to a joint stock limited liability company established under the PRC Company Law with overseas listed foreign invested shares.

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in the appendix entitled "Appendix XI — Documents Delivered to the Registrar of Companies and Available for Inspection" to this Prospectus.

General

A "joint stock limited liability company" (hereinafter referred to as "**company**") is a corporate legal person incorporated under the PRC Company Law and owns independent legal person property, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full value of all the assets owned by it.

A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulations, for the modification of its operation mechanisms, the systematic evaluation and disposal of the company's assets and liabilities and the establishment of regulated internal management organs.

A company must conduct its business in accordance with law, regulations, rules normative documents, and professional ethics.

Incorporation

A company may be incorporated by promotion or subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC.

In the case of companies incorporated by promotion, their registered capital shall be the total share capital registered with the company registration authority and subscribed for by all promoters, and the first-time capital contribution by all promoters shall not be less than 20% of the registered share capital, and the remainder shall be paid in full by the promoters within two years of the date of incorporation of the company. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company, and the remaining shares can be publicly offered to the public or offered to specific persons, unless otherwise required by law.

The PRC Company Law has provided that the registered capital of a joint stock limited liability company is a minimum of RMB5 million.

Pursuant to the PRC Securities Law, the total capital of a company which proposes to apply for its shares to be listed on a stock exchange must not be less than RMB30 million.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company.

A company is formally established and has the status of a legal person after the approval for registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoters shall individually and collectively be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters of a company can make capital contributions in cash, or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value provided that the amount of capital contribution in cash by all shareholders must not be less than 30% of a company's registered capital.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific measures shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain, in addition to the number of shares underwritten, not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than par value, but shall not be less than par value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or by administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares held by each of them in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the abovementioned condition of obtaining approval at the general meetings required by the PRC Company Law, for the public offering of new shares, the PRC Securities Law provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

A public offer of new shares shall be subject to the approval of the securities administration authority under the State Council. In the event of an issue of new shares upon approval, a Prospectus relating to the issue of new shares and a financial report shall be published, and an application for shares shall be prepared.

After payment in full for the new shares issued, a company must change its registration with the relevant state bureau for the administration for industry and commerce and issue a public notice accordingly.

Reduction of Share Capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in a general meeting;

(iii) the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commerce for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reducing its capital by canceling its shares or merging with another company holding its shares;

(ii) granting shares as a reward to the staff of the company; or

(iii) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting.

The shares of the company to be repurchased by itself as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any funds for such purpose shall be paid out of after-tax profits of the company, and the shares so purchased shall be transferred to the company's staff within a year. The Mandatory Provisions provide that upon obtaining approvals from the relevant supervisory authorities in accordance with the articles of association of the company, a company may repurchase its issued shares for the foregoing purposes by way of a general offer to its shareholders or purchase on a stock exchange or an off-market contract.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder.

Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if a resolution adopted by a shareholders' general meeting or the board of directors violates any law or administrative regulations or infringes the lawful rights and interests of shareholders, to institute an action in the people's court demanding that the illegal infringing action be stopped;

(v) to receive dividends or other forms of distributable dividends in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or remove the directors and supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee or the supervisors;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other powers specified in the articles of association of the company.

Shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital;

(iii) a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iv) when deemed necessary by the board of directors;

(v) when the supervisory committee proposes convening it; or

(vi) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors.

Notice of the shareholders' general meeting shall be given to all shareholders 20 days before the meeting under the PRC Company Law and 45 days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance 20 days prior to the meeting. Under the Special Regulations, at an annual general meeting of a company, shareholders holding 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be considered at that meeting, which if within the powers of a shareholders' general meeting, are required to be added to the agenda of that meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be adopted by shareholders with more than half of the voting rights by cast shareholders present in person (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets out the scope of exercising the voting rights.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or partial derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of five to 19 members and there can be staff representatives of our Company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division or dissolution of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the PRC Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, encroachment of property, misappropriation of property or disruption of the socialist market economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or were ordered to close due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license of such company and enterprise;

(v) persons who have a relatively large amount of debt due and outstanding; or

(vi) such circumstances under which a person is disqualified from acting as a director of a company as set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in the appendix entitled "Appendix IX — Summary of the Articles of Association" to this Prospectus).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, any executive director or the manager.

The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in the appendix entitled "Appendix IX — Summary of the Articles of Association" to this Prospectus) contain further elaborations of such duties.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected.

The supervisory committee is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the PRC Company Law are as follows:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings, to convene and preside over shareholders' meetings;

(v) to propose any bills to shareholders' general meetings;

(vi) according to Clause 152 of the PRC Company Law, to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Managers and Senior Officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The PRC Company Law, Special Regulations and the Mandatory Provisions provide that the other senior management of a company includes the financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their respective rights, apply for arbitration and initiate litigation according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in the appendix entitled "Appendix IX — Summary of the Articles of Association" to this Prospectus.

Duties of Directors, Supervisors, Managers and Senior Officers

A director, supervisor, manager and other senior officer of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. A director, supervisor, manager and other senior officer of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company save as permitted by the relevant laws and regulations or by the shareholders.

A director, supervisor, manager and other senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and other senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company established by the public subscription method must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocations are set aside for the statutory surplus reserve.

After the company has made good its losses and make allocations to its statutory surplus reserve the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the par value of the shares currently held by the shareholders provided that if the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital on the company.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

Distribution of Profits

The PRC Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve have been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the companies registration authority must also be changed.

Dissolution and Liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the people's court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the PRC Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or dismissal in accordance with laws; or

(v) the people's court dissolves the company pursuant to Article 183 of the PRC Company Law.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be determined by the board of directors or the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of the company;

(iv) to pay any tax overdue and other taxes arising in the process of liquidation;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the companies registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the CSRC may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provision set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen, lost or destroyed, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix IX — Summary of Articles of Association").

Suspension and Termination of Listing

The PRC Company Law has deleted provisions governing suspension and termination of listing. The new PRC Securities Law has been amended as follows:

The trading of shares of a company on a stock exchange may be suspended if so decided by the securities administration department of the State Council (the new PRC Securities Law has renamed this as the securities exchange) under one of the following circumstances:

(i) the registered capital or shareholding distribution no longer complies with the necessary requirements for a listed company;

(ii) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors;

(iii) the company has committed a major breach of the laws;

(iv) the company has incurred losses for three consecutive years; or

(v) other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the PRC Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (i) above, or the company has refused to rectify the situation in the case described in (ii) above, or the company fails to become profitable in the next subsequent year in the case described in (iv) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

PRC SECURITIES LAW AND REGULATIONS AND REGULATORY SYSTEM

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information by our Company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The PRC Securities Law took effect on July 1, 1999 and was revised for the first time on August 28, 2004 and the second time on October 27, 2005. This is the first national PRC Securities Law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Article 239 of the PRC Securities Law provides that specific measures in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "Arbitration Law") was passed by the Standing Committee of the National People's Congress of China on August 31, 1994 and became effective on September 1, 1995. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law of the PRC. Where the parties have by agreement provided for arbitration as the method for dispute resolution, unless the arbitration agreement lapses, the people's court will refuse to handle the case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Listing Rules, also in contracts with each of the Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of the H Shares and our Company; holders of the H Shares and the Directors, Supervisors, manager or other senior officers; or holders of the H Shares and holders of domestic Shares, in respect of any disputes or claims in relation to our Company's affairs or as a result of any rights or obligations arising under the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall comply with the arbitration. Disputes in respect of the definition of shareholders and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the CIETAC in accordance with its rules or the HKIAC in accordance with its securities arbitration rules.

Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission pursuant to the provisions of the Arbitration Law and the Civil Procedure Law if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

If a party applies to the people's court for enforcement of a judgment or ruling against a party who, or whose property, is not located within the PRC, the applying party may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment and ruling. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認和執行外

國仲裁裁決公約》) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People's Congress of China passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the National People's Congress of China simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws arising from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitral authorities pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitration awards made under the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the Foreign Exchange Control Regulations for Overseas Investments (《境外投資外匯管理辦法》), which was formulated by SAFE and approved by the State Council, upon obtaining approval from the Ministry of Commerce to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the Verification and Approval of Overseas Investment Projects Tentative Administrative (《境外投資項目核准暫行管理辦法》), promulgated by the NDRC, investment projects involving the use of a large amount of foreign exchange would require the verification and approval by the NDRC or the State Council. If there is any change with respect to the investor or equity holding of a project that has been verified and approved, an application for amendment shall be made to the NDRC.

HONG KONG LAWS AND REGULATIONS

(a) Company Law

The Hong Kong law applicable to a company having share capital incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by common law. Our Company, which is a joint stock limited liability company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law applicable to a joint stock limited liability company established in the PRC issuing overseas listed foreign shares to be listed on the Hong Kong Stock Exchange.

Set out below is a summary of the material differences between the Companies Ordinance applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited liability company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison:

(i) Corporate existence

Under Companies Ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will upon its incorporation acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited liability company may be incorporated by either the promotion method or the subscription method. A joint stock limited liability company must have a minimum registered capital of RMB5 million, or higher as may otherwise be required by the laws and regulations. Hong Kong law does not prescribe any minimum capital requirements for a Hong Kong company.

Under the PRC Company Law, the monetary contributions by all the shareholders must not be less than 30% of the registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(ii) Share capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital which the company is authorized to issue and a company is not bound to issue the entire amount of its authorized share capital. For a Hong Kong company, the authorized share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not recognize the concept of authorized share capital. The registered capital of a joint stock limited liability company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in general meeting and by the relevant governmental and regulatory authorities in the PRC.

Under the PRC Company Law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. The monetary contribution shall not be less than 30% of a joint stock limited liability company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(iii) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares in the share capital of a joint stock limited liability company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares issued by a joint stock limited liability company which are denominated in Renminbi and subscribed for in a currency other than Renminbi may only be subscribed and traded by investors from Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan or any country and territory outside the PRC.

Under the PRC Company Law, shares in a joint stock limited liability company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Hong Kong Stock Exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares. The said personnel cannot transfer the company shares held by them within half a year after they leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lock up on our Company's issue of Shares and the 12-month lock up on Controlling Shareholders' disposal of Shares, as illustrated by the undertakings given by our Company to the Hong Kong Stock Exchange as described in the section headed "Underwriting" in this Prospectus.

(iv) Financial assistance for acquisition of shares

The PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited liability company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance as similar to those under Companies Ordinance.

(v) Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variation of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix entitled "Appendix IX — Summary of Articles of Association" to this Prospectus. Under Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Our Company (as required by the Listing Rules and the Mandatory Provisions) have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes, except in the case of (i) where our Company issues, upon the approval by special resolution of the Shareholders in general meeting, either separately or concurrently once every 12 months, not more than 20% of each of our existing issued domestic Shares or overseas-listed foreign-invested Shares; (ii) where our Company completes, with 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, our plan (made at the time of our establishment) to issue domestic Shares and overseas-listed foreign-invested Shares; and (iii) where the Shares registered on our domestic Share register may be transferred to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities regulatory authorities of the State Council.

(vi) Directors

The PRC Company Law, unlike Companies Ordinance, does not contain any requirements relating to the declaration of interests in material contracts, restrictions on interested directors being counted towards the quorum of and voting at a meeting of the board of directors at which a transaction in which a director is interested is being considered, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits such as loans to directors and guarantees in respect of directors' liability and prohibition against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain requirements and restrictions in relation to the foregoing matters similar to those applicable under Hong Kong law.

(vii) Supervisory committee

Under the PRC Company Law, the board of directors and managers of a joint stock limited liability company is subject to the supervision and inspection of a supervisory committee but there is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(viii) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have been guilty of a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited liability company the right that in the event that the directors and senior managers violate their fiduciary obligations to a company, shareholders individually or jointly holding over 1% of the shares in the company for more than 180 days consecutively may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates legal and regulatory provisions and company's articles of association, and incurs losses to a company, the above said shareholders may request in writing the board of directors to initiate proceedings in the people's court. Upon receipt of such request in writing from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own names.

The Mandatory Provisions further provide remedies to the company against directors, supervisors and officers in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited liability company applying for a listing of its foreign shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against directors and supervisors in default.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

(x) Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given 20 days before the meeting, while notice of an extraordinary meeting must be given 15 days before the meeting or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively; and the notice period for an annual general meeting is 21 days.

(xi) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for shareholders' general meeting but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(xii) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires the votes cast by and representing more than one-half of the voting rights held by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited liability company or changes to the company status, which require the votes cast by and representing two-thirds or more of the voting rights held by shareholders present at a shareholders' general meeting.

(xiii) Financial disclosure

A joint stock limited liability company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, changes in financial position and other relevant annexures 20 days before an annual general meeting. In addition, a company established by the public subscription method under the PRC Company Law must publish its financial situation. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report which are to be tabled before the company in its annual general meeting not less than 21 days before such meeting.

A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC GAAP, have its accounts prepared and audited in accordance with IFRS or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) Information on directors and shareholders

The PRC Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(xv) Receiving agent

Under both the PRC and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years while that under the PRC law is two years. The Mandatory Provisions require the appointment of a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited liability company in respect of such foreign shares.

(xvi) Corporate reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance which requires the sanction of the court. Under PRC law, the said reorganization shall have a corresponding approval granted under the PRC Company Law.

(xvii) Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

(xviii) Mandatory transfers

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve. There are no such requirements under Hong Kong law.

(xix) Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Mandatory Provisions, the Articles of Association set out remedies to our Company similar to those available under Hong Kong law (including recovery of profits made by a director, supervisor or officer).

(xx) Dividends

The articles of association of a company empower the company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(xxi) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, officers, and managers owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(xxii) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law and the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

(b) Listing Rules

The Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited liability company and seeks a primary listing on the Hong Kong Stock Exchange or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of such principal additional requirements which apply to our Company:

(i) Compliance Advisor

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

(ii) Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong Financial Reporting Standards or IFRS.

(iii) Process agent

Our Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(iv) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million.

The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10,000 million.

(v) Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the overall interests of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(vi) Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, our Company may repurchase our own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules, provided that approval by way of special resolution of the holders of domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for such share repurchases. In seeking approvals, our Company is required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which they are aware, if any. Any general mandate given to the Directors to repurchase H Shares must not exceed 10% of the total amount of existing issued H Shares.

(vii) Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in the appendix entitled "Appendix IX — Summary of Articles of Association" to this Prospectus.

(viii) Redeemable Shares

Our Company must not issue any redeemable Shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of the H Shares are adequately protected.

(ix) Class of Shares

Except in the circumstances mentioned below, the Directors are required to obtain the approval by a special resolution of Shareholders in general meeting, and the approvals by special resolutions of the holders of domestic Shares and H Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules, but only to the extent that, the existing Shareholders of our Company have by special resolution in general meeting given a mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic Shares and H Shares as at the date of the passing of the relevant special resolution.

(x) Supervisors

Our Company is required to adopt rules governing dealings by the Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

Our Company is required to obtain the approval of the Shareholders in general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to our Company or any of our subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of our Company or our subsidiaries: (i) the contract is for a duration that may exceed three years; or (ii) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The remuneration committee of our Company or an independent board committee must form a view in respect of service contracts that require Shareholders' approval and advise Shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and the Shareholders as a whole and advise Shareholders on how to vote.

(xi) Amendment to the Articles of Association

Our Company is required not to permit or cause any amendment to be made to the Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Listing Rules relating to such Articles of Association.

(xii) Documents for inspection

Our Company is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by Shareholders at reasonable charges of the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of our Company;
- our Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of our Company;

- reports showing the number and nominal value of securities repurchased by our Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic Shares and H Shares);
- copies of the latest annual returns submitted to the SAIC; and
- for Shareholders only, copies of minutes of meetings of Shareholders.

(xiii) Receiving agents

Our Company is required to appoint one or more than one receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending collection for the holders of such H Shares.

(xiv) Statements in share certificates

Our Company is required to ensure that all of our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our Share registrars not to register the subscription, purchase or transfer of any of our Shares in the name of any particular holder unless and until such holder delivers to such Share registrar a signed form in respect of such Shares bearing statements to the following effect that the acquirer of the Shares:

- agrees with our Company and each Shareholder of our Company, and our Company agrees with each Shareholder of our Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- agrees with our Company, each Shareholder, Director, Supervisor, manager and officer of our Company, and our Company acting for itself and for each Director, Supervisor, manager and officer of our Company agrees with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with our Company and each Shareholder of our Company that the H Shares are freely transferable by the holder thereof; and
- authorizes our Company to enter into a contract on his behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligation to Shareholders as stipulated in the Articles of Association.

(xv) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

Our Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(xvi) Contract between our Company and its Directors, officers and Supervisors

Our Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to our Company to observe and comply with the PRC Company law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Repurchases and an agreement that our Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or officer to our Company acting as agent for each Shareholder to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any disputes and claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of our Company between our Company and the Directors or officers and between a holder of H Shares and a Director or officer of our Company, such disputes and claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its securities arbitration rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or officer with our Company on our own behalf and on behalf of each Shareholder; and
- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

Our Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

(xvii) Subsequent listing

Our Company must not apply for the listing of any of the H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of foreign Shares are adequately protected.

(xviii) English translation

All notices or other documents required under the Listing Rules to be sent by our Company to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

(xix) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Listing.

(c) Other Legal and Regulatory Provisions

Upon the Listing, the provisions of the SFO, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to our Company.

(d) Securities arbitration rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The securities arbitration rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the securities arbitration rules, a PRC party means a party domiciled in the PRC.

PRC LEGAL MATTERS

Any person wishing to have detailed advice on PRC law and the laws of any jurisdiction is recommended to seek independent legal advice.

Our Articles of Association will become effective upon approval by the Shareholders' meeting of the Company after our H Shares have been listed on the Hong Kong Stock Exchange.

Set out below is a summary of the principal provisions of our Articles of Association, the principal objective of which is to provide investors with an overview of the articles.

As the information contained below is in summary form, it does not contain all the information that may be important to potential investors. As stated in "Appendix XI — Documents Delivered to the Registrar of Companies and Available for Inspection," a copy of the Articles of Association is available for inspection.

1. DIRECTORS AND OTHER OFFICERS

(a) Power to Allot and Issue Shares

There is no provision in our Articles of Association empowering the Directors to allot and issue Shares. To increase the capital of the Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution.

(b) Power to Dispose of the Assets of Our Company or any Subsidiary

The Board shall not, without the prior approval or consent of shareholders' general meeting, dispose or agree to dispose of, any fixed assets of the Company where the anticipated value of the assets to be disposed, together with the value of any fixed assets of the Company that has been disposed in the period of four (4) months immediately preceding the proposed disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet placed before the shareholders' general meeting.

The validity of a disposition by the Company of fixed assets shall not be affected by the breach of the above paragraph.

For the purposes of the Articles of Association, a disposition of fixed assets includes an act involving the transfer of an interest in assets other than the provision of fixed assets as security.

(c) Emoluments and Compensation for Loss of Office

The Company shall, with the prior approval of shareholders' general meeting, enter into a contract in writing with each of the Directors or Supervisors wherein his or her emoluments are stipulated. The aforesaid emoluments include:

(i) emoluments in respect of his or her service as a Director, Supervisor or member of senior management of the Company;

(ii) emoluments in respect of his or her service as a Director, Supervisor or member of senior management of any subsidiary of the Company;

(iii) emoluments in respect of provision of other services in relation to the management of the Company and any subsidiary of the Company;

(iv) payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

Unless otherwise provided by the contract in the preceding paragraph, a Director or Supervisor shall not file legal proceedings against the Company in respect of the benefits due to him/her from the aforesaid matters.

The contracts concerning the emoluments between the Company and its Directors or Supervisors should provide that, in the event of an acquisition of the Company, the Directors and Supervisors shall, subject to the prior approval of the shareholders' general meeting, have the right to receive compensation or other payment in respect of his/her loss of office or retirement. An "acquisition of the Company" referred to in this paragraph means either:

(i) a takeover offer made by any person to all shareholders; or

(ii) a takeover offer made by any person to enable the offeror to become a "controlling shareholder" with the meaning set out in the Articles of Association (see the paragraph headed "Rights of the Minorities in Relation to Fraud or Oppression" below).

If the relevant Director or Supervisor does not comply with the above, any sum so received by him/her shall belong to those persons who have sold their Shares as a result of the offer made. The expenses incurred in distributing such sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and not paid out of that sum.

(d) Loans to Directors, Supervisors and Other Officers

The Company shall not directly or indirectly make a loan to, or provide any security in connection with the making of a loan to a Director, Supervisor, the President or other members of senior management of the Company or of the Company's "controlling shareholders" (see the paragraph headed "Rights of the Minorities in Relation to Fraud or Oppression" below) or any of their respective Related Persons (see the paragraph headed "Duties" below). However, the following transactions are not subject to such prohibition:

(i) the provision by the Company of a loan or a security of a loan to a company which is a subsidiary of the Company;

(ii) the provision by the Company of a loan or a security in connection with the making of a loan or any other funds to any of its Directors, Supervisors, the President and other members of senior management for them to pay for expenditure incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of a service contract approved by the shareholders' general meeting; and

(iii) The Company may make a loan to or provide a security in connection with the making of a loan to any of the relevant Directors, Supervisors, the President and other members of senior management or their respective Related Persons (see the paragraph headed "Duties" below) on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the provision of a security of a loan.

A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan, regardless of the terms of the loan.

A security provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

(i) the security was provided in connection with a loan to a Related Person (see the paragraph headed "Duties" below) of any of the Directors, Supervisors, the President and other members of senior management of the Company or of the Company's "controlling shareholders" (see the paragraph headed "Rights of the Minorities in Relation to Fraud or Oppression" below) and at the time the loan was advanced the lender did not know the relevant circumstances; or

(ii) the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

For these purposes, the term "security" shall include an undertaking or property provided to secure the performance of obligations by the obligor.

(e) Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries

Subject to the exceptions in the Articles of Association, the Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire Shares of the Company. The said acquirer of Shares of the Company includes a person who directly or indirectly incurs any obligations due to the acquisition of the Shares. The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer as referred to above for the purpose of reducing or discharging the obligations assumed by that person.

Without prejudice to the laws, regulations and the regulatory documents, the following acts shall not be deemed to be prohibited:

(i) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the main purpose of the financial assistance is not the acquisition of Shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;

(ii) the lawful distribution of the Company's assets by way of dividend in accordance with law;

(iii) the allotment of bonus shares as dividends;

(iv) a reduction of registered capital, a repurchase of Shares of the Company or a reorganization of the shareholding structure of the Company effected in accordance with the Articles of Association;

(v) the lending of money by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and

(vi) the provision of money by the Company for contributions to employee share scheme (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

(i) "financial assistance" includes (without limitation) the following meanings:

(A) gift;

(B) security (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation incurred by the Company's own default), release or waiver of any rights;

(C) provision of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights under such loan or agreement; or

(D) any other form of financial assistance given by the Company when the Company is unable to pay its debts or has no net assets or when its net assets would thereby be reduced to a material extent.

(ii) "incurring an obligation" includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

(f) Disclosure of Interests in Contracts with the Company or any of its Subsidiaries

Where a Director, Supervisor, the President or any other member of the senior management of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his/her contract of service with the Company), he shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, regardless whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board under normal circumstances.

A Director shall not discuss and vote on any Board resolution approving any proposal in which he or any of his associates has a material interest, nor shall he be counted in the quorum present at the meeting.

Unless the interested Director, Supervisor, President or any other member of the senior management discloses his/her interests in accordance with the requirements above and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor, President or any other member of the senior management is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, Supervisor, the President or any other member of the senior management is materially interested is voidable at the option of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, the President or any other member of the senior management.

For these purposes, a Director, Supervisor, the President or any other member of the senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which an Related Person with the meaning set out under the sub-section "Duties" below of his/hers is interested.

Where a Director, Supervisor, the President or any other member of the senior management of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description, which may subsequently be made by our Company, such notice shall be deemed for the purposes of this subsection to be a sufficient declaration of his/her interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Company.

(g) Remuneration

The remuneration of Directors must be approved by the shareholders' general meeting, as referred to under the section headed "Emoluments and Compensation for Loss of Office" above.

(h) Appointment, Removal and Retirement

Directors shall be elected or removed by the shareholders' general meeting and each of them shall have a term of office for three years. Upon the expiry, a Director is eligible for re-appointment subject to re-election. Before the expiry, the shareholders' general meeting shall not remove him without cause.

The Board comprises 9 Directors in which, among others, there shall be 5 external Directors (i.e. those not holding any position in the Company) and, among the 5 external Directors, there shall be 4 independent Directors (i.e. those independent of the shareholders of the Company and not holding any position in the Company). External Directors shall account for at least one half (1/2) of the Board, and independent Directors shall account for at least one-third (1/3) of the Board; and at least one independent Director shall be of account professional. The Board shall have one Chairman and may have one Vice-Chairman. The Chairman and Vice-Chairman shall be elected by a majority of all of the Directors.

A written notice of the intention to propose a person for election as Director and a notice in writing by that person indicating his/her acceptance of such election is required to be given to the Company after the issue of notice of the relevant shareholders' general meeting for such election and no less than 7 days prior to commencement of such meeting.

A Director is not required to hold Shares of the Company. There is no Director being staff representative in the Board of the Company.

A person may not serve as a Director, Supervisor, the President and any other member of the senior management of the Company if any of the following circumstances apply:

(i) a person without or with restricted capacity of civil conduct;

(ii) a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his/her political rights, in each case where no more than five (5) years has elapsed since the date of the completion of implementation of such punishment or deprivation;

(iii) a person who is a former director, factory manager or president of a company or enterprise which has entered into insolvent liquidation because of mismanagement and he is personally liable for the insolvency of such company or enterprise, where no more than three (3) years has elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where no more than three (3) years has elapsed since the date of the revocation of the business license;

(v) a person who has a relatively large amount of debts due and outstanding;

(vi) a person who is under criminal investigation or prosecution by judicial organization for violation of the criminal law which investigation or prosecution is not yet concluded;

(vii) a person who is not eligible for enterprise leadership according to laws and administrative regulations;

(viii) a non-natural person;

(ix) a person convicted of the contravention of provisions of relevant securities regulations by a relevant government authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years has lapsed since the date of the conviction; or

(x) any other circumstances as prescribed in laws, administrative regulations or relevant regulations by a relevant government authority.

There is no provision in the Articles of Association which imposes any age limit for Directors beyond which retirement as a Director is mandatory.

The validity of an act of a Director, the President or any other member of the senior management on behalf of the Company with respect to, a bona fide third party shall not be affected by any irregularity in his/her appointment, election or any defect in his/her qualification.

(i) Borrowing Powers

Subject to compliance with applicable laws, administrative regulations and Listing Rules, the Company has the power to raise and borrow money, which includes, without limitation, the issue of debentures and the charging or mortgaging of the Company's properties. The Company also has the right to provide guarantee for any third party. However, its exercise of such right shall not prejudice or invalidate any power of shareholders of any class. The Articles of Association do not contain any specific provision in respect of the manner in which issuing bonds may be exercised by the Directors nor do they contain any specific provision in respect of the manner in which such powers may be varied, other than: (a) provisions which give the Board the power to formulate proposals for the issue of bonds by the Company; and (b) provisions which provide that the issue of bonds must be approved by the shareholders' general meeting.

(j) Duties

In addition to obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which Shares of the Company are listed, each of the Company's Directors, Supervisors, the President and other members of senior management owes a duty to each shareholder, in the exercise of the functions and powers that the Company entrusted to him/her:

(i) not to cause the Company to exceed the scope of the business stipulated in its business license;

(ii) to act honestly in the best interest of the Company;

(iii) not to expropriate the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company; and

(iv) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company approved by the shareholders' general meeting in accordance with the Articles of Association.

Each of the Company's Directors, Supervisors, the President and other members of senior management owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of the Company's Directors, Supervisors, the President and other members of senior management shall carry on his/her duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where his/her interest and his/ her duty may conflict. This principle includes (without limitation) discharging the following obligations:

(i) to act honestly in the best interests of the Company;

(ii) to exercise powers within the scope of his/her powers and not to exceed those powers;

(iii) to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders' general meeting, not to delegate the exercise of his/her discretion to others;

(iv) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(v) except in accordance with the Articles of Association or with the informed consent of shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;

(vi) without the informed consent of shareholders' general meeting, not to use the Company's property for his/her own benefit;

(vii) not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;

(viii) without the informed consent of shareholders' general meeting, not to accept commissions in connection with the Company's transactions;

(ix) to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own private interests;

(x) not to compete with the Company in any form without the informed consent of shareholders' general meeting;

(xi) not to misappropriate the Company's funds or to lend such funds to any other person, not to deposit the Company's assets in the accounts in his own name or in any other name or to use such assets to provide guarantee for the debts of a shareholder of the Company or any other personal liabilities; and

(xii) without the informed consent of the shareholders' general meeting, not to disclose any confidential information in relation to the Company acquired by him/her during his/her tenure of office and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if: (i) disclosure is required by law; (ii) public interests so require; (iii) the interests of the relevant Director, Supervisor, the President or any other member of the senior management require disclosure.

Each Director, Supervisor, the President or any other member of the senior management of the Company shall not cause the following persons or institutions ("Related Persons") to do what he is prohibited from doing:

(i) the spouse or minor children of that Director, Supervisor, the President or any other member of the senior management;

(ii) a trustee of that Director, Supervisor, the President or any other member of the senior management or any person referred to in paragraph (i) above;

(iii) a partner of that Director, Supervisor, the President or any other member of the senior management or any person referred to in paragraphs (i) and (ii) above;

(iv) a company in which that Director, Supervisor, the President or any other member of the senior management, alone or jointly with one or more persons referred to in paragraphs (i), (ii) and (iii) above and other Directors, Supervisors, the president and other members of senior management, have a de facto controlling interest; and

(v) the directors, supervisors, president and other members of senior management of the controlled company referred to in paragraph (iv).

The fiduciary duties of the Directors, Supervisors, the President and other members of senior management of the Company do not necessarily cease upon the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period on a fair basis depending on the time lapse between the termination and the act concerned and the circumstances and conditions under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, the President or any other member of the senior management of the Company is in breach of his/her duties to the Company, the Company has a right to:

(i) claim damages from the Director, Supervisor, President or any other member of the senior management in compensation for losses sustained by the Company as a result of such breach;

(ii) rescind any contract or transaction entered into by the Company with the Director, Supervisor, President or any other member of the senior management or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor, the president or any other member of the senior management representing the Company);

(iii) require the Director, Supervisor, President or any other member of the senior management return the benefits received by him/her as a result of the breach of the obligations;

(iv) recover any funds received by the Director, Supervisor, President or any other member of the senior management that should have been received by the Company, including (without limitation) commissions; and

(v) require the Director, Supervisor, President or other senior officer to return the interest that is earned or may have been earned from the fund which should have been payable to the Company.

2. ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Articles of Association.

Amendments to the Articles of Association involving the contents of the Mandatory Provisions for the Articles of Association of the Companies to be Listed Overseas shall become effective upon receipt of approvals from the securities authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Apart from the holders of other classes of Shares, holders of Domestic Shares and holders of overseas listed foreign Shares of the Company shall be considered as different classes of shareholders.

Rights conferred on any class of shareholders in the capacity of shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders' general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

(i) to increase or reduce the number of Shares of that class or the increase or reduce the number of Shares of another class which carries the same or more voting rights, distribution right or other privileges;

(ii) to effect an exchange of all or part of the Shares of such class into Shares of another class or to effect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;

(iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;

(iv) to reduce or remove a dividend preference or a liquidation preference attached to Shares of such class;

(v) to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;

(vi) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;

(vii) to create a new class of Shares having voting or distributing rights or other privileges equal or superior to those of the Shares of such class;

(viii) to restrict the transfer or ownership of the Shares of such class or add to such restriction;

(ix) to allot and issue rights to subscribe for, or convert into, Shares in the Company of such class or another class;

(x) to increase the rights or privileges of Shares of another class;

(xi) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and

(xii) to vary or abrogate provisions in the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but interested shareholder(s) shall not be entitled to vote at class meetings.

The "interested shareholder(s)" above means:

(i) in the case of a repurchase of Shares by offers to all shareholders pro rata or public dealing on a stock exchange in accordance with the Articles of Associations, a "controlling shareholder" within the meaning of the Articles of Association;

(ii) in the case of a repurchase of Shares by an off-market contract in accordance with the Articles of Associations, a holder of the Shares to which the proposed contract relates; and

(iii) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the voting rights of the shareholders attended at the relevant meeting who are entitled to vote at class meetings.

Written notice of a class meeting shall be given twenty (20) days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered and the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his/her written reply concerning attendance at the class meeting to the Company ten (10) days before the date of the class meeting.

If the number of Shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches more than half of the Shares which have the right to vote at the class meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the shareholders of the class by public announcement, of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after publication of such notice.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of shareholders.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

(i) where the Company issues Domestic Shares and overseas-listed foreign Shares, upon the approval by a special resolution of its shareholders' general meeting, either separately or concurrently once every twelve months, not exceeding 20% of each of its existing issued Shares;

(ii) where the Company's plan to issue Domestic Shares and overseas-listed foreign Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval by the securities authority of the State Council; or

(iii) where upon the approval from the securities authority of the State Council and other approving authority (if applicable), the Domestic Shares of the Company may be converted into foreign Shares, and such Shares may be listed and traded in an overseas stock exchange.

4. RESOLUTIONS MAJORITY REQUIRED

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

5. VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary shareholders of the Company have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. A shareholder (including proxy) may exercise voting rights in accordance with the number of Shares carrying the right to vote and each share shall have one vote.

At any general meeting of shareholders a resolution shall be decided by a show of hands unless a poll is (before or after any vote by show of hands) demanded by the Hong Kong Listing Rules or:

(i) by the chairman of the meeting;

(ii) by at least two shareholders entitled to vote present in person or by proxy; or

(iii) by one or more shareholders present in person or by proxy and representing more than 10% of all Shares carrying the right to vote at the meeting.

Unless a poll is demanded by the Hong Kong Listing Rules or by any person(s) above, a declaration by the chairman that a resolution has been passed on a show of hands and the record of such in the minutes of the meeting shall be conclusive evidence of the fact that such resolution has been passed. There is no need to provide evidence of the number or proportion of votes in favor of or against such resolution. The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on an issue of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other issue shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his/her votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

Shareholders' general meetings are classified into annual general meetings and extraordinary general meetings. Annual general meetings are held once (1) every year and within six (6) months from the end of the preceding financial year.

7. ACCOUNTS AND AUDIT

(a) Financial and Accounting System

The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations and rules set out by the relevant PRC governmental departments.

The Board shall place before the shareholders at every annual general meeting such financial reports as required by any laws, administrative regulations or directives promulgated by competent regional governmental authorities to be prepared by the Company.

The Company's financial reports shall be made available for shareholders' inspection at the Company twenty (20) days before the date of every shareholders' annual general meeting. Each shareholder shall be entitled to obtain the aforementioned financial reports.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either International Financial Reporting Standards, or that of the overseas place where the Company's Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in an appendix to the financial statements. When the Company is to distribute its after-tax profits, it is required to distribute dividends based on the lower of the Company's distributable after-tax profits determined under the two accounting standards.

Any interim results or financial information published or disclosed by the Company must be prepared in accordance with PRC accounting standards and regulations, and also in accordance with either International Financial Reporting Standards or that of the overseas place where the Company's Shares are listed.

The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.

(b) Appointment, Removal and Resignation of Accounting Firms

The Company shall engage an accounting firm that has the "qualification to engage in securities related business" to audit the accounting statements, verify shareholders' equity and provide other relevant consultation services. Its term of office shall be one (1) year and it may be re-appointed.

If there is a vacancy in the position of accounting firm of the Company, the Board may appoint an accounting firm to fill such vacancy before the convening of the shareholders' general meeting. Any other accounting firm which has been appointed by the Company may continue to act during the period during which a vacancy arises.

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which the appointment is made until the conclusion of the next annual meeting of shareholders.

The shareholders' general meeting may, by ordinary resolution, remove an accounting firm before the expiration of its office, notwithstanding the stipulations in the contract between the Company and the accounting firm, but without prejudice to the accounting firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such accounting firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

The Company's appointment of, removal of and non-reappointment of an accounting firm shall be resolved by shareholders' general meetings. Such resolution shall be filed with the securities authority of the State Council.

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of an accounting firm, which is not an incumbent firm, to fill a casual vacancy in the office of the accounting firm, reappointment of an accounting firm which was appointed by the Board to fill a casual vacancy, or removal of the accounting firm before the expiration of its term of office, the following provisions shall apply:

(i) A copy of the appointment or removal proposal shall be sent to the accounting firm proposed to be appointed or proposing to leave its post or the accounting firm which has left its post (leaving includes leaving by removal, resignation and retirement) before notice of meeting is given to the shareholders.

(ii) If the accounting firm leaving its post makes presentations in writing and requests the Company to notify such presentations to the shareholders, the Company shall (unless the presentations are received too late): (1) in any notice of the resolution given to shareholders, state the fact of the presentations having been made; and (2) attach a copy of the presentations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.

(iii) If the accounting firm's presentations are not sent in accordance with paragraph (ii) above, the relevant accounting firm may require that the presentations be read out at the shareholders' general meeting and may lodge further complaints.

(iv) An accounting firm which is leaving its post shall be entitled to attend: (1) the shareholders' general meeting at which its term of office would otherwise have expired; (2) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and (3) any shareholders' general meeting convened on its resignation; and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former accounting firm of the Company.

Where the accounting firm resigns, it shall state to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

Any accounting firm may resign by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following: (1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or (2) a statement of any such circumstances.

The Company shall within fourteen (14) days after receiving of such notice send a copy of the notice to the relevant governing authority. If the notice contains a statement under sub-paragraph (2) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every shareholder who are entitled to obtain a copy of such statement at the address registered in the share register.

Where the accounting firm's notice of resignation contains a statement in respect of the above, it may require the Board to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

8. NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

The shareholders' general meeting is the organ of authority of the Company. The Company shall not, without the approval of the shareholders' general meeting by way of a special resolution, enter into any contract with any person other than a Director, Supervisor, the President or any other member of the senior management whereby the management of the whole or any substantial part of the business of the Company is to be handed over to such person.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings.

Under any of the following circumstances, the Company shall convene an extraordinary general meeting within two (2) months of the date of occurrence:

(i) when the number of Directors is less than the number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association;

(ii) when the unrecovered losses of the Company amount to one-third of the total amount of its share capital;

(iii) when shareholder(s), individually or in the aggregate, holding 10% or more of the Company's issued and outstanding Shares carrying voting rights request(s) the convening of an extraordinary general meeting;

(iv) when deemed necessary by the Board;

(v) at the request of the supervisory committee; or

(vi) other circumstances as prescribed in the laws, administrative regulations, departmental rules or the Articles of Association.

When the Company convenes a shareholders' general meeting, written notice of the general meeting shall be given twenty (20) days (exclusive of the date of the notice and the meeting) before the date of the meeting, written notice of the extraordinary general meeting shall be given fifteen (15) days (exclusive of the date of the notice and the meeting) before the date of the extraordinary general meeting, to notify all of the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his/her written reply concerning the attendance of the meeting to the Company ten (10) days (exclusive of the date of the notice and the meeting) before the date of the meeting.

Shareholders who individually or in the aggregate hold 3% or more of Shares may raise interim motions and submit them in writing to the convenor ten (10) days before the holding of the shareholders' general meeting. The convenor shall issue a supplementary notice within 2 days from receipt of such motions to announce the content of interim motions. The content of interim motions shall fall within the scope of responsibility of the shareholders' general meeting and shall contain clear subjects for discussion and specific matters to be resolved and shall comply with relevant provisions of the laws, administrative regulations and the Articles of Association.

A shareholders' general meeting shall not decide on those matters which are not stated in the notice of meeting or not in compliance with the preceding paragraph.

The Company shall, based on the written replies received ten (10) days before the date of the shareholders' general meeting, calculate the number of voting Shares represented by shareholders who intend to attend the meeting. If the number of voting Shares represented by the shareholders who intend to attend the meeting reaches more than one half of the Company's total voting Shares, the Company may hold the meeting. If not, then the Company shall within five (5) days notify the shareholders again by public announcement of the matters to be considered, the place and the date for the meeting. The Company may hold the meeting after the publication of such notice.

A notice of meeting of shareholders shall be required to:

(i) be in writing;

(ii) list out the share registration date of shareholders who are entitled to attend the meeting;

(iii) specify the time, place and duration of the meeting;

(iv) state the matters and motions to be considered at the meeting;

(v) provide such information and explanations as are necessary for the shareholders to exercise a sensible judgment on the matters to be considered. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase Shares, to reorganize the share capital or to restructure the Company in any other way, the specific terms of the proposed transaction must be provided together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

(vi) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, the President or any other member of the senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;

(vii) contain the full text of any special resolution proposed to be adopted at the meeting;

(viii) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him/her and that such proxy need not be a shareholder;

(ix) specify the registration date of Shares held by each shareholder which are entitled to attend the shareholders' general meeting;

(x) specify the time and place for delivering proxy forms for the relevant meeting;

(xi) state the names and telephone numbers of the contact persons for the meeting; and

(xii) to the extent that a shareholders' general meeting is to be convened via computer network or other means, the voting time and procedures shall be specified in the meeting notice.

Notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by personal delivery or prepaid mail to their addresses as shown in the share register. For the holders of Domestic Shares, notice of the meetings may be issued by way of public announcement.

The public notice mentioned in the preceding paragraph shall be published in one or more newspapers designated by the securities supervisory authority of the State Council. After the publication of such notice, all holders of Domestic Shares shall be deemed to have received the notice of the relevant shareholders' general meeting. Notice of shareholders' general meeting shall be served on the shareholders of H Shares, by publication on the website of Hong Kong Stock Exchange, or one or more designated newspapers. After the publication of such notice, all holders of H Shares shall be deemed to have received the notice of relevant shareholders' general meeting.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting and the resolution adopted thereat.

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

(i) work reports of the Board and the supervisory committee;

(ii) plans formulated by the Board for distribution of profits and for making up losses;

(iii) appointment and removal of the members of the Board and members of the supervisory committee, their remuneration and method of payment;

(iv) annual budgets and final accounts of the Company;

(v) balance sheets and profit and loss accounts and other financial statements and annual reports of the Company;

(vi) matters other than those which are required by the laws and administrative regulations or by the Articles of Association to be adopted by a special resolution.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

(i) the increase or reduction of registered capital of the Company;

(ii) the repurchase by the Company of its own Shares and the issue of Shares of any class, warrants and other similar securities;

(iii) the division, merger, dissolution, liquidation of the Company;

(iv) amendments to the Articles of Association;

(v) any asset disposal by the Company and its controlled subsidiaries (other than those arising out of daily operating action, and excluding those between the Company and its controlled subsidiaries or between the Company's controlled subsidiaries), the aggregate asset amount or transaction amount of which exceeds thirty percent (30%) of the Company's audited total assets in the latest period based on the principle of cumulative calculation for twelve (12) consecutive months, whether the subjects of transactions are related or not;

(vi) any guarantee provided after the total external guarantee amount of the Company and its controlled subsidiaries in excess of thirty percent (30%) of the Company's audited total assets in the latest period based on the principle of cumulative calculation for twelve (12) consecutive months;

(vii) any share incentive scheme;

(viii) any issuance of corporate bonds; and

(ix) any other matters stipulated by law, administrative regulations or the Articles of Association, and matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

The following external guarantees to be provided by the Company and its controlled subsidiaries shall be approved by the shareholders' general meetings:

(i) the individual guarantee amount of which exceeds ten percent (10%) of the Company's audited net assets in the latest period;

(ii) any guarantee provided after the external guarantee balance of the Company and its controlled subsidiaries exceeds forty percent (40%) of the Company's audited net assets in the latest period;

(iii) the guarantee provided to the guaranteed party whose asset to liability ratio exceeds seventy percent (70%);

(iv) any guarantee provided after the total external guarantee amount of the Company and its controlled subsidiaries in excess of thirty percent (30%) of the Company's audited total assets in the latest period based on the principle of cumulative calculation for twelve (12) consecutive months;

(v) any guarantee provided after the total external guarantee amount of the Company and its controlled subsidiaries in excess of fifty percent (50%) of the Company's audited net assets in the latest period based on the principle of cumulative calculation for twelve (12) consecutive months;

(vi) any guarantee which shall be approved by the shareholders' general meeting under the laws, regulations, listing rules of related stock exchanges and the Articles of Association of the Company.

The Company and its controlled subsidiaries shall not provide any guarantee to the Shareholders, de facto controller and related parties, except those between the Company and its controlled subsidiaries or among its controlled subsidiaries.

An external guarantee provided by the Company and its controlled subsidiaries (except those that have to be approved by the shareholders' general meeting) shall be examined and approved by the Board. The external guarantee that has to be examined and approved by the Board shall be approved by more than two-thirds (2/3) of the Directors attending the meeting.

9. TRANSFER OF SHARES

All the fully paid-up H Shares listed on the Hong Kong Stock Exchange can be freely transferred in accordance with the Articles of Association. However, unless the requirements stipulated in the Articles of Association are met, the Board may refuse to accept any transfer documents without giving any explanation for such refusal.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the shareholders' register due to a transfer of Shares shall be made within thirty (30) days before the date of a shareholders' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

Upon approval of the CSRC of the State Council, a holder of the domestic shares of the Company may transfer the shares held by him/her to a foreign investor and such shares may be listed and traded overseas. The listing of the transferred shares on an overseas stock exchange shall be in compliance with the regulatory procedures, provisions and requirements of the overseas securities market. No class meeting is required to convene in order to vote on the listing and trading of the transferred shares on an overseas securities market.

10. POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, in accordance with the provisions set out in the laws, administrative regulations, departmental rules and the Articles of Association repurchase its Shares under the following circumstances:

(i) reduction of its registered capital;

(ii) merging with another company that holds Shares in the Company;

(iii) awarding Shares to the Company's employees;

(iv) being requested to repurchase the Shares of the Company by shareholders who object to a resolution adopted at the shareholders' general meeting concerning any merger and division of the Company; and

(v) other circumstances permitted by laws and administrative regulations; or

The Company may, with the approval of the relevant competent authority of the state, repurchase its Shares, conducting the repurchase in one of the following ways:

(i) making a pro rata general offer of repurchase to all of its shareholders;

(ii) repurchase Shares through public dealing on a stock exchange;

(iii) repurchase by an agreement outside a stock exchange; or

(iv) other ways permitted by CSRC and the regulators of the place where the Company's Shares are listed.

Where the Company repurchases its Shares by an off-market agreement, the prior approval of shareholders shall be obtained in accordance with the Articles of Association. The Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders obtained in the same manner.

A contract to repurchase Shares includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase Shares.

The Company shall not assign the contracts to repurchase Shares and its rights under such contracts.

Shares repurchased in accordance with law by the Company shall be cancelled within the period prescribed by laws and administrative regulations, and the Company shall apply to the original company registration authority for registration of the change of its registered capital. The amount of the Company's registered capital shall be reduced by the aggregate par value of those cancelled Shares.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

(i) where the Company repurchases Shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of Shares made for that purpose;

(ii) where the Company repurchases Shares of the Company at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows: (i) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company; or (ii) if the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate of premiums received by the Company on the issue of the Shares repurchased nor the current amount of the Company's share premium account or capital reserve fund account (including the premiums on the fresh issue);

(iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits: (i) acquisition of rights to repurchase Shares of the Company; (ii) variation of any contract to repurchase Shares of the Company; and (iii) release of any of the Company's obligations under any contract to repurchase Shares of the Company; and

(iv) after the Company's registered capital has been reduced by the total par value of the cancelled Shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the Shares repurchased shall be transferred to the Company's premium account (or capital reserve fund account).

11. POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY

There are no provisions in the Articles of Association preventing ownership of Shares in the Company by a subsidiary.

12. DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Company may distribute dividends in the form of cash or stock.

Dividends or other payments declared by the Company to be payable to holders of Domestic Shares shall be paid in RMB. Those payable to holders of H Shares shall be declared and calculated in RMB, and paid in Hong Kong dollars.

The Company shall appoint agents for receiving payment in respect of holders of overseas-listed foreign Shares. Such receiving agents shall receive dividends which have been distributed by the Company in respect of overseas-listed foreign Shares and other payables to holders of overseas-listed foreign Shares on such shareholders' behalf. The receiving agents appointed for holders of overseas-listed foreign Shares listed on the Hong Kong Stock Exchange shall each be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

The Company shall have power to cease sending dividend warrants by post, provided that the Company will not exercise such power until such warrants have been so left uncashed on two consecutive occasions. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company has the power to sell the Shares of a holder of the overseas-listed foreign Shares who is untraceable by means considered appropriate by the Board under the following circumstances:

(i) during a period of twelve (12) years at least three (3) dividends in respect of the Shares in question have become payable and no dividend during that period has been claimed; and

(ii) on expiry of the twelve (12) years the Company gives notice of its intention to sell the Shares by way of an advertisement published in one or more newspapers in the place where the Company's Shares are listed and notifies the stock exchange on which such Shares are listed of such intention.

13. APPOINTMENT OF PROXIES

Any shareholder entitled to attend and vote at a shareholders' meeting of the Company shall be entitled to appoint one or more other persons (whether a shareholder or not) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

(i) have the same right as the shareholder to speak at the meeting;

(ii) have authority to demand or join in demanding a poll; and

(iii) have the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be made in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a legal entity, either under seal or under the hand of a director or a duly appointed attorney or person. The power of attorney shall denote the Shares held by the proxy on behalf of the shareholder. In the event that the appointer appoints more than one proxy, the power of attorney shall denote the number of Shares held by each proxy on behalf of the shareholder.

The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a notary certified copy of that power of attorney or other authority, shall be deposited at the residence of the Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy proposes to vote or the time appointed for the passing of the resolution.

If the appointer is a legal entity, its legal representative or such person as is authorized by resolution of its Board or other governing body to act as its representative may attend at any meeting of shareholders of the Company as a representative of the appointer.

Any form issued to a shareholder by the Board for use by him/her for appointing a proxy shall be such as to enable the shareholder to, according to his/her intention, instruct and to indicate to the proxy to vote in favor of or against each resolution dealing with matters to be voted at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that no notice in writing of the aforesaid shall have been received by the Company before the commencement of the meeting at which proxy is used.

14. CALLS ON SHARES AND FORFEITURE OF SHARES

That any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared. The Board shall have the power to forfeit unclaimed dividends, but that power shall not be exercised unless the relevant validity period has lapsed.

15. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS (INCLUDING INSPECTION OF SHARE REGISTER)

The ordinary shareholders of the Company shall enjoy the following rights:

(i) the right to receive dividends and other distributions in proportion to the number of Shares held;

(ii) the right to request, convene, chair, attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

(iii) the right to supervise management over the Company's business operations, and the rights to present proposals or to raise enquires;

(iv) the right to transfer, bestow or pledge Shares in accordance with laws, administrative regulations and provisions of the Articles of Association;

(v) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including: (1) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy; (2) the right to inspect and copy, subject to payment of a reasonable charge: (A) all parts of the share register; (B) personal particulars of each of our Directors, Supervisors, President and other members of senior management as follows: a. present name and alias and any former name and alias; b. principal address (residence); c. nationality; d. full-time and all other part-time occupations and positions; and e. identification document and its number; (3) report on the state of the Company's share capital; (4) reports showing the number, aggregate par value, quantity, maximum and minimum price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose; (5) minutes of shareholders' general meetings, resolutions of meetings of Board and meetings of the supervisory committee;

(vi) in respect of the shareholders objecting to a resolution on the Company's merger or division passed in the shareholders' general meeting, the right to request the Company to repurchase their Shares;

(vii) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held; and

(viii) other rights conferred by laws, administrative regulations and the Articles of Association.

The ordinary shareholders of the Company shall assume the following obligations:

(i) to abide by laws, administrative regulations and the Articles of Association;

(ii) to pay subscription funds according to the number of Shares subscribed and the method of subscription;

(iii) not to withdraw their share interests in the Company, except for being under the circumstances prescribed by the laws or regulations;

(iv) not to abuse the shareholder's right to prejudice the interest of the Company or other shareholders, and not to misuse the independent status of the legal person of the Company and the limited liability of a shareholder to prejudice the interests of the Company's creditor; and

(v) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant Shares on subscription.

16. RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which Shares of the Company are listed, a controlling shareholder shall not exercise his/ her voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of the Company:

(i) to relieve a Director or Supervisor of his/her duty to act honestly in the best interests of the Company;

(ii) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any guise, of the Company's property, including (without limitation) opportunities beneficial to the Company; or

(iii) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights or interests of other shareholders, including (without limitation) rights to distributions and voting rights save pursuant to a restructuring of the Company submitted to shareholders for approval and adopted by the shareholders' general meeting in accordance with the Articles of Association.

For the purposes of the Articles of Association, a "controlling shareholder" means a person who satisfies any one of the following conditions:

(i) he alone, or acting in concert with others, has the power to elect more than half of the Board;

(ii) he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;

(iii) he alone, or acting in concert with others, holds 30% or more of the issued and outstanding Shares of the Company; or

(iv) he alone, or acting in concert with others, in any other manner has de facto control of the Company.

See also the section headed "— Variation of Rights of Existing Shares or Classes of Shares" above.

17. PROCEDURES ON LIQUIDATION

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

(i) the term of business operation as prescribed by the Articles of Association expires or other matters as prescribed by the Articles of Association for dissolution occurs;

(ii) a resolution for dissolution is passed at a shareholders' general meeting;

(iii) dissolution is necessary due to a merger or division of the Company;

(iv) the business license of the Company is revoked, the Company is ordered to close down or cancelled pursuant to law because of its violation of laws and administrative regulations; or

(v) when the Company is in serious difficulties in operations or management, and its continual existence will lead to substantial loss to the benefits of the shareholders and there are no other solutions to resolve the matters, the shareholders holding ten percent (10%) or above of the total voting rights of the Company may request to the People's Court for dissolution of the Company.

Where the Board decides to liquidate the Company due to causes other than the declaration of insolvency, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay off its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease. The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once a year to the shareholders' general meeting on the committee's income and expenditure, the business of the Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on completion of the liquidation.

18. OTHER PROVISIONS MATERIAL TO THE COMPANY AND SHAREHOLDERS

(a) General Provisions

The Company is a joint stock limited company in perpetual existence.

The Articles of Association constitute a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders on the date on which they become effective.

The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of the Articles of Association, approve an increase of capital. The Company may increase its capital in the following ways:

(i) offering new Shares to non-specialty-designated investors for subscription;

(ii) placing new Shares to its existing shareholders;

(iii) distributing new Shares to its existing shareholders by way of bonus issues; and

(iv) any other way permitted by laws and administrative regulations.

The Company's increase of capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

Unless otherwise provided by laws or administrative regulations, Shares in the Company are freely transferable and are free of any lien.

The Company may reduce its registered capital. Such reduction shall be made in accordance with the procedures set out in the Company Law, other relevant provisions and the Articles of Association.

In the event of a reduction of its registered capital, the Company must prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution for reduction of capital and shall publish an announcement in China Securities Journal, Shanghai Securities News and Securities Times within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receipt of the notice from the Company or, in the case of a creditor who does not receive such notice, within forty-five (45) days of the date of the public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt. The Company's registered capital shall not, after the reduction in capital, be less than the minimum amount prescribed by law.

(b) Board

The Board shall exercise the following functions and powers:

(i) to convene the shareholders' general meeting and to report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed at the shareholders' general meetings;

(iii) to determine the Company's business plans and investment proposals;

(iv) to formulate the Company's annual financial budgets and final accounts;

(v) to formulate the Company's profit distribution proposal and loss recovery proposal;

(vi) to formulate the Company's proposals for the increase or reduction of the Company's registered capital and for the issuance of debentures or other securities and for the listing;

(vii) to draw up the Company's proposals for material acquisition, repurchase of the Company's Shares and the plans for the merger, division, dissolution and change of form of business of the Company;

(viii) to make decisions on any asset disposals of the Company and its controlled subsidiaries (other than those subject to the consideration of the shareholders' general meeting), any asset disposals between the Company and its controlled subsidiaries and between its controlled subsidiaries, and any merger and division of its controlled subsidiaries;

(ix) to determine the establishment of the Company's internal management organizations;

(x) to appoint or remove the President and the Secretary of the Board of the Company, to appoint or remove any other member of the senior management including the Vice President and the financial controller of the Company based on the nominations of the President, and to decide on their remuneration as well as award and punishment issues;

(xi) to set up the Company's basic management system;

(xii) to formulate the proposals for any amendment to the Articles of Association;

(xiii) to manage the information disclosure of the Company;

(xiv) to propose to the shareholders' general meeting the appointment or removal of the Company's accounting firms which shall conduct the audit of the Company;

(xv) to receive the work report of the President and to inspect his work;

(xvi) to exercise such other functions and powers as authorized by the laws, administrative regulations, departmental rules, the Articles of Association or the shareholders' general meetings.

Matters which exceed the authority delegated by the shareholders' general meetings shall be submitted to the shareholders' general meeting for consideration.

Except for the Board's resolutions in respect of the matters specified in the above paragraphs (vi), (vii) and (xii), which shall be passed by more than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by more than half of the Directors.

Meetings of the Board shall be held at least four times a year at approximately quarterly intervals and convened by the Chairman of the Board. Notice of the meeting shall be served on all of the Directors and Supervisors ten (10) days before the date of the meeting. At a regular Board meeting, Directors' approval shall not be obtained by way of circulation of written resolution.

Any shareholders representing one-tenth (1/10) or above of the voting rights or one-third or above of the members of the Board or the supervisory committee may propose to convene an extraordinary meeting of the Board. The Chairman of the Board shall convene and chair that Board meeting within ten (10) days after the receipt of the proposal.

The Board meeting may only be held if attended by more than half of the Directors. The resolution proposed by the Board shall be passed by more than one-half of all the Directors, except for matters that have to be passed by at least two-thirds (2/3) of the votes of the Directors as prescribed by the laws, regulations, rules, regulatory documents and the Articles of Association. One (1) person shall have one (1) vote when voting on the resolution of the Board. In case of an equality of votes, the Chairman is entitled to cast one (1) more vote.

(c) Supervisory Committee

The Company shall have a supervisory committee. The supervisory committee shall compose of three (3) Supervisors, and shall have one (1) chairman. The election or removal of the chairman of the supervisory committee shall be determined by the affirmative votes of two-thirds or more of the members of the supervisory committee.

Each Supervisor shall serve for a term of three (3) years, which term is renewable upon re-election and re-appointment. The Directors, President, financial controller and any other member of the senior management shall not act concurrently as Supervisors.

Decisions of the supervisory committee shall be made by the affirmative votes of two-thirds or more of the Supervisors.

The supervisory committee shall have an appropriate proportion of the Company's staff representatives. The ratio of staff representatives shall not be less than one-third (1/3) of the total number of the members of the supervisory committee. The members of the supervisory committee, other than the Supervisors who are staff, shall be elected and dismissed by the shareholders' general meeting. The staff representatives shall be elected by the Company's staff through the meeting of the staff representatives, the meeting of the staff or otherwise in a democratic manner.

The supervisory committee shall be accountable to the shareholders' general meetings and exercise the following functions and powers in accordance with law:

(i) to review the financial information such as the financial reports, business reports and plans for distribution of profits to be submitted by the Board to the shareholders' general meetings and to make the comments in writing after review;

(ii) to review the Company's financial position;

(iii) to supervise the behaviors of the Directors, President and any other member of the senior management in implementing their duties, and to advise on the dismissal of Directors, President or any other member of the senior management who are in breach of laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;

(iv) to demand the Directors, President and any other member of the senior management to rectify their error if they have acted in a way detrimental to the Company's interest;

(v) to propose to convene an extraordinary general meeting, and where the Board fails to perform the duties in relation to convening or presiding over a shareholders' general meeting as required by the Company Law, to convene and preside over the shareholders' general meeting;

(vi) to propose motions in a shareholders' general meeting;

(vii) to initiate litigations against Directors, the President and any other member of the senior management in accordance with the provisions of the Company Law;

(viii) to investigate into any abnormalities in operation of the Company; and if necessary, to engage professional institutions such as accounting firms and law firms to assist in its work, and the expenses shall be borne by the Company;

(ix) to act on behalf of the Company in negotiations with or in bringing actions against Directors;

(x) other functions and powers as authorized by the laws, administrative regulations, departmental rules and the provisions of the Articles of Association or by the shareholders' general meetings.

Members of the supervisory committee may sit in meetings of the Board and may raise queries or make proposals on matters to be resolved by the Board.

(d) President of the Company

The Company shall have one (1) President who is nominated by the Chairman of the Board, and appointed and removed by the Board. In accordance with the Articles of Associations, to the extent that the Company is to have one (1) Chief Executive Officer, all relevant provisions in respect of the President concerning his powers, obligations, appointment or removal procedures etc. shall also apply to the Chief Executive Officer. The President shall be accountable to the Board and shall exercise the following functions and powers:

(i) to be in charge of the Company's production, operation and management and to report his work to the Board;

(ii) to organize the implementation of the resolutions of the Board, the Company's annual plan and investment proposal;

(iii) to report the business of the Company regularly and submit annual report to the Board;

(iv) to be in charge of the ordinary operation, management and business of the Company;

(v) to draft plans for the establishment of the Company's internal management structure;

(vi) to develop the Company's basic management system;

(vii) to formulate basic rules and regulations for the Company;

(viii) to propose the appointment or dismissal of the Vice President and financial controller of the Company to the Board;

(ix) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

(x) to nominate persons responsible for functional departments of the Company and subsidiaries that the Company controls;

(xi) to propose the convention of extraordinary meetings of the Board;

(xii) to determine the wages, benefits, rewards and punishments of the Company's staff, and to determine the appointment and dismissal of the Company's staff;

(xiii) other powers conferred by the Articles of Association and the Board.

If the above matters are provided for in other laws, administrative regulations, departmental rules, regulatory documents or the Articles of Association, such laws, administrative regulations, departmental rules, regulatory documents or the Articles of Association shall prevail.

The President shall attend meetings of the Board. The President who is not a Director does not have any voting rights at any meetings of the Board.

(e) Chairman of the Board

The Chairman of the Board shall exercise the following powers:

(i) to preside over shareholders' general meetings and to convene and preside over meetings of the Board;

(ii) to supervise and check on the implementation of resolutions passed by at the meeting of the Board;

(iii) to sign the Company's share certificates, the Company's debentures and other marketable securities;

(iv) to sign important documents of the Board and other documents that shall be signed by the legal representative of the Company;

(v) to exercise the functions and powers of legal representatives;

(vi) in case of emergency circumstances of force majeure events such as extraordinary natural disasters, to exercise special disposal powers which are in compliance with legal requirements and are in the interests of the Company on matters of the Company and provide post-event reports to the Board and the shareholders' general meeting;

(vii) to exercise other functions and powers conferred by the Board.

Where the above matters are governed by any other laws, regulations, department rules, regulatory documents or any different provisions of the Articles of Association, such other provisions shall prevail.

The Vice Chairman of the Board shall assist the Chairman of the Board. If the Chairman of the Board cannot or does not perform his duties, the Vice Chairman shall perform the duties. If the Vice Chairman cannot or does not perform his duties, a Director elected by more than one-half of all the Directors shall perform the duties.

(f) Secretary of the Board

The Company's secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board. His main tasks include:

(i) to ensure that the Company has complete organization documents and records;

(ii) to ensure the preparation and provision of the reports and documents required by the authorities in compliance with laws;

(iii) to ensure that the share register has been properly maintained and those who have rights to obtain the relevant records and documents can get them in time.

(g) Dispute Resolution

(i) Whenever any disputes or claims arise between: holders of the overseas-listed foreign Shares and the Company; holders of the overseas-listed foreign Shares and the Company's Directors, Supervisors, President or any other member of the senior management; or holders of the overseas-listed foreign Shares and holders of Domestic Shares, in respect of any rights or obligations arising from the Articles of Association, the Company Law or any rights or obligations conferred or imposed by the Company Law and other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is the Company, the Company's shareholders, Directors, Supervisors, President, or any other member of the senior management of the Company, comply with the arbitration.

Disputes in respect of the definition of shareholders and disputes in relation to the share register need not be resolved by arbitration.

(ii) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(iii) If any disputes or claims of rights are settled by way of arbitration in accordance with sub-paragraph (i) of this Article, the laws of the PRC shall apply, save as otherwise provided in laws and administrative regulations.

(iv) The award of an arbitral body shall be final and conclusive and binding on all parties.

1. FURTHER INFORMATION ABOUT THE COMPANY

A. Incorporation

Shanghai Pharmaceuticals Holding Co., Ltd. was established by way of subscription on January 18, 1994 under the name of Shanghai No.4 Pharmaceutical Co., Ltd. as a joint stock limited company in the PRC, with Shanghai Pharmaceutical (Group) Corporation (上海醫藥(集團)總公司), the predecessor of Shanghai Pharmaceutical (Group) as the sole promoter and the issuance of 15,000,000 ordinary shares to the public. The Company has established a place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong, and is registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance. Ms. Mok Mingwai, the joint company secretary of the Company at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong, has been appointed as the Company's agent for the acceptance of service of process in Hong Kong. As the Company is established in the PRC, its corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. Summaries of the relevant laws and regulations of the PRC and of the Articles of Association are set out in Appendices VIII and IX to this Prospectus.

B. Change in the Registered Capital of the Company

At our establishment, the Company's initial registered capital was RMB57,966,600, divided into 57,966,600 Domestic Shares of par value RMB1.00 each, all of which were held and fully paid up or credited as fully paid up by the promoters.

In March 1997, the Company issued 17,389,980 domestic shares through placing to all its Shareholders on the basis of 3 shares for every 10 shares. As a result, the total share capital of the Company was enlarged from 57,966,600 shares to 75,356,580 shares.

In June 1997, the Company issued share dividends to Shareholders. As a result, the total share capital of the Company was further enlarged from 75,356,580 shares to 113,034,870 shares.

In 1998, the Company conducted an asset restructuring and a follow-on offering in respect of the Company. As a result, the total share capital of the Company was enlarged from 113,034,870 shares to 153,034,870 shares.

In May 1999, the Company issued share dividends to Shareholders. As a result, the Company further enlarged its share capital to 229,552,305 shares.

In 2001, the Company issued share dividends to Shareholders. As a result, the Company's share capital was further enlarged to 316,207,158 shares.

In June 2003, the Company issued share dividends to Shareholders. As a result, the total share capital of the Company amounted to 474,310,737 shares.

In June 2007, the Company issued share dividends to Shareholders. As a result, the Company further enlarged its share capital to 569,172,884 shares.

In October 2009, the Company conducted the 2009 Restructuring. As a result, the total number of shares of the Company increased by 1,423,470,454 shares to 1,992,643,338 shares.

Immediately after completion of the Global Offering (assuming that the Over-Allotment Option is not exercised), the registered capital of the Company will be RMB2,656,857,338, made up of about 1,926,221,938 Domestic Shares and 730,635,400 H Shares, fully paid up or credited as fully paid up, representing approximately 72.50% and 27.50% of the registered capital, respectively.

Save as aforesaid, there has been no alteration in the registered capital of the Company since its establishment as a joint stock limited company.

C. Proceedings at the Company's extraordinary shareholder's meeting

On September 27, 2010, the Shareholders of the Company passed, among other resolutions, the following resolutions:

(a) the conversion of the Company into an "overseas subscription company" was approved;

(b) issue H Shares with a par value of RMB1 each. The number of shares issued shall not exceed 25% of the total share capital of the Company after the Global Offering. The joint bookrunners were also granted an Over-Allotment Option to issue not more than 15% of the number of H Shares under the Global Offering set forth above;

(c) the adoption of the Articles of Association and the authorization to the Board to amend such Articles of Association in accordance with the requirements of the relevant laws and regulations and the Hong Kong Listing Rules; and

(d) the Board was authorized to handle all matters relating to, among other things, the conversion of the Company into an "overseas subscription company", the issue of H Shares and the listing on the Hong Kong Stock Exchange.

2. THE RESTRUCTURING

Shareholders of the Company and the Company itself underwent the 2009 Restructuring, details of which are set out in the section headed "History, Restructuring and Corporate Structure — The Restructuring" in this Prospectus. As confirmed by Grandall Legal Group, Shanghai Office, our legal advisers as to PRC law, our 2009 Restructuring complies with all applicable PRC laws and regulations, and all necessary approvals from relevant PRC regulatory authorities required for the implementation of the 2009 Restructuring have been obtained.

3. SUBSIDIARIES AND INTERESTS IN OTHER COMPANIES

A. Principal subsidiaries, jointly controlled entities and associates

The Company's principal subsidiaries, jointly controlled entities and associates are referred to in Note 40 to the Accountants' Report of the Company, the text of which is set out in Appendix I to this Prospectus.

B. Changes in the share capital of subsidiaries

Save as disclosed below, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years preceding the date of this Prospectus:

1. On June 29, 2010, the registered capital of Shanghai Pharmaceutical Distribution Co. was increased from RMB400,000,000 to RMB908,471,109.41. On September 29, 2010, the registered capital of Shanghai Pharmaceutical Distribution Co. was further increased from RMB908,471,109.41 to RMB1,816,867,958.07;

2. On June 28, 2010, the registered capital of Huashi Pharmacy was increased from RMB90,000,000 to RMB99,570,000;

3. On November 11, 2008, the registered capital of Sine Pharmaceutical was increased from RMB51,067,000 to RMB220,000,000. On May 15, 2009, the registered capital of Sine Pharmaceutical was further increased from RMB220,000,000 to RMB660,000,000;

4. On April 15 , 2009, the registered capital of Shanghai Traditional Chinese Medicine Co., Ltd. was increased from RMB45,420,000 to RMB463,690,000;

5. On August 19, 2009, the registered capital of Zhonghua Pharmaceutical was increased from RMB40,000,000 to RMB63,641,789;

6. On July 24, 2009, the registered capital of Changzhou Pharmaceutical Factory Co., Ltd. was increased from RMB72,000,000 to RMB108,000,000;

7. On October 23, 2009, the company structure of Shanghai Pharmaceutical Material Supply and Marketing Co. was changed from a state-owned enterprise to a one-person limited liability corporate with a registered capital of RMB71,390,000; and

8. On June 17, 2009, the registered capital of SPIE was increased from RMB10,000,000 to RMB19,400,000. On October 26, 2009, the company structure of SPIE was changed from a people-owned enterprise to a one-person limited liability corporate with a registered capital increased to RMB90,140,000.

4. FURTHER INFORMATION ABOUT THE BUSINESS

A. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years preceding the date of this Prospectus and are or may be material:

(1) a cooperation agreement dated June 2, 2009 entered into between Shanghai Medical Instruments Co. Ltd. (上海醫療器械股份有限公司) and Shanghai Kang Tai Medical Instruments Factory (上海康泰醫療器械廠) regarding commissioning manufacture by Shanghai Medical Instruments Co. Ltd. (上海醫療器械股份有限公司) to Shanghai Kang Tai Medical Instruments Factory (上海康泰醫療器械廠);

(2) an equity transfer agreement dated June 29, 2009 entered into between Shanghai Industrial Medical Health Products Co., Ltd. (上實醫藥健康產品有限公司) and World Honest Investments Limited (運誠投資有限公司) regarding the disposal of 51.0069% equity interest in Hangzhou Huqingyutang Pharmaceutical Co., Ltd. by Shanghai Industrial Medical Health Products Co., Ltd. (上實醫藥健康產品有限公司) to World Honest Investments Limited (運誠投資有限公司) with a consideration of HK$203,955,916.07;

(3) an equity transfer agreement dated June 29, 2009 entered into between Shanghai Industrial Medical Health Products Co., Ltd. (上實醫藥健康產品有限公司) and World Honest Investments Limited (運誠投資有限公司) regarding the disposal of 55% equity interest in Chiatai Qingchunbao with a consideration of HK$70,389,029.25;

(4) an equity transfer agreement dated June 29, 2009 entered into between Shanghai Industrial Medical Health Products Co., Ltd. (上實醫藥健康產品有限公司) and World Honest Investments Limited (運誠投資有限公司) regarding the disposal of 61% equity interest in Xiamen Traditional Chinese Medicine Co., Ltd. by Shanghai Industrial Medical Health Products Co., Ltd. (上實醫藥健康產品有限公司) to World Honest Investments Limited (運誠投資有限公司) with a consideration of HK$114,055,970.7;

(5) a technology program agreement dated July 27, 2009 entered into between Xiamen Traditional Chinese Medicine Co., Ltd. and Xiamen Science and Technology Bureau (廈門市科學技術局) regarding a technology project;

(6) an amended joint venture agreement related to the incorporation of Xiamen Traditional Chinese Medicine Co. dated August 2, 2009 entered into by and among Xiamen Light Industry (Group) Co., Ltd. (廈門輕工集團有限公司), World Honest Investments Limited (運誠投資有限公司) and Rocal Health Limited (羅克健康有限公司);

(7) an equity swap and merger agreement dated October 15, 2009 entered into by and among the predecessor of the Company, Shanghai Industrial Pharma and Zhongxi Pharmaceutical regarding the merger of Shanghai Industrial Pharma and Zhongxi Pharmaceutical by the predecessor of the Company;

(8) an equity transfer agreement dated October 22, 2009 entered into between Shanghai Pharmaceutical (Group) and the employee stock ownership meeting regarding the equity transfer of Shanghai Sunve Co.;

(9) a Framework Connected Transactions Agreement dated October 14, 2009 entered into by and between Shanghai Pharmaceutical (Group) and Shanghai Pharmaceutical Co., Ltd. (the name formerly used by the Company) regarding the rules of connected transactions between the two parties thereof;

(10) a registered capital increase agreement dated November 18, 2009 entered into by and among Huashi Pharmacy, the Company and Shanghai Huashi Asset Management Co., Ltd. regarding the registered capital increase of Huashi Pharmacy subscribed by the predecessor of the Company with an amount of RMB9,570,000;

(11) two Non-Compete Deeds dated December 22, 2009 from Shanghai Pharmaceutical (Group) and SIIC to the Company;

(12) a technology transfer agreement dated December 28, 2009 entered into between Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司) and Beijing Dezhong Wanquan Medicines Technological Development Co., Ltd. (北京德眾萬全藥物技術開發有限公司) regarding a technology of chemical drugs;

(13) an equity transfer agreement dated January 18, 2010 entered into between Shanghai Pharmaceutical (Group) and the Company regarding the disposal of 48% equity interest in Sunve Pharmaceutical by Shanghai Pharmaceutical (Group) to the Company with a consideration of RMB702,217,913.87;

(14) an equity transfer agreement dated January 18, 2010 entered into between Shanghai Pharmaceutical (Group) and the Company regarding the disposal of 100% equity interest in Shanghai No.1 Biochemical by the Company to Shanghai Pharmaceutical Distribution Co. at a consideration of RMB808,900,000;

(15) an equity transfer agreement dated January 18, 2010 entered into between Shanghai Pharmaceutical (Group) and the Company regarding the disposal of 100% equity interest in Shanghai Sunve Co. by Shanghai Pharmaceutical (Group) to the Company with a consideration of RMB743,324,843.28;

(16) a restructuring agreement dated April 12, 2010 entered into among the predecessor of our Company, Shanghai Huashi Asset Management Co., Ltd, Guangzhou Zhongda Industry Group Co., Ltd. (廣州中大產業集團有限公司), Shenzhen Tongfu Investment Co., Ltd. (深圳市同富投資有限公司), Guangzhou Guanghong Medicine Company (廣州廣弘醫藥有限公司) and four individuals (namely, Tan Lining, Chen Yaoming, Zhang Ze and Zhang Yuan) regarding the restructuring of Guangzhou Z.S.Y Pharmaceuticals Co.;

(17) a joint venture agreement dated April 15, 2010 entered into by and among Fujian Overseas Chinese Industrial (Group) Corp. (福建省華僑實業集團有限責任公司), the predecessor of our Company and Fujian Medicinal Materials Company (福建省藥材公司) regarding the incorporation of Fujian Pharmaceutical;

(18) a technology transfer agreement dated May 7, 2010 entered into between Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司) and Tianjin Hang Kang Pharmaceutical Bio-Tech Co. Ltd. (天津市漢康醫藥生物技術有限公司) regarding a technology of chemical drugs;

(19) a property and land use right transfer agreement dated May 12, 2010 entered into between Qingdao Growful and Jiangsu Road Community Office of the People's Government of South District of Qingdao City (青島市南區人民政府江蘇路街道辦事處) regarding the transfer of property and the land use right from Qingdao Growful to Jiangsu Road Community Office of the People's Government of South District of Qingdao City with a consideration of RMB15,900,000;

(20) an equity transfer agreement dated May 31, 2010 entered into between Shanghai Ruijing Real Estate Management and Cooperation Company (上海瑞景物業管理合作公司) and Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (上海實業聯合集團藥業有限公司) regarding the disposal of 0.5% equity interest in Shanghai Medical Instruments Co. Ltd. (上海醫療器械股份有限公司) by Shanghai Ruijing Real Estate Management and Cooperation Company (上海瑞景物業管理合作公司) to Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (上海實業聯合集團藥業有限公司) for a consideration of RMB1,090,000;

(21) a trademark license agreement dated June 29, 2010 entered into between Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司) and Zhongxi Pharmaceutical regarding a trademark license (Registered Number 3244111 of Class 5) by Zhongxi Pharmaceutical to Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司);

(22) a trademark license agreement dated July 1, 2010 entered into between Zhongxi Pharmaceutical and Zhongxi Sunve regarding a trademark license (Registered Number 3244111 of Class 5) by Zhongxi Pharmaceutical to Zhongxi Sunve;

(23) a real estate development agreement dated July 6, 2010 entered into by and among Zhongxi Pharmaceutical, Shanghai Mingrun Real Estate Co., Ltd. and Shanghai Pharmaceutical (Group) regarding a real estate development project;

(24) a registered capital increase agreement dated July 9, 2010 entered into between the Company and Shanghai Pharmaceutical Distribution Co. regarding the registered capital increase of Shanghai Pharmaceutical Distribution Co. from RMB908,471,109.41 to RMB1,844,243,800.51;

(25) a technology transfer agreement dated July 13, 2010 entered into between Zhongxi Sunve and Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司) regarding a technology of chemical drugs;

(26) a technology development contract dated July 15, 2010 entered into between Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司) and Jiangsu Provincial Institute of Materia Medica Co., Ltd. (江蘇省藥物研究所有限公司) regarding a research and development project of an injection;

(27) an incorporation agreement dated August 20, 2010 entered into by and among the Company and Shanghai Pharmaceutical Distribution Co. regarding the incorporation of Shanghai Pharmaceutical Distribution Co., according to which four of the branch companies of the predecessor of the Company (namely, Xinyao Branch Company, East Yang'an Road Branch Company, Huxi Branch Company and Hudong Branch Company) will be merged into Shanghai Pharmaceutical Distribution Co., and the operational assets, creditor's rights and liabilities of the predecessor of the Company will also be transferred to Shanghai Pharmaceutical Distribution Co.;

(28) a restructuring agreement dated November 12, 2010 entered into between Shanghai Pharmaceutical Distribution Co. and three individuals (namely, Dong Quchen, Lin Peng and Wu Gang) regarding the restructuring of Beijing Aixin Weiye;

(29) a Consulting Service and Research Report Agreement dated November 17, 2010 between the Company and Guangzhou Biaodian Medical Information Co., Ltd.;

(30) a Share Purchase Agreement dated November 29, 2010 entered into by and among Northern Light Venture Capital II, Ltd., and the Company and SIIC Medical Science and Technology, regarding the disposal of 2.63354% of the issued and outstanding share capital of CHS by Northern Light Venture Capital II, Ltd. to the Company at a cash consideration of RMB93,989,068.9, with SIIC Medical Science and Technology as the acquisition vehicle;

(31) an equity transfer agreement entered into by Shanghai Pharmaceutical (Group), Shanghai Asia Pioneer and the Company dated December 13, 2010, regarding the acquisition of 96.9% equity interest in Shanghai New Asiatic and 100% equity interest in Shanghai Huakang, with an aggregate cash consideration of RMB1,487,784,562.50;

(32) an Entrustment Agreement dated December 13, 2010 entered into by and between Shanghai New Asiatic and Shanghai Pharmaceutical (Group) regarding the entrustment of the equity interests in and assets of Shanghai Asia Pioneer from Shanghai Pharmaceutical (Group) to Shanghai New Asiatic;

(33) a Share Purchase Agreement dated December 14, 2010 entered into by and among Sagamore Bioventures LLC and the Company and SIIC Medical Science and Technology, regarding the disposal of approximately 3% of the issued and outstanding share capital of CHS by Sagamore Bioventures LLC to the Company at a cash consideration of RMB114,057,500, with SIIC Medical Science and Technology as the acquisition vehicle;

Note: Such amount of purchase consideration is based on the condition that no right of first refusal is exercised by preferred shareholders.

(34) a Share Purchase Agreement dated December 14, 2010 entered into by and among Bioveda China Fund II, L.P., Lilly Asian Ventures, Eli Lilly and Company, New Enterprise Associates 12, Limited Partnership, NEA Ventures 2008, Limited Partnership, the Company and SIIC Medical Science and Technology, regarding the disposal of 35.89% of the issued and outstanding share capital of CHS at a cash consideration of RMB1,280,882,870 to the Company, with SIIC Medical Science and Technology as the acquisition vehicle;

Note: Such amounts of purchase consideration are based on the condition that no right of first refusal is exercised.

(35) a Share Purchase Agreement dated December 14, 2010 entered into by and among Biomedical Sciences Investment Fund Pte. Ltd. and the Company and SIIC Medical Science and Technology, regarding the disposal of 3.4% of the issued and outstanding share capital of CHS by Biomedical Sciences Investment Fund Pte. Ltd. to the Company at a cash consideration of RMB140,983,605.50, with SIIC Medical Science and Technology as the acquisition vehicle;

Note: Such amount of purchase consideration is based on the condition that no right of first refusal is exercised by Biomedical Sciences Investment Fund Pte. Ltd.

(36) a Share Purchase Agreement dated December 14, 2010 entered into and among Bioveda China, L.P., the Company and SIIC Medical Science and Technology, regarding the disposal of 19.57% of issued and outstanding share capital of CHS by Bioveda China, L.P. to the Company at a cash consideration of RMB698,474,357.10, with SIIC Medical Science and Technology as the acquisition vehicle;

Note: Such amount of purchase consideration is based on the condition that no right of first refusal or co-sale right (as defined in the agreement) is exercised by preferred shareholders.

(37) an equity transfer agreement dated December 24, 2010 entered into between 44 individuals (collectively as the seller) and Shanghai Pharmaceutical Distribution Co. regarding the disposal of 37.87% equity interest in Shanghai Yutiancheng Pharmaceutical Co., Ltd. (上海余天成醫藥有限公司) by the 44 individuals to Shanghai Pharmaceutical Distribution Co. for a consideration of RMB40,896,000;

(38) a capital increase agreement dated December 25, 2010 entered into by and among Shanghai Songjiang Commercial Development Co., Ltd. (上海松江商業發展有限公司), Shanghai Pharmaceutical Distribution Co. and 29 individuals regarding the capital increase of RMB28,946,880 in Shanghai Yutiancheng Pharmaceutical Co., Ltd. (上海余天成醫藥有限公司);

(39) an equity transfer agreement entered into by Shanghai Pharmaceutical Distribution Co. and eight individuals dated December 31, 2010 regarding the acquisition of 53% equity interest in Taizhou Pharmaceutical Co., Ltd. for a cash consideration of RMB150 million;

(40) a Share Purchase Agreement dated February 1, 2011, entered into and among Qiming Venture Partners II, L.P., Qiming Venture Partners II-C, L.P., Qiming Managing Directors Fund II, L.P., First Prosper Holdings Limited, FV Investment Alpha Four Limited, the Company and SIIC Medical Science and Technology, regarding the disposal of 34.76% of issued and outstanding share capital of CHS with a consideration of RMB1,240,532,490 in total, with SIIC Medical Science and Technology as the acquisition vehicle;

(41) a strategic cooperation framework contract entered into by and among the Company, Shanghai Pharmaceutical Distribution Co. and China Post Logistics Co., Ltd. dated April 20, 2011 regarding the establishment of a nationwide pharmaceutical delivery network;

(42) a cornerstone investor agreement dated April 27, 2011, entered into between, among others, the Company and Maxwell (Mauritius) Pte Ltd., pursuant to which Maxwell (Mauritius) Pte Ltd. agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased for the Hong Kong dollar equivalent of a total of US$300 million divided by the Offer Price;

(43) a cornerstone investor agreement dated April 27, 2011 entered into between, among others, the Company and Guoco Management Co. Ltd., pursuant to which Guoco Management Co. Ltd. agreed to purchase such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased for the equivalent of US$100 million divided by the Offer Price;

(44) a cornerstone investor agreement dated April 27, 2011 entered into between, among others, the Company and GuoLine Capital Limited, pursuant to GuoLine Capital Limited agreed to purchase such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased for the equivalent of US$50 million divided by the Offer Price;

(45) a cornerstone investor agreement dated April 15, 2011 entered into between, among others, the Company and Pfizer Corporation Hong Kong Limited, pursuant to which Pfizer Corporation Hong Kong Limited agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased for the Hong Kong dollar equivalent of a total of US$50 million divided by the Offer Price;

(46) a cornerstone investor agreement dated April 19, 2011 entered into between, among others, the Company and Bank of China Group Investment Ltd., pursuant to which Bank of China Group Investment Ltd. agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) as may be purchased with US$50 million divided by the Offer Price; and

(47) the Hong Kong Underwriting Agreement dated May 5, 2011 entered into between, among others, the Company and the Hong Kong Underwriters regarding the underwriting by the Hong Kong Underwriters of the Hong Kong Public Offering as referred to in the section headed “Underwriting – Hong Kong Underwriters” in this Prospectus.

B. Intellectual property rights

(i) *Patents*

(a) Registered Patents:

As of the Latest Practicable Date, the following patents were registered in the name of the relevant member of our Company:

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
1	A ground mixture of letrozole and its preparing method and pharmaceutical compositions contained therein (一種來曲唑共研磨物及其製備方法和含其藥物組合物)	Shanghai Pharmaceuticals Holding Co., Ltd.	201010230687.X	Invention	July 20, 2010	20 years	
2	A Clofarabine and the preparing methods of its intermediate compounds (一種氯法拉濱及其中間體化合物的製備方法)	Shanghai Pharmaceuticals Holding Co., Ltd.	201010234571.3	Invention	July 23, 2010	20 years	
3	Packaging box	Sine Pharmaceutical	ZL02314579.X	Design	May 17, 2002	10 years	
4	Levalbuterol hydrochloride aerosol and its preparing process (鹽酸左旋沙丁胺醇氣霧劑及製備工藝)	Sine Pharmaceutical	ZL02111473.0	Invention	April 24, 2002	20 years	
5	Eye drop of tobramycin and sodium hyaluronate and its preparing process (妥布黴素透明質酸鈉滴眼液及製備方法)	Sine Pharmaceutical	ZL03115684.3	Invention	March 6, 2003	20 years	
6	Oral disintegrating tablet containing tramadol hydrochloride and acetaminopher, and its preparing method (含有鹽酸曲馬多和對乙醯氨基酚的口崩片及其製備方法)	Sine Pharmaceutical	ZL200510023352.X	Invention	January 14, 2005	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
7	Medicinal preparation containing lactobacillus acidophilus and preparing method thereof (含嗜酸乳桿菌的藥物製劑及製備方法)	Sine Pharmaceutical	ZL00125469.3	Invention	September 28, 2000	20 years	
8	Cholecalciferol-cholesterol emulsion and its preparing method (膽維丁乳液及其製備方法)	Sine Pharmaceutical	ZL92100660.8	Invention	January 27, 1992	20 years	
9	Preparation containing Cetirizine Hydrochloride and hydrochloric pseudoephedrine and its preparing method (含有鹽酸西替利嗪和鹽酸偽麻黃鹼的製劑及其製備方法)	Sine Pharmaceutical	ZL02145079.X	Invention	November 6, 2002	20 years	
10	Triazazole nucleoside aerosol and its preparing method (三氮唑核苷氣霧劑及其製備方法)	Sine Pharmaceutical	ZL96116239.2	Invention	February 2, 1996	20 years	
11	Packaging box (Compound Norethisterone Tablets) (包裝盒（誼可婷）)	Shanghai Sine Kangjie Pharmaceutical Co., Ltd.	ZL200530035865.3	Design	April 27, 2005	10 years	
12	Process for preparing formulation containing infinitesimal medicine (含極微量藥物的製劑生產工藝)	Shanghai Sine Kangjie Pharmaceutical Co., Ltd.	ZL200410053608.7	Invention	August 10, 2004	20 years	
13	Process for preparing controlled-release tablet of diltiazem hydrochloride (鹽酸地爾硫卓控釋片的製備方法)	Shanghai Yan'an Pharmaceutical Laboratories (上海延安製藥廠) (Closed and incorporated into Sine Pharmaceutical)	ZL95111600.2	Invention	April 18, 1995	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
14	Lisinopril synthesis (賴諾普利合成方法)	Shanghai Yan'an Pharmaceutical Laboratories (上海延安製藥廠) and Shanghai Wuzhou Pharmaceutical Co., Ltd. (上海五洲葯業股份有限公司) (Closed and incorporated into Sine Pharmaceutical)	ZL95111698.3	Invention	July 19, 1995	20 years	
15	Synthesis of benzoxazine monohydrochlorate compound (一種苯並惡嗪單鹽酸鹽化合物的合成方法)	Shanghai Yanan Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象葯業股份有限公司)	ZL03128948.7	Invention	May 30, 2003	20 years	
16	Instant polyvitamine fodder additive and preparing method thereof (速溶多維飼料添加劑及其製備方法)	Shanghai Yan'an Pharmaceutical Laboratories (上海延安製藥廠)	ZL 93 1 12373.9	Invention	March 20, 1993	20 years	
17	Preparing method for preparing live triple bifidobacteria (雙歧三聯活菌製劑製備方法)	Shanghai Sine Pharmaceutical Co., Ltd. (上海信誼藥業有限公司)	ZL 98 1 10623.4	Invention	January 20, 1998	20 years	
18	Beneficial microbe composition new protective materials for the microbes, method to prepare the same and uses thereof (雙歧三聯活菌製劑及製備方法)	Sine Pharmaceutical	AUST760398	Invention	May 14, 1998	20 years	
19	Beneficial microbe composition new protective materials for the microbes, method to prepare the same and uses thereof (雙歧三聯活菌製劑及製備方法)	Sine Pharmaceutical	CN2,333,205	Invention	May 14, 1999	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
20	Beneficial microbe composition new protective materials for the microbes, method to prepare the same and uses thereof (雙歧三聯活菌製劑及製備方法)	Sine Pharmaceutical	US6368591B2	Invention	May 15, 1998	20 years	
21	Beneficial microbe composition new protective materials for the microbes, method to prepare the same and uses thereof (雙歧三聯活菌製劑及製備方法)	Sine Pharmaceutical	GB2338244	Invention	January 20, 1999	20 years	
22	Beneficial microbe composition new protective materials for the microbes, method to prepare the same and uses thereof (雙歧三聯活菌製劑及製備方法)	Sine Pharmaceutical	SGP77351	Invention	May 14, 1999	20 years	
23	Beneficial microbe composition new protective materials for the microbes, method to prepare the same and uses thereof (雙歧三聯活菌製劑及製備方法)	Sine Pharmaceutical	ZL98110623.4	Invention	January 20, 1998	20 years	
24	Compound preparation containing rifampicin and isoniazid and its preparing method (一種含有利福平異煙肼的複方製劑及其製備方法)	Sine Pharmaceutical	ZL 02 1 36930.5	Invention	September 10, 2002	20 years	
25	Method for determining impurities for paracetamol and tramadol hydrochloride preparation (對乙醯氨基酚和鹽酸曲馬多製劑中雜質的測定方法)	Sine Pharmaceutical	ZL 2006 1 0024109.4	Invention	February 23, 2006	20 years	
26	Compound famotidine chewing tablet preparing method (複方法莫替丁咀嚼片製備方法)	Sine Pharmaceutical	ZL 2003 1 0122940.X	Invention	December 31, 2003	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
27	Decoloring method and decoloring agent for quinolone injection (喹諾酮類注射液的脱色方法和脱色劑)	Sine Pharmaceutical	ZL 2005 1 0025535.5	Invention	April 29, 2005	20 years	
28	Packaging box (Ofloxacin Eye Drops) (包裝盒（氧氟沙星滴眼液）)	Sine Pharmaceutical	ZL 2008 3 0064037.6	Design	June 11, 2008	10 years	
29	Compound non-carrier antibacterial eye drops containing practofren and its production (含普拉洛芬的複方非載體抗菌眼用製劑及其製備方法)	Sine Pharmaceutical	200510111463.6	Invention	December 14, 2005	20 years	
30	Biphenyl benzyl azoles aerosol and preparing method thereof (聯苯唑氣霧劑及其製備方法)	Sine Pharmaceutical	200610118327.4	Invention	November 14, 2006	20 years	
31	Packaging box (Peifeikang) (包裝盒（培菲康）)	Shanghai Sine Pharmaceutical Co., Ltd. (上海信誼藥業有限公司)	ZL 02 3 15791.7	Design	July 5, 2002	10 years	
32	Preparing method of tenatoprazole and its starting compound (泰妥拉唑及其起始化合物的製備方法)	Sine Pharmaceutical	ZL200510029715.0	Invention	September 16, 2005	20 years	
33	Dose controllable eyedrop bottle（一種新型控量滴眼液瓶）	Shanghai Sine Kegongmao Company（上海信誼科工貿公司）	ZL20052 0042122.3	Utility patent	June 2, 2005	10 years	
34	Express and purification of human serum albumin in Pichia（人血清白蛋白在畢赤酵母中的表達與純化）	Shanghai No. 1 Biochemical	ZL98110844.X	Invention	May 15, 1998	20 years	Shanghai Institute of Biochemistry of Chinese Academy of Sciences (中國科學院上海生物化學研究所) is a joint patentee
35	Trichosanthes peel injection and its preparing method（瓜蔞皮注射液及製備方法）	Shanghai No. 1 Biochemical	ZL03129140.6	Invention	June 9, 2003	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
36	Pericarpium Trichosanthis or Pericarpium Trichosanthis injection liquid chromatography fingerprint test method（瓜蔞皮或瓜蔞皮注射液的液相色譜指紋圖譜測試方法）	Shanghai No. 1 Biochemical	ZL200610118771.6	Invention	November 24, 2006	20 years	
37	Method for preparing dimefline hydrochloride (一種鹽酸二甲弗林的製備方法)	Shanghai Ziyuan Pharmaceutical Co., Ltd.	ZL200710045772.7	Invention	September 11, 2007	20 years	
38	Therapy for primary and metastatic cancers（原發性癌及轉移性癌相關的核酸）	Shanghai Sunway Biotech Co., Ltd.	200480005146.X	Invention	January 28, 2004	20 years	
39	Recombinant adenovirus vector capable of being duplicated and spread specifically inside tumor cell（可在腫瘤細胞內特異性複製並擴散的重組腺病毒載體）	Shanghai Sunway Biotech Co., Ltd.	1131218.1	Invention	September 3, 2001	20 years	
40	Primary liver cancer cell-specific anti-adenovirus vector and using method（特異性殺傷原發肝癌細胞的腺病毒載體及使用方法）	Shanghai Sunway Biotech Co., Ltd.	1134314.1	Invention	October 29, 2001	20 years	
41	New-type adenovirus with tumor cell specific infection and transgenic expression capability（具有腫瘤細胞特異性感染和轉基因表達能力的新型腺病毒）	Shanghai Sunway Biotech Co., Ltd. and Aiweiya Pharmaceutical/Biotech Co., Ltd. (艾維亞醫藥 /生物技術有限公司)	2108531.5	Invention	March 26, 2002	20 years	
42	Adenovirus vector for idiopathy liver genetherapy and using method（用於原發性肝癌基因治療的腺病毒載體及使用方法）	Shanghai Sunway Biotech Co., Ltd.	3150897.9	Invention	September 10, 2003	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
43	Recombinant lyophilized adenovirus preparation and Its preparing method（重組腺病毒凍幹製劑及其製備方法）	Shanghai Sunway Biotech Co., Ltd.	200410016000.7	Invention	January 17, 2004	20 years	
44	In vitro purification of self-sanguifacient dry cell and kit（自體造血幹細胞體外淨化的方法及試劑盒）	Shanghai Sunway Biotech Co., Ltd.	200410049741.5	Invention	June 25, 2004	20 years	
45	Tablet Packaging box（強力片包裝盒）	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 2004 3 0021526.5	Design	March 25, 2004	10 years	
46	Tablet packaging box for gifts（強力片禮品包裝盒）	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 2004 3 0021525.0	Design	March 25, 2004	10 years	
47	Iron dendrobium Packaging box (small) (鐵皮楓鬥晶包裝盒(小))	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 2004 3 0020742.8	Design	March 9, 2004	10 years	
48	Packaging box (middle) (包裝盒(中))	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 2004 3 0020743.2	Design	March 9, 2004	10 years	
49	Packaging box (Iron Dendrobium big) (包裝盒(鐵皮楓鬥晶大))	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 2004 3 0020744.7	Design	March 9, 2004	10 years	
50	Antifatigue Chinese medicine composition and its preparation process（一種抗疲勞的中藥組合物及其製備方法）	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 03 1 36905.7	Invention	May 25, 2003	20 years	
51	Packaging box (1) (包裝盒 (1))	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 2006 3 0103927.4	Design	January 24, 2006	10 years	
52	Packaging box (middle) (包裝盒 (中))	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 2009 3 0147130.8	Design	July 23, 2009	10 years	
53	Packaging bottle (包裝瓶)	Hangzhou Huqingyutang Pharmaceutical Co., Ltd	ZL 2010 3 0108023.7	Design	February 11, 2010	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
54	Content testing method of hydrochloride clonidine in Zhenju Antihypertensive agents (珍菊降壓製劑質量控制方法)	Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (上海實業聯合集團藥業有限公司)	ZL 2004 1 0025109.7	Invention	June 11, 2004	20 years	Shanghai Industrial United Holdings Co., Ltd. (上海實業聯合集團藥物研究有限公司) is the joint patentee
55	Dental Ni-Cr-Fe forged-alloy and its making process（齒科用鎳—鉻—鐵鍾造合金及製造方法）	Dental Materials Factory of Shanghai Medical instruments Co., Ltd. (a subsidiary of Shanghai Medical Instruments Co., Ltd.)	CN00125732.3	Invention	October 20, 2000	20 years	
56	Method for preparing rehabilitation die for oral cavity（口腔修復代型的製備方法）	Dental Materials Factory of Shanghai Medical Instruments Co., Ltd.	CN200410018239.8	Invention	May 11, 2004	20 years	
57	A fusible cone for measuring temperature（一種測溫三角錐）	Dental Materials Factory of Shanghai Medical Instruments Co., Ltd.	ZL03229444.1	Utility patent	March 14, 2003	10 years	
58	Mycteric oxygen pipe with oxygen inhaling tie-in (帶吸氧接頭的鼻氧管)	Shanghai Shang Yi Kang Ge Medical Instrument Co., Ltd.	CN200520039103.5	Utility patent	January 19, 2005	10 years	
59	oxygen inhaling tie-in（吸氧管接頭）	Shanghai Shang Yi Kang Ge Medical Instrument Co., Ltd.	CN200530033624.5	Design	January 19, 2005	10 years	
60	Disposable anesthesia puncture box — AS-E-type（一次性使用麻醉穿刺包裝盒 AS-E型）	Shanghai Shang Yi Kang Ge Medical Instrument Co., Ltd.	CN01344358.5	Design	September 7, 2001	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
61	Self-locking hand-operated straight-line displacement and rotating device (自鎖式手搖直線位移和旋轉裝置)	Medical Optical Instrument Factory of Shanghai Medical Instruments Co., Ltd. （上海醫療器械股份有限公司醫用光學儀器廠） (a subsidiary of Shanghai Medical Instruments Co., Ltd.)	CN03231623.2	Utility patent	May 30, 2003	10 years	
62	Single-hole illuminating medical endoscope（單孔照明醫用內窺鏡）	Medical Optical Instrument Factory of Shanghai Medical Instruments Co., Ltd.	CN200620041131.5	Utility patent	April 18, 2006	10 years	
63	Plastic shell sphygmomanometer with coaxial synchronous mercury-storage bottle switch （一種同軸同步儲汞瓶開關的塑殼血壓計）	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. （a subsidiary of Shanghai Medical Instruments Co., Ltd.）	CN02267040.8	Utility patent	September 10, 2002	10 years	
64	Transmission with balls crew pair drive（一種用滾珠絲桿付驅動的傳動裝置）	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN03231138.9	Utility patent	May 14, 2003	10 years	
65	Safety device used in cylinder type mechanical operation bed（一種用於汽缸式機械手術床中的安全裝置）	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN03210787.0	Utility patent	September 19, 2003	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
66	Anesthesia machine MHJ-IIIB (麻醉機 MHJ-IIIB 系列)	Shanghai Dadi Network Co., Ltd. (上海大地網絡有限公司) and Shanghai Medical Instruments Co., Ltd. Medical Equipment Factory (上海醫療器械股份有限公司醫療設備廠)	CN03329496.8	Design	April 9, 2003	10 years	
67	Gynecological examination bed（FC-1）(婦科檢查床（FC-1）)	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN200430019932.8	Design	February 11, 2004	10 years	
68	Anesthesia machin (MHJ-IC) (麻醉機 (MHJ-IC))	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd	CN02313135.7	Design	March 29, 2002	10 years	
69	Anesthesia machine (MHJ-IIC) (麻醉機 (MHJ-IIC) 系列)	Co-held by Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. and Shanghai Dadi Network Co., Ltd.	CN03329495.X	Design	April 9, 2003	10 years	
70	Lean towards the column operation bed (JT-3) (偏柱手術床（JT-3）)	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN02315486.1	Design	June 21, 2002	10 years	
71	Desk-top sphygmomanometer (台式血壓計)	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN02313134.9	Design	March 29, 2002	10 years	
72	Operation tabe angle amplifying mechanism（手術台角度放大機構）	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN200620045880.5	Utility patent	September 15, 2006	10 years	
73	Internal-hole-biased sphygmomanometer transparent reading tube（內孔偏置血壓計透明示值管）	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN200620045881.X	Utility patent	September 15, 2006	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
74	Automatically preventing longitudinal from gliding device after operating table face inclining（一種手術台檯面傾斜後自動阻止縱向下滑裝置）	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN200720067808.7	Utility patent	March 13, 2007	10 years	
75	Obstetric table （CC-1 type）(產床（CC-1型）)	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN02315487.X	Design	June 21, 2002	10 years	
76	Shadowless operation lamp holder (FD) (手術無影燈燈頭 (FD))	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	CN200630040557.4	Design	September 15, 2006	10 years	
77	Sphygmomanometer (XJ21 — vertical) (血壓計（XJ21-立式）)	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	ZL01310794.1	Design	February 28, 2001	10 years	
78	Love babies' obstetric table（CC-1type）(愛嬰產床（CC-1型）)	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	ZL02313872.6	Design	April 19, 2002	10 years	
79	Conjuncted Sphygmomanometer（連體血壓表）	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	ZL02345605.1	Design	August 2, 2002	10 years	
80	Breathing machine (SC-300D) (呼吸機(SC-300D))	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd.	ZL03331850.6	Design	June 20, 2003	10 years	
81	Shadowless operation lamp (hole type series) 手術無影燈（孔式系列）	No. 5 Medical Instruments Factory of Shanghai Medical Instruments Co., Ltd.（上海醫療器械股份有限公司醫療器械五廠）(a subsidiary of Shanghai Medical Instruments Co., Ltd.)	ZL03329585.9	Design	April 11, 2003	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
82	Slim leading light of slice (single) 薄型導光觀片燈（單聯）	No. 5 Medical Instruments Factory of Shanghai Medical Instruments Co., Ltd.（上海醫療器械股份有限公司醫療器械五廠）	ZL200430083377.5	Design	October 22, 2004	10 years	
83	Optical film viewer (Triple) (導光觀片燈（三聯）)	No. 5 Medical Instruments Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療器械五廠)	ZL200430083378.X	Design	October 22, 2004	10 years	
84	Fixture for wall shadowless lamp (一種壁式無影燈的固定裝置)	No. 5 Medical Instruments Factory of Shanghai Medical Instruments Co., Ltd.	ZL200520042810.X	Utility patent	June 23, 2005	10 years	
85	Controlling device for equipment of dental treatment (一種用於牙科治療設備中的控制裝置)	Dental Instrument Factory of Shanghai Medical Instruments Co., Ltd. (a branch of Shanghai Medical Instruments Co., Ltd.)	ZL02288303.7	Utility patent	December 12, 2002	10 years	
86	Pneumatic combination valve in use for interlocked controlling hand held appliances in device of dental treatment (一種用於牙科治療設備上聯動控制手持器械的氣動組合閥)	Dental Instrument Factory of Shanghai Medical Instruments Co., Ltd.	ZL03116640.7	Invention	April 25, 2003	10 years	
87	Automatic water draining pressure reducing concentrator (自動排水減壓濃縮器)	Chiatai Qingchunbao	ZL03150679.8	Invention	August 25, 2003	20 years	
88	Automatic water draining pressure reducing concentrator (自動排水減壓濃縮器)	Chiatai Qingchunbao	ZL03210281.X	Utility patent	August 25, 2003	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
89	Packaging box (Hard cover Qingchunbao) (包裝盒（精裝青春寶）)	Chiatai Qingchunbao	ZL03308440.8	Design	April 14, 2003	10 years	
90	Packaging box (Soft cover Qingchunbao) (包裝盒（簡裝青春寶）)	Chiatai Qingchunbao	ZL03308439.4	Design	April 14, 2003	10 years	
91	Packaging box (Hard cover beauty capsule) (包裝盒（精美容膠囊）)	Chiatai Qingchunbao	ZL03308422.X	Design	April 11, 2003	10 years	
92	Yongzheng tablet — Packaging box (永真片-包裝盒)	Chiatai Qingchunbao	ZL03340153.5	Design	August 11, 2003	10 years	
93	Soft cover beauty capsule — Packaging box (簡美容膠囊-包裝盒)	Chiatai Qingchunbao	ZL03308424.6	Design	April 11, 2003	10 years	
94	Hard cover American ginseng capsule — Packaging box (精裝西洋參膠囊-包裝盒)	Chiatai Qingchunbao	ZL03365997.4	Design	September 16, 2003	10 years	
95	Packaging box (Hard cover Yongzheng tablet) (包裝盒（精裝永真片）)	Chiatai Qingchunbao	ZL03365998.2	Design	September 16, 2003	10 years	
96	Soft cover American ginseng capsule — Packaging box (簡裝西洋參膠囊-包裝盒)	Chiatai Qingchunbao	ZL03365996.6	Design	September 16, 2003	10 years	
97	Packaging box (Genseng royal jelly capsule — soft cover) (包裝盒（人參蜂王漿膠囊簡裝）)	Chiatai Qingchunbao	ZL200430023156.9	Design	June 9, 2004	10 years	
98	Packaging box (Genseng royal jelly capsule — gift cover) (包裝盒（人參蜂王漿膠囊禮盒裝）)	Chiatai Qingchunbao	ZL200430023157.3	Design	June 4, 2004	10 years	
99	Packaging box (Antler ginseng kidney nourishing capsule) (包裝盒（茸參補腎膠囊）)	Chiatai Qingchunbao	ZL200430071782.5	Design	August 14, 2004	10 years	
100	Packaging box (Yizhikang capsule) (包裝盒（益之康膠囊）)	Chiatai Qingchunbao	ZL200530103792.7	Design	January 26, 2005	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
101	Packaging box (Lining for pearl isoflavone capsule (4 bottles)) (包裝盒（珍珠異黃酮膠囊4瓶裝內襯）)	Chiatai Qingchunbao	ZL200530107715.9	Design	September 2, 2005	10 years	
102	Packaging box (Pearl isoflavone capsule (2 bottles)) (包裝盒（珍珠異黃酮膠囊2瓶裝）)	Chiatai Qingchunbao	ZL200530107714.4	Design	September 2, 2005	10 years	
103	Packaging box (Pearl isoflavone capsule (4 bottles)) (包裝盒（珍珠異黃酮膠囊4瓶裝）)	Chiatai Qingchunbao	ZL200530107713.X	Design	September 2, 2005	10 years	
104	Packaging box (Flunarizine hydrochloride capsule) (包裝盒（鹽酸氟桂利嗪膠囊）)	Chiatai Qingchunbao	200730326065.6	Design	September 30, 2007	10 years	
105	Packaging box (Nimoldipine tablets) (包裝盒（尼莫地平片）)	Chiatai Qingchunbao	200730326080.0	Design	September 30, 2007	10 years	
106	Packaging box (Clary injection) (包裝盒（香丹注射液）)	Chiatai Qingchunbao	200730326079.8	Design	September 30, 2007	10 years	
107	Packaging box (Astragalus injection) (包裝盒（黃芪注射液）)	Chiatai Qingchunbao	200730326074.5	Design	September 30, 2007	10 years	
108	Packaging box (Shengmai injection 10ml) (包裝盒（參麥注射液10ml）)	Chiatai Qingchunbao	200730326075.X	Design	September 30, 2007	10 years	
109	Packaging box (Sugar-free Qingreling granule) (包裝盒（無蔗糖清熱靈顆粒）)	Chiatai Qingchunbao	200730326068.X	Design	September 30, 2007	10 years	
110	Packaging box (Sugar-free Niaoganning granule) (包裝盒（無蔗糖尿感寧顆粒）)	Chiatai Qingchunbao	200730326077.9	Design	September 30, 2007	10 years	
111	Packaging box (Red sage root injection) (包裝盒（丹參注射液）)	Chiatai Qingchunbao	200730326076.4	Design	September 30, 2007	10 years	
112	Packaging box (Sugar-free Yangwei Granular) (包裝盒（無糖型養胃顆粒）)	Chiatai Qingchunbao	200730326071.1	Design	September 30, 2007	10 years	
113	Packaging box (Shengmai injection 50ml) (包裝盒（參麥注射液50ml）)	Chiatai Qingchunbao	200730326073.0	Design	September 30, 2007	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
114	Packaging box (Shengmai capsule) (包裝盒（生脈膠囊）)	Chiatai Qingchunbao	200730326067.5	Design	September 30, 2007	10 years	
115	Packaging box (Jinpingfeng capsule) (包裝盒（金屏風膠囊）)	Chiatai Qingchunbao	200830097963.3	Design	May 4, 2008	10 years	
116	Packaging box (Shenkangning tablet) (包裝盒（腎康寧片）)	Chiatai Qingchunbao	200730326078.3	Design	September 30, 2007	10 years	
117	Packaging box (Lomefloxacin Hydrochloride capsule) (包裝盒（鹽酸洛美沙星膠囊）)	Chiatai Qingchunbao	200730326066.0	Design	September 30, 2007	10 years	
118	Packaging box (Ganoderma capsule) (包裝盒（靈芝膠囊）)	Chiatai Qingchunbao	200730326070.7	Design	September 30, 2007	10 years	
119	Packaging box (Motherwort particle) (包裝盒（益母草顆粒）)	Chiatai Qingchunbao	200730326072.6	Design	September 30, 2007	10 years	
120	Codonopsis Low sugar Shengmaiyin — Packaging box (黨參方低糖生脈飲 — 包裝盒)	Chiatai Qingchunbao	200730326064.1	Design	September 30, 2007	10 years	
121	Sugar-free Yangwei Granular — packaging box (無糖型養胃顆粒 — 包裝盒)	Chiatai Qingchunbao	200730236063.7	Design	September 30, 2007	10 years	
122	Packaging box (Ning Xin Bao Capsule) (包裝盒（寧心寶膠囊）)	Chiatai Qingchunbao	200730326069.4	Design	September 30, 2007	10 years	
123	Preparing method of red sage root total phenolic acid (一種丹酚總酚酸的製備方法)	Chiatai Qingchunbao	200510061128.X	Invention	October 12, 2005	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
124	Preparation for chemical composition of Shenmai injection and application in treating cardiovascular and cerebrovascular diseases thereof (參麥注射液的化學成分的製備及其在治療心腦血管疾病中的應用)	Chiatai Qingchunbao	200710187422.4	Invention	November 23, 2007	20 years	
125	Tumbling-box type medicine-washing machine (滾筒式洗藥機)	Chiatai Qingchunbao	200820163049.9	Utility patent	August 21, 2008	10 years	
126	Sugar-free Yangwei Granular — packaging bag (無糖型養胃顆粒 — 包裝袋)	Chiatai Qingchunbao	200730326063.7	Design	September 30, 2007	10 years	
127	Label for can (Herb tea) (易拉罐瓶貼（涼茶）)	Chiatai Qingchunbao	2009 3 0135563.1	Design	April 3, 2009	10 years	
128	Red sage root salvianolic acid A injection formulation for treating cardiovascular diseases and preparation process thereof (一種治療心血管疾病的丹參丹酚酸A注射製劑及其製備方法)	Chiatai Qingchunbao	2006 1 0170267.0	Invention	December 26, 2006	20 years	
129	Use of pulse beat restoring capsule fingerprint pattern detect technology (一種生脈膠囊指紋圖譜檢測技術及其應用)	Chiatai Qingchunbao	2007 1 0069903.5	Invention	July 10, 2007	20 years	
130	Preparing method of salvia miltiorrhiza tanshinoate A (丹參丹酚酸A的製備方法)	Chiatai Qingchunbao	2006 1 0165779.8	Invention	December 18, 2006	20 years	
131	Extraction of effective parts for Danshen root and rhizoma chuanxiong (丹參和川芎中藥有效部位的提取方法)	Chiatai Qingchunbao	2005 1 0049292.9	Invention	January 31, 2005	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
132	Packaging box (Codonopsis Low sugar Shengmaiyin) (包裝盒（黨參方低糖生脈飲）)	Chiatai Qingchunbao	2007 3 0326064.1	Design	September 30, 2007	10 years	
133	One-step palletizing device (一種一步制粒裝置)	Chiatai Qingchunbao	2008 2 0170018.6	Utility patent	December 12, 2008	10 years	
134	Liquid distributing device (一種配液裝置)	Chiatai Qingchunbao	2008 2 0170019.0	Utility patent	December 12, 2008	10 years	
135	Packaging box (Soft cover American ginseng capsule) (包裝盒（簡裝西洋參膠囊）)	Chiatai Qingchunbao	ZL 033659966.6	Design	September 16, 2003	10 years	
136	Packaging box (Yongzheng tablet) (包裝盒（永真片）)	Chiatai Qingchunbao	ZL 033401535.5	Design	August 11, 2003	10 years	
137	Packaging box (Hard cover American ginseng capsule)包裝盒（精裝西洋參膠囊）	Chiatai Qingchunbao	ZL03365997.4	Design	September 16, 2003	10 years	
138	Packaging box (Soft cover beauty capsule)包裝盒（簡美容膠囊）	Chiatai Qingchunbao	ZL03308424.6	Design	April 11, 2003	10 years	
139	Raffinoses oligosaccharide with stachyose as main materials and method for preparing same (以水蘇糖為主的棉籽糖族低聚糖及其生產方法)	Qingdao Growful	200510071045.9	Invention	May 23, 2005	20 years	
140	Oral Chinese medicinal composition for treating hypertension (一種治療高血壓的口服中藥組合物)	Qingdao Growful	200410035650.6	Invention	September 6, 2004	20 years	
141	Oral Chinese medicinal composition for treating virus myocarditis (一種治療病毒性心肌炎的口服中藥組合物)	Qingdao Growful	200410035647.4	Invention	September 6, 2004	20 years	
142	Oral Chinese medicinal composition for treating apoplexia (一種治療中風病的口服中藥組合物)	Qingdao Growful	200410035646.X	Invention	September 6, 2004	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
143	Pharmaceutical composition for treating gastritis, gastric ulcer and doudenal ulcer (一種治療胃炎胃潰瘍及十二指腸潰瘍的藥物組合物)	Qingdao Growful	200510089001.9	Invention	August 2, 2005	20 years	
144	Medicinal composition, preparation and quality control thereof (一種藥物組合物及其製備方法和質量控制方法)	Qingdao Growful	200510079757.5	Invention	June 28, 2005	20 years	
145	Kidney replenishing medicinal composition and its preparation process and novel use (一種補腎的藥物組合物及其製備方法和新用途)	Qingdao Growful	200510075261.0	Invention	June 9, 2005	20 years	
146	Oral Chinese medicinal preparation for treating vascular dementia (一種治療血管性癡呆的中藥口服製劑)	Qingdao Growful	200410035649.3	Invention	September 6, 2004	20 years	
147	Oral Chinese medicinal preparation for treating acute pharyngolaryngitis (一種治療急性咽炎的中藥口服製劑)	Qingdao Growful	200410035648.9	Invention	September 6, 2004	20 years	
148	Synthetic method of 4-acetoxy-2-ethoxy ethyl benzoate (4-羧甲基-2-乙氧基苯甲酸乙酯的合成方法)	Sunve Pharmaceutical	ZL02145191.5	Invention	November 12, 2002	20 years	Will apply for registration for the change of patent owner
149	Purification method of 6,10,14-trimethyl-5E, 9E, 13-pentadecatricene-2-ketone (6.10.14-三甲基 -5E.9E.13-十五碳三烯 -2-酮的純化方法)	Sunve Pharmaceutical	ZL200410016160.1	Invention	February 6, 2004	20 years	Will apply for registration for the change of patent owner

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
150	Preparing method of 1-[2-(2,4-difluorophenyl)2,3-epoxypropyl]-1H-1,2,4-triazole as intermediate of fluconazole and its methyl sulphonate (氟康唑中間體1-[2-（2,4-二氟苯基） 2,3-環氧丙基] -1H-1,2,4-三氟唑及其甲磺酸鹽的製備方法)	Sunve Pharmaceutical	ZL95111510.3	Invention	January 11, 1995	20 years	Will apply for registration for the change of patent owner
151	Purification process of Sulfasalazine (柳氮磺吡啶純化工藝)	Sunve Pharmaceutical	ZL03129670.X	Invention	July 1, 2003	20 years	Will apply for registration for the change of patent owner
152	Packaging box (Rosiglitazone Hydrochloride) (包裝盒（維戈洛）)	Sunve Pharmaceutical	ZL200530033302.0	Design	January 5, 2005	10 years	Will apply for registration for the change of patent owner
153	Packaging box (Cefpodoxime Proxetil) (包裝盒(維潔信))	Sunve Pharmaceutical	ZL03343990.7	Design	July 31, 2003	10 years	Will apply for registration for the change of patent owner
154	Preparing method of Ethyl methyl 3-[(1s)-1-(dimethylamino) ethyl] phenyl carbamate (乙基甲基氨甲酸3-[(1S)-1-(二甲氨基)乙基]苯酯鹽的製備方法)	Sunve Pharmaceutical	ZL03141995.X	Invention	July 31, 2003	20 years	Will apply for registration for the change of patent owner
155	Method for preparing high-purity cefpoxime proxetil (製備高純度頭孢泊肟酯的方法)	Sunve Pharmaceutical	ZL200410015693.8	Invention	January 8, 2004	20 years	Will apply for registration for the change of patent owner

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
156	A Chinese medicine preparation of anti herpes virus and the preparing method (一種抗皰疹病毒的中藥製劑及製備方法)	Zhonghua Pharmaceutical	ZL02157664.5	Invention	December 23, 2002	20 years	Shanghai TCM Pharmaceutical Technology Co., Ltd. is a joint patentee
157	Longhu Rendan 100 Granules Package (龍虎人丹100粒包裝)	Zhonghua Pharmaceutical	ZL200920208426.0	Utility patent	August 25, 2009	10 years	
158	Longhu Rendan 60 Granules Package (龍虎人丹60粒包裝)	Zhonghua Pharmaceutical	ZL200920208422.2	Utility patent	August 25, 2009	10 years	
159	Dip-plug Vaseline Dissolution Device (浸插式凡士林溶解裝置)	Zhonghua Pharmaceutical	ZL200920208414.8	Utility patent	August 25, 2009	10 years	
160	Process for preparing cold defervescent powder by using flocculating method (感冒退熱沖劑的絮凝法製備工藝)	Shanghai TCM Pharmaceutical No. 3 Laboratories (上海中藥製藥三廠)	97102049.3	Invention	January 13, 1997	20 years	
161	Method for preparing ginkgo injection (一種銀杏注射液的製備方法)	Shanghai Traditional Chinese Medicine Research Institute (a branch of Shanghai Medical Material Co.)	99124228.9	Invention	December 9, 1999	20 years	
162	Medicine containing active components of Rhodiola crennulata root and preparing method thereof (大花紅景天有效成分製劑及製備方法)	Shanghai Traditional Chinese Medicine Research Institute (a branch of Shanghai Medical Material Co.)	00115423.0	Invention	April 21, 2000	20 years	
163	Medicine containing active components of Panax japonicum root and preparing method thereof (珠子參有效成分製劑及製備方法)	Shanghai Traditional Chinese Medicine Research Institute	00115425.7	Invention	April 21, 2000	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
164	Medicine containing active components of Rhodiola crennulata root and preparing process thereof (branch) (大花紅景天有效成分製劑及製備方法(分案）)	Shanghai Traditional Chinese Medicine Research Institute	003128415.9	Invention	April 21, 2000	20 years	
165	Method of extracting and separating anthraquinone chemical compound from Botanicals (一種從植物藥中提、分離蒽醌類化合物的方法)	Shanghai Traditional Chinese Medicine Research Institute	00125406.5	Invention	September 26, 2000	20 years	
166	Concrete of extracting Free Anthraquinone from rhubarb and the preparing method (一種從大黃中提取游離蒽醌的浸膏及製備方法)	Shanghai Traditional Chinese Medicine Research Institute	00125405.7	Invention	September 26, 2000	20 years	
167	Jisongrong-contained Chinese medicine compound preparation and the preparing method (一種含姬松茸的中藥複方製劑及製備方法)	Shanghai Traditional Chinese Medicine Research Institute	00125765.X	Invention	October 25, 2000	20 years	
168	Preparing method of Maodongqing extract (治療勃起功能障礙的毛冬青提取物製劑及其製備方法)	Shanghai Traditional Chinese Medicine Research Institute	00127593.3	Invention	November 28, 2000	20 years	
169	Chinese medicine health tonic for raising antisenility capacity and improving memory (一種具有提高抗衰老能力改善記憶的中藥保健品)	Shanghai Traditional Chinese Medicine Research Institute	200310108036.3	Invention	October 17, 2003	20 years	
170	Medicine composition with spot dispelling function and preparing method thereof (一種具有祛斑作用的藥物組合物及製備方法)	Shanghai Traditional Chinese Medicine Research Institute	200310108460.8	Invention	November 6, 2003	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
171	Chinese medicine composition for lowering blood fat and reducing weight and preparing method thereof (一種具有降脂減肥作用的中藥組合物及製備方法)	Shanghai Traditional Chinese Medicine Research Institute	200310108461.2	Invention	November 6, 2003	20 years	
172	Quality control method for rare chrysanthemum antihypertension tablet (一種珍菊降壓片質量控制方法)	Shanghai Traditional Chinese Medicine Research Institute	200410016223.3	Invention	February 11, 2004	20 years	
173	Hypericum perforatum extract and the preparing method (貫葉連翹提取物及製備方法)	Shanghai Traditional Chinese Medicine Research Institute	200410017828.4	Invention	April 21, 2004	20 years	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司) is a joint patentee
174	Triptolide purification method (一種雷公藤內脂醇純化方法)	Shanghai Traditional Chinese Medicine Research Institute	200510026668.4	Invention	June 10, 2005	20 years	
175	Extract of ginkgo biloba leaves and dipyridamole composite and preparing method and application thereof (銀杏酮酯與雙嘧達莫的組合物及製備方法和應用)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200910056648.X	Invention	August 19, 2009	20 years	
176	Chinese medicine preparation for treating respiratory tract infection and virus flu, preparing method thereof (一種治療呼吸道感染和病毒性感冒的中藥製劑及製備方法)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200310122718.X	Invention	December 19, 2003	20 years	
177	Method for measuring ginkgo acid content in compositions extracted from Ginkgo biloba leaves (檢測銀杏葉組合物中銀杏酸的方法)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200310118517.2	Invention	March 19, 1999	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
178	Method for measuring tepene lactone content in compositions extracted from Ginkgo biloba leaves (檢測銀杏葉組合物中萜內酯含量的方法)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200510105217.x	Invention	March 19, 1999	20 years	
179	Method for measuring total flavone content in compositions extracted from gingko biloba leaves (檢測銀杏葉組合物中總黃酮含量的方法)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200510105218.4	Invention	March 19, 1999	20 years	
180	Healthcare products with blood-sugar decreasing function, and preparing method thereof (一種具有降血糖功能的保健品及製備方法)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200410053000.4	Invention	July 20, 2004	20 years	
181	Healthcare products with anti-fatigue and anti-oxidation function and preparing method thereof (一種具有抗疲勞和抗氧化功能的保健品及製備方法)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200410053001.9	Invention	July 20, 2004	20 years	
182	Healthcare products with functions of relaxing the bowels and beautifying, and preparing method thereof (一種具有通便美容功能的保健品及製備方法)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200410053002.3	Invention	July 20, 2004	20 years	
183	Use of ginkgo biloba extract in cholesterol reduction (銀杏葉提取物在降低膽固醇方面的用途)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200510030719.0	Invention	October 26, 2005	20 years	Shanghai Biochip Co., Ltd. (上海生物芯片有限公司) as a joint patentee
184	Use of ginkgoic acid in preparation of biological pesticide for killing Oncomelania snail and preventing schistosomiasis (銀杏酸在製備殺滅釘螺、防治血吸蟲病的生物農藥中的用途)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	200610024040.5	Invention	February 21, 2006	20 years	Fudan University is a joint patentee

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
185	Ginkgo biloba composition and its preparation method and application (銀杏葉組合物及製備方法與應用)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	99803683.8	Invention	March 19, 1999	20 years	patentee
186	Packaging Box (Babaodan Capsules) (包裝盒（八寶丹膠囊）)	Xiamen Traditional Chinese Medicine Co., Ltd.	ZL200530091140.6	Design	February 5, 2005	10 years	
187	Packaging Box (Fushou Capsules) (包裝盒（福壽膠囊）)	Xiamen Traditional Chinese Medicine Co., Ltd.	ZL200630090695.3	Design	February 16, 2006	10 years	
188	Packaging Box (Tongmai lipid-lowering Capsules) (包裝盒（通脈降脂膠囊）)	Xiamen Traditional Chinese Medicine Co., Ltd.	ZL200530135902.8	Design	December 1, 2005	10 years	
189	Packaging Box (Qigu Capsules) (包裝盒（芪骨膠囊）)	Xiamen Traditional Chinese Medicine Co., Ltd.	ZL 2009 3 0322329.X	Design	October 29, 2009	10 years	
190	Method for detecting animalcule in chinese medicinal materials with AOTF near-infrared spectrometer (一種利用AOTF近紅外光譜儀檢測中藥中微生物的方法)	Xiamen Traditional Chinese Medicine Co., Ltd.	ZL 2007 1 0017123.6	Invention	September 4, 2007	20 years	Jinan Jinhongli Industrial Co., Ltd. (濟南金宏利實業有限公司) is a joint patentee
191	Heating encapsulation mechanism of packaging machine (封裝機的加熱封裝機構)	Xiamen Traditional Chinese Medicine Co., Ltd.	ZL 2008 2 0103169.X	Utility patent	July 23, 2008	10 years	
192	Mammary aggregation elimination capsule and its preparing method (乳癖消軟膠囊及其製備方法)	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	ZL 2005 1 0136744.7	Invention	December 29, 2005	20 years	
193	Bee snake capsule and its preparing method (蜂蛇膠囊及其製備方法)	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	ZL2005 1 0136745.1	Invention	December 29, 2005	20 years	
194	Chinese patent medicine for treating astenia wind-heat syndrome and preparing method (一種治療腎炎風熱症的中成藥及製備方法)	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	ZL 2006 1 0045983.6	Invention	March 7, 2006	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
195	Chinese medicine for treating osteoporosis and its preparing method (一種治療骨質疏鬆症的中藥及製備方法)	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	ZL 2006 1 0046816.3	Invention	June 5, 2006	20 years	
196	Traditional Chinese medicine composition for treating arthritis and preparing method thereof (一種治療關節炎的中藥組合物和其製備方法)	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	200510126433.2	Invention	December 9, 2005	20 years	
197	Chinese patent medicine for treating hypotension and preparing method thereof (一種治療低血壓的中成藥及其製備方法)	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	ZL 02 1 33148.0	Invention	October 10, 2002	20 years	
198	Medicine for treating hysteromyoma (一種治療子宮肌瘤的藥物)	Liaoning Huanren Pharmaceutical Co., Ltd. (遼寧桓仁藥業有限公司) (the predecessor of Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.)	ZL200310105219.x	Invention	November 28, 2003	20 years	
199	Chinese traditional medicine having functions of promoting blood circulation, relaxing vein and strengthening muscles and bones and method for preparing the same (一種具有活血通絡強筋壯骨的中藥及其製備方法)	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	ZL200710012332.1	Invention	July 31, 2007	20 years	
200	Method for preparing Chinese medicinal pills containing borneol (一種含有冰片的中藥丸劑的製備方法)	Shanghai Medicine Co., Ltd. No.1 Chinese Medicine Plant (上海市藥材有限公司中藥製藥一廠)	99113718.3	Invention	May 18, 1999	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
201	Method for preparing Chinese medicinal pills containing borneol (一種含有冰片的中藥丸劑的製備方法)	Shanghai Medicine Co., Ltd. No.1 Chinese Medicine Plant (上海市藥材有限公司中藥製藥一廠)	00115424.9	Invention	April 21, 2000	20 years	
202	Compound ultra-fine pearl powder cosmetics and the preparing method (一種複方超細珍珠粉化妝品及製備方法)	Shanghai Medicine Co., Ltd. No.1 Chinese Medicine Plant (上海市藥材有限公司中藥製藥一廠)	00125897.4	Invention	October 31, 2000	20 years	
203	Compound ultra-fine pearl powder soft capsule and the preparing method (一種複方超細珍珠粉軟膠囊及製備方法)	Shanghai Medicine Co., Ltd. No.1 Chinese Medicine Plant (上海市藥材有限公司中藥製藥一廠)	00125898.2	Invention	October 31, 2000	20 years	
204	Preparing method of Xianjia Granules for treating Hyperprolactinemia (一種治療高泌乳素血症的仙甲顆粒的製備方法)	Shanghai Medicine Co., Ltd. No.1 Chinese Medicine Plant (上海市藥材有限公司中藥製藥一廠)	00127910.6	Invention	December 14, 2000	20 years	
205	Compound Chinese medicine preparation for treating prostate hyperplasia and its preparing process (一種治療良性前列腺增生症的複方中藥製劑及製備工藝)	Leiyunshang Pharmaceutical	02136088.X	Invention	July 18, 2002	20 years	
206	Molecular mark of wild mountain ginseng and discrimination method therefore (野山人參的分子標記及鑒別方法)	Shanghai Leiyunshang Pharmaceutical Co., Ltd Shen Xiang Ginseng and Pilose-Antler Branch (上海雷允上藥業有限公司神象參茸分公司)	200410016240.7	Invention	February 11, 2004	20 years	Fudan University is a joint patentee
207	Method for pressing condensed pills of Chinese traditional medicine (中藥濃縮丸的壓制方法)	Leiyunshang Pharmaceutical	200410053322.9	Invention	July 30, 2004	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
208	Compound Chinese medicinal formulation for treating chronic atrophic gastritis and its preparing method (一種用於治療慢性萎縮性胃炎的中藥複方製劑及製備方法)	Leiyunshang Pharmaceutical	200410053860.8	Invention	August 19, 2004	20 years	
209	Method for detecting kidney tonifying mind easing extractive quality standard (益腎安神膏質量標準檢測方法)	Leiyunshang Pharmaceutical	200410089330.9	Invention	December 9, 2004	20 years	
210	Method for detecting blood enriching extractive quality standard (參龍養血膏質量標準檢測方法)	Leiyunshang Pharmaceutical	200410089326.2	Invention	December 9, 2004	20 years	
211	Mint oil adding method in production of Chinese medicine 'pinellia dew Tablets' (中藥半夏露片生產中的薄荷油添加方法)	Leiyunshang Pharmaceutical	200510027453.4	Invention	July 1, 2005	20 years	
212	Coating method for Chinese medicine Zuogui Granules (中藥左歸顆粒包衣方法)	Leiyunshang Pharmaceutical	200510027556.0	Invention	July 6, 2005	20 years	
213	Blood pressure lowering sustained-release preparation with chrysanthemum flower and pearl (珍菊降壓緩釋製劑)	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	200610028741.6	Invention	July 7, 2006	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
214	Characteristic DNA sequence for dendrobium officinale test-tube plantlet and application thereof (鐵皮石斛試管苗的特徵 DNA序列及其應用)	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	200710036926.6	Invention	January 29, 2007	20 years	
215	Traditional Chinese medicine valid target composition of preventing and treating diabetes as well as preparation and application (預防及治療糖尿病的中藥有效部位組合物及其製備和應用)	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	200710046601.6	Invention	September 28, 2007	20 years	
216	Use of ball containing moschus, bear gall and antelope horn in preparing medicament for treating coronaryheart disease (麝香熊羚丸在製備治療冠心病藥物中的應用)	Leiyunshang Pharmaceutical	200710042421.0	Invention	June 22, 2007	20 years	
217	American ginseng effervescence Tablets and its preparing method (西洋參泡騰片及其製備方法)	Leiyunshang Pharmaceutical	200510030092.9	Invention	September 28, 2005	20 years	
218	Packaging box (Longkai Granules (包裝盒(癃開顆粒))	Leiyunshang Pharmaceutical	03326344.2	Design	January 17, 2003	10 years	
219	Packaging box (Shanghai Gen-seng Oral Liquid (包裝盒(上海西洋參口服液))	Leiyunshang Pharmaceutical	03329002.4	Design	March 21, 2003	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
220	Packaging box (Medical Capsules for reinforcing vital energy of kidney and making body stronger) (包裝盒(補腎強身膠囊))	Leiyunshang Pharmaceutical	03329003.2	Design	March 21, 2003	10 years	
221	Packaging box (Toad Venom Cataplasma) (包裝盒(蟾烏巴布膏))	Leiyunshang Pharmaceutical	03329004.0	Design	March 21, 2003	10 years	
222	Packaging box (Qiju Dihuang Capsules) (包裝盒(杞菊地黃膠囊))	Leiyunshang Pharmaceutical	03329005.9	Design	March 21, 2003	10 years	
223	Packaging box (Shanghai Ginseng Royal Jelly) (包裝盒(上海人參蜂皇漿))	Leiyunshang Pharmaceutical	03329006.7	Design	March 21, 2003	10 years	
224	Packaging box (Cornu Saigae Tataricae) (包裝盒(羚羊角散))	Leiyunshang Pharmaceutical	03329007.5	Design	March 21, 2003	10 years	
225	Packaging box (Inflammation-Resolving Gall-Bladder-Excreting Tablets) (包裝盒(消炎利膽片))	Leiyunshang Pharmaceutical	03329008.3	Design	March 21, 2003	10 years	
226	Packaging box (Compound Danshen Tablets (包裝盒(複方丹參片))	Leiyunshang Pharmaceutical	03329009.1	Design	March 21, 2003	10 years	
227	Packaging box (Yinqiao Tablets) (包裝盒(銀翹片))	Leiyunshang Pharmaceutical	03329010.5	Design	March 21, 2003	10 years	
228	Packaging box (Mighty Soft Capsules of Gastrodia Tuber and Eucommia) (包 裝 盒 (強 力 天 麻 杜 仲 膠 囊)	Leiyunshang Pharmaceutical	03329011.3	Design	March 21, 2003	10 years	
229	Packaging box (Ganmao Tuire Granules) (包裝盒(感冒退熱顆粒))	Leiyunshang Pharmaceutical	03329012.1	Design	March 21, 2003	10 years	
230	Packaging box (Hericium Erinaceus Tablets) (包裝盒(猴頭菌片))	Leiyunshang Pharmaceutical	003329013.X	Design	March 21, 2003	10 years	
231	Packaging box (Bezoar Antidotal Tablets) (包裝盒(牛黃解毒片))	Leiyunshang Pharmaceutical	03329014.8	Design	March 21, 2003	10 years	
232	Packaging box (Danshen Tablets) (包裝盒(丹參片))	Leiyunshang Pharmaceutical	03329015.6	Design	March 21, 2003	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
233	Packaging box (Jindan Tablets) (包裝盒(金膽片))	Leiyunshang Pharmaceutical	03329016.4	Design	March 21, 2003	10 years	
234	Packaging box (Gynecology Tablets of Regulating Menstruation) (包裝盒(婦科調經片))	Leiyunshang Pharmaceutical	03329788.6	Design	April 17, 2003	10 years	
235	Packaging box (Zuogui Pills) (包裝盒(左歸丸))	Leiyunshang Pharmaceutical	03329789.4	Design	April 17, 2003	10 years	
236	Packaging box (Pills of Six Ingredients with Rehmannia) (包裝盒(六味地黃丸))	Leiyunshang Pharmaceutical	03329790.8	Design	April 17, 2003	10 years	
237	Packaging box (Leishi High Protein Nutrition Powder) (包裝盒(雷氏高蛋白質營養粉))	Leiyunshang Pharmaceutical	200430023939.7	Design	April 23, 2004	10 years	
238	Packaging box (Leishi Propolis High Protein Nutrition Powder) (包裝盒(雷氏蜂膠高蛋白質粉營養粉))	Leiyunshang Pharmaceutical	200430023937.8	Design	April 23, 2004	10 years	
239	Packaging box (Leishi High Protein Gift Box) (包裝盒(雷氏蛋白粉禮盒))	Leiyunshang Pharmaceutical	200430023938.2	Design	April 23, 2004	10 years	
240	Packaging box (Wild Drying Ginseng) (包裝盒(野山人參))	Leiyunshang Pharmaceutical	200430035930.8	Design	July 21, 2004	10 years	
241	Packaging box (Qingzi Tea) (包裝盒(清滋茶))	Leiyunshang Pharmaceutical	200430106411.6	Design	December 3, 2004	10 years	
242	Packaging box (Rare Chrysanthemum Antihypertension Tablets A) (包裝盒(珍菊降壓片A))	Leiyunshang Pharmaceutical	200530041811.8	Design	July 29, 2005	10 years	
243	Packaging box (Rare Chrysanthemum Antihypertension Tablets B) (包裝盒(珍菊降壓片B))	Leiyunshang Pharmaceutical	200530041810.3	Design	July 29, 2005	10 years	
244	Packaging box (Sachet) (包裝盒(香袋))	Leiyunshang Pharmaceutical	200530046161.6	Design	December 13, 2005	10 years	
245	Packaging box (Sachet) (包裝盒(香袋))	Leiyunshang Pharmaceutical	200530046162.0	Design	December 13, 2005	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
246	Packaging box (Leishi Gen-seng Oral Liquid) (包裝盒(雷氏牌西洋參口服液))	Leiyunshang Pharmaceutical	200630034133.7	Design	March 3, 2006	10 years	
247	Packaging box (Taikang Capsules) (包裝盒(泰康膠囊))	Leiyunshang Pharmaceutical	200630034135.6	Design	March 3, 2006	10 years	
248	Packaging box (Paotianhong Taikang Capsules) (包裝盒(炮天紅牌泰康膠囊))	Leiyunshang Pharmaceutical	200630034134.1	Design	March 3, 2006	10 years	
249	Packaging box (CaterPillsar Fungus A) (包裝盒(冬蟲夏草A))	Leiyunshang Pharmaceutical	200630038606.0	Design	July 7, 2006	10 years	
250	Packaging box (CaterPillsar Fungus B) (包裝盒(冬蟲夏草B))	Leiyunshang Pharmaceutical	200630038607.5	Design	July 7, 2006	10 years	
251	Packaging box (Shen Xiang Wild Mountain Genseng) (包裝盒(神象野山參))	Leiyunshang Pharmaceutical	200630040977.2	Design	September 26, 2006	10 years	
252	Packaging box (Paotianhong Nourishing Spirits) (包裝盒(炮天紅養身酒))	Leiyunshang Pharmaceutical	200630047438.1	Design	December 13, 2006	10 years	
253	Beverage bottle (Leishi Chrysanthemum Dew) (飲料瓶(雷氏菊花露))	Leiyunshang Pharmaceutical	200730075073.8	Design	April 26, 2007	10 years	
254	Packaging box (Health Tea) (包裝盒(養身茶))	Leiyunshang Pharmaceutical, Shanghai Huayu Pharmaceutical Co., Ltd.	200830064038.0	Design	June 11, 2008	10 years	Leiyunshang Pharmaceutical and Shanghai Huayu Pharmaceutical Co., Ltd. are joint patentees
255	Packaging box (Liushenwan Rengongfang) (包裝盒(六神丸人工方))	Leiyunshang Pharmaceutical	200930228451.0	Design	September 29, 2009	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
256	Use of pulse-activating injection in preparing synergetic medicine for treating tumor (生脈注射液在製備治療腫瘤增效藥物中的用途)	Shanghai Hutchison and Fudan University affiliated Cancer Hospital (復旦大學附屬腫瘤醫院)	ZL03142266.7	Invention	August 14, 2003	20 years	
257	Medicine preparation for treating liver and gallbladder disease and its preparing process (一種治療肝膽疾病的藥物製劑及其製備方法)	Shanghai Hutchison	ZL200410016071.7	Invention	February 3, 2004	20 years	
258	Fingerprint analysis method for traditional Chinese medicine composition to treat cardiovascular disease (一種治療心血管疾病的中藥組合物的指紋圖譜分析方法)	Shanghai Hutchison	ZL200610029707.0	Invention	August 3, 2006	20 years	
259	Hyperlipemia treating Chinese medicine prepn (一種治療高血壓疾病的中藥製劑)	Shanghai Hutchison	ZL200610116220.6	Invention	September 19, 2006	20 years	
260	Packaging box (Shexiang Baoxin Pills) (包裝盒(麝香保心丸))	Shanghai Hutchison	ZL200930226393.8	Design	September 11, 2009	10 years	
261	Packaging box (Danning Tablets) (包裝盒(膽寧片))	Shanghai Hutchison	ZL201030026956.1	Design	January 7, 2010	10 years	
262	Packaging box (Weikesheng Tablets) (包裝盒(胃可寧片))	Shanghai Hutchison	ZL201030026957.6	Design	January 7, 2010	10 years	
263	Packaging box (Ganshao Xiaoke Tablets) (包裝盒(幹芍消渴片))	Shanghai Hutchison	ZL201030026958.0	Design	January 7, 2010	10 years	
264	Exendin 4 polypeptide segment (Exendin 4多肽片段)	Changzhou Pharmaceutical Factory Co., Ltd	CN 200510040823.8	Invention patent	June 29, 2005	20 years	
265	Medicine box (Katuo Puli Tablets) (藥品盒包裝(卡托普利片))	Changzhou Pharmaceutical Factory Co., Ltd	CN 200530045312.6	Design	November 21, 2005	10 years	
266	Medicine box (Kaifute) (藥品盒(開富特))	Changzhou Pharmaceutical Factory Co., Ltd	CN 200530045313.0	Design	November 21, 2005	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
267	Aspirin sustained release tablet and its preparing method (一種阿司匹林緩釋片及其製備方法)	Changzhou Pharmaceutical Factory Co., Ltd	200810020313.8	Invention patent	February 29, 2008	20 years	
268	Preparing method of 3, 5-dihydroxy heptyl-6-gadoleic acid derivative (一種 3,5-二羥基庚 -6-烯酸衍生物的製備方法)	Changzhou Pharmaceutical Factory Co., Ltd	200810110709.1	Invention	May 27, 2008	20 years	
269	Packaging box (Ganmao Tuire Granules) (包裝盒 (感冒退熱顆粒))	Leiyunshang Pharmaceutical	03329012.1	Design	March 21, 2003	10 years	
270	Packaging box (Mighty Soft Capsules of Gastrodia Tuber and Eucommia) (包裝盒 (強力天麻杜仲膠囊)	Leiyunshang Pharmaceutical	03329011.3	Design	March 21, 2003	10 years	
271	Packaging box (Shanghai Gen-seng Oral Liquid (包裝盒 (上海西洋參口服液))	Leiyunshang Pharmaceutical	03329002.4	Design	March 21, 2003	10 years	
272	Coating method for Chinese medicine Zuogui Granules (中藥左歸顆粒包衣方法)	Leiyunshang Pharmaceutical	200510027556.0	Invention	July 6, 2005	20 years	
273	Packaging box (Shen Xiang Wild Mountain Genseng) (包裝盒 (神象野山參))	Leiyunshang Pharmaceutical	200630040977.2	Design	September 26, 2006	10 years	
274	Packaging box (Paotianhong Nourishing Spirits) (包裝盒 (炮天紅養身酒))	Leiyunshang Pharmaceutical	200630047438.1	Design	December 13, 2006	10 years	
275	Packaging box (Liushenwan Tianranfang) (包裝盒 (六神丸天然方))	Leiyunshang Pharmaceutical	200930228300.5	Design	September 29, 2009	10 years	
276	Chinese medicine composition for treating arthritis and its preparing method (一種治療關節炎的中藥組合物和其製備方法)	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	200510126433.2	Invention	December 9, 2005	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
277	High content ginko leaves flavone lactone extract and its preparing Method (高含量銀杏葉黃酮內酯浸膏及其製備方法)	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	95111763.7	Invention	September 15, 1995	20 years	
278	Method for regulating baicalin and baicalein ratio in scutellariae root extract (一種調節黃芩提取物中黃芩苷和黃芩素成分比例的方法)	Shanghai Traditional Chinese Medicine Research Institute	200510110977.X	Invention	November 30, 2005	20 years	
279	Method for cultivating tissue cultured gloden line lotus seedling (金線蓮組培苗培養方法)	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	200610030214.9	Invention	August 18, 2006	20 years	
280	Apparatus for applying cosmetics (化妝品塗抹裝置)	Zhonghua Pharmaceutical	201020033100.1	Utility patent	January 15, 2010	10 years	
281	2, 3-dihydro-4(1H)-Quinazolone derivatives and its application (2, 3-二氫 -4(1H)-喹唑酮衍生物及其應用)	Shanghai Pharmaceuticals	201010254655.3	Invention	August 17, 2010	20 years	
282	Lincomycin hydrochloride composition and its preparing method (鹽酸林可霉素組合物及其製備方法)	Sine Pharmaceutical	200510027392.1	Invention	June 30, 2005	20 years	
283	Phthiobuzonum eye drops containing sodium hyaluronate and its preparing method (含玻璃酸鈉的酞丁安滴眼液及其製備方法)	Sine Pharmaceutical	200510029346.5	Invention	September 2, 2005	20 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
284	Hydrochlorothiazide grain and sugar-coat producing technique of Compound Luobuma Tablets I (複方羅布麻片I中氫氯噻嗪的制粒、包衣工藝)	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	200610024776.2	Invention	March 16, 2006	20 years	
285	Traditional Chinese medicine preparation for treating stomach and intestinal disease and its preparing method (一種治療胃部及腸道疾病的中藥製劑及其製備方法)	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	200610153526.9	Invention	September 11, 2006	20 years	
286	Operation shadowless lamp lamp holder (FD) (手術無影燈燈頭 (FD))	No. 5 Medical Instruments Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療器械五廠) (a branch of Shanghai Medical Instruments Co., Ltd.)	200630040557.4	Design	September 15, 2006	10 years	
287	High purity wild Radix scutellariae glucoside medicine composition, and application of making medicine to treat diseases of cardiovascular and cerebrovascular (一種高純度野黃芩苷藥物組合物及其在製備心、腦血管藥物方面的醫藥用途)	Chiatai Qingchunbao	200610087555.X	Invention	June 15, 2006	20 years	
288	Liquid dispensing device (一種配液裝置)	Chiatai Qingchunbao	200810163265.8	Invention	December 12, 2008	20 years	
289	Packeging box (Yangyin Jiangtang Tablets) (包裝盒 (養陰降糖片))	Chiatai Qingchunbao	200930329848.9	Design	December 18, 2009	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
290	Packeging box (Metoprolol Tartrate Injection) (包裝盒 (酒石酸美托洛爾注射液))	Chiatai Qingchunbao	200930329847.4	Design	December 18, 2009	10 years	
291	Packeging box (Fudosteine Tablets) (包裝盒 (福多司坦片))	Chiatai Qingchunbao	200930329846.X	Design	December 18, 2009	10 years	
292	Packeging box (Fudosteine Capsules) (包裝盒 (福多司坦膠囊))	Chiatai Qingchunbao	200930329845.5	Design	December 18, 2009	10 years	
293	Packeging box (Fluconazole Capsules 150mg) (包裝盒 (氟康唑膠囊150mg))	Chiatai Qingchunbao	200930329843.6	Design	December 18, 2009	10 years	
294	Packeging box (isosorbide mononitrate injection) (包裝盒 (單硝酸異山梨酯注射液))	Chiatai Qingchunbao	200930329842.1	Design	December 18, 2009	10 years	
295	Packeging box (Houttuynia Injection) (包裝盒 (魚腥草注射液))	Chiatai Qingchunbao	200930329745.2	Design	December 18, 2009	10 years	
296	Packeging box (Children Cough-relieving Syrup) (包裝盒 (小兒止咳糖漿))	Chiatai Qingchunbao	200930329744.8	Design	December 18, 2009	10 years	
297	Packeging box (Fudosteine Granules) (包裝盒 (福多司坦顆粒))	Chiatai Qingchunbao	200930329742.9	Design	December 18, 2009	10 years	
298	Packeging box (Pinellia Syrup) (包裝盒 (半夏糖漿))	Chiatai Qingchunbao	200930329739.7	Design	December 18, 2009	10 years	
299	Packeging box (fluconazole Capsules) (包裝盒 (氟康唑膠囊))	Chiatai Qingchunbao	200930329740.X	Design	December 18, 2009	10 years	
300	Packeging box (Azithromycin Dispersible Tablets 0.25g) (包裝盒 (阿奇霉素分散片0.25g))	Chiatai Qingchunbao	200930329840.2	Design	December 18, 2009	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
301	Packeging box (Azithromycin Dispersible Tablets 0.1g) (包裝盒 (阿奇霉素分散片0.1g))	Chiatai Qingchunbao	200930329838.5	Design	December 18, 2009	10 years	
302	Pharmaceutical composition for treating chronic atrophic gastritis (一種用於治療慢性萎縮性胃炎的藥物組合物)	Chiatai Qingchunbao	200810182406.0	Invention	December 5, 2008	20 years	
303	Method for preparing total salvianolic acid and the application in the preventing and treating of diabetes and the complication thereof (一種丹參總酚酸的製備方法及其在防治糖尿病及併發症中的應用)	Chiatai Qingchunbao	200710070020.6	Invention	July 16, 2007	20 years	
304	Medicine composition with anti-virus function and its preparing method (一種具有抗病毒作用的藥物組合物及其製備方法)	Chiatai Qingchunbao	200710086424.4	Invention	March 8, 2007	20 years	
305	Packaging Box for Medicament (Aripiprazole tablet) (藥品包裝盒 (阿立哌唑片))	Zhongxi Pharmaceuticals (上海中西製藥有限公司)	200730079447.3	Design	July 26, 2007	10 years	
306	Packaging Box for Medicament (Hydroxychloroquine Sulfate tablet) (藥品包裝盒 (硫酸氫氯喹片))	Zhongxi Pharmaceuticals (上海中西製藥有限公司)	200730074869.1	Design	April 20, 2007	10 years	
307	Packaging Box for Medicament (Duloxetine Hydrochloride Enteric tablet) (藥品包裝盒 (鹽酸度洛西汀腸溶片))	Zhongxi Pharmaceuticals (上海中西製藥有限公司)	200830063016.8	Design	May 23, 2008	10 years	
308	Packaging Box for Medicament (Danxiang Guanxin injection) (藥品包裝盒 (丹香冠心注射液))	Zhongxi Pharmaceuticals (上海中西製藥有限公司)	200730074870.4	Design	April 20, 2007	10 years	

No.	Patent	Patent owner	Patent number	Type	Application date	Term of the patent	Remarks
309	Packaging Box for Medicament (Duloxetine Hydrochloride Enteric capsule) (藥品包裝盒 (鹽酸度洛西汀腸溶膠囊))	Zhongxi Pharmaceuticals (上海中西製藥有限公司)	200830063016.2	Design	May 23, 2008	10 years	
310	A solid oral pharmaceutical composition containing aripiprazole microcrystalline (一種含有阿立呱唑微晶的固體口服藥物組合物)	Zhongxi Pharmaceuticals (上海中西製藥有限公司)	200710041323.5	Invention	May 28, 2007	20 years	Chongqing Pharmaceutical Research Institute Co. Ltd. as a joint patentee
311	Compound aminophylline tablet and its preparation method (複方氨茶鹼片劑及其製備方法)	Zhongxi Pharmaceuticals (上海中西製藥有限公司)	200410067287.6	Invention	October 19, 2004	20 years	
312	Chinese herbal compound containing ginseng and American ginseng and its preparation method (含有人參和西洋參的中藥複方製劑及製備方法)	Zhongxi Pharmaceutical	96116402.6	Invention	June 24, 1996	20 years	Patentee will be changed to Zhongxi Sunve
313	Steroids, its preparation method and pharmaceutical composition and application (甾體化合物 ,其製備方法和其藥物組合物及其應用)	Zhongxi Pharmaceutical	99116829	Invention	September 2, 1999	20 years	Patentee will be changed to Zhongxi Sunve; Zhejiang Xianju Pharmaceutical and Shanghai Siniwest Medical Chemical Technology are joint patentees
314	Packaging Box (Cefpodoxime proxetil tablets) (包裝盒 (維潔信))	Sunve Pharmaceutical	03343900	Design	July 31, 2003	10 years	Patentee will be changed to Zhongxi Sunve
315	Purpose of cymipristone for the treatment of depression (賽米司酮類用於治療抑鬱症的用途)	Shanghai Sanhe Biotechnology Co., Ltd.	200410093036.5	Invention	December 15, 2004	20 years	

(b) Patents under application:

As of the Latest Practicable Date, the relevant member of our Company had applied for the registration of the following patents:

Serial No.	Applicant	Patent	Application No.	Remarks
1	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Application of meletin-7-0-glycoside in mass control of cudrania tricuspidata or preparations thereof (槲皮素-7-O-葡萄糖甙在柘木或其製劑品質控制中的應用)	200610118154.6	
2	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Cudrania tricuspidata extract, preparation and application thereof (一種柘木提取物、其製備及應用)	200710045425.4	
3	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Cudrania tricuspidata extract, preparation and application thereof (一種柘木提取物、其製備及應用)	200710045424.x	
4	Leiyunshang Pharmaceutical	Health care beverage containing honeysuckle flower, momordica grosvenori and preparing method thereof (一種含金銀花、羅漢果的保健飲料及製備方法)	200710047895.4	
5	Leiyunshang Pharmaceutical	Method for detecting contents of puerarin and rhodiola rosea glycosides in Paotianhongyangshejiu (炮天紅養身酒中葛根素和紅景天苷的含量測定方法)	200710170834.7	
6	Leiyunshang Pharmaceutical	Qualitative identification of Chinese medicine Bairui tablet and method for measuring kaempferol content therein (中藥百蕊片的定性鑒別及其中的山萘素含量測定方法)	200710170833.2	

Serial No.	Applicant	Patent	Application No.	Remarks
7	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Salvia root composition and preparation thereof, and detecting method and use (一種丹參組合物及其製備方法和檢測方法以及應用)	200710170506.7	
8	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Medicaments composite for breast hyperplasia and preparing method thereof (一種治療乳腺增生性疾病的中藥組合物及其製備方法)	200710172332.8	
9	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Composition from effective part of a wild chrysanthemam flower, its preparing method and application and medicament that contains it (一種野菊花有效部位組合物及其製備方法和應用以及含其的藥物製劑)	200710173681.1	
10	Leiyunshang Pharmaceutical	Chinese traditional medicine health-care wine for enhancing immunity and relieving physical fatigue and preparing method thereof (增強免疫力和緩解體力疲勞的中藥保健品及其製備方法)	200810201536.4	
11	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Dispersion tablet of red sage root and its application (一種丹參分散片及其應用)	200810205102.1	
12	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Extracts of purple daisy and its preparing method and detection method for its phenol composition (一種紫錐菊提取物和其製備方法及其酚類成分的檢測方法)	200810205105.5	

Serial No.	Applicant	Patent	Application No.	Remarks
13	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Quality control methods of hairy holly root medicinal materials, extract or hairy holly root preparation (毛冬青藥材、提取物或毛冬青製劑的質量控制方法)	200810038467.X	
14	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	Hairy holly root extract, its preparation and application (毛冬青提取物、其製備及應用)	200810038468.4	
15	Shanghai Leiyunshang Technology Development Co., Ltd. (上海雷允上科技發展有限公司), Shanghai Traditional Chinese Medicine Research Institute	A kind of Subing drop pills and preparing method and its preparing method (一種蘇冰滴丸製劑及其製備)	201010206313.4	
16	Shanghai Xingling Pharmaceutical Technology Co., Ltd. and Shanghai Biochip Co., Ltd. (上海生物芯片有限公司)	Use of ginkgo biloba extract in cholesterol reducing (銀杏葉提取物在降低膽固醇方面的用途)	200510030719.0	
17	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	Extract of ginkgo biloba leaves and dipyridamole composite and preparing method and application thereof (銀杏酮酯與雙密達莫組合物及其製備方法與應用)	200910056648.X	
18	Shanghai Huayu Pharmaceutical Co., Ltd.	Crocus virus detection method (番紅花病毒檢測方法)	200810201020.X	
19	Shanghai Huayu Pharmaceutical Co., Ltd.	Tissue culture rapid propagation method for crocus (番紅花的組織培養快速繁殖方法)	200810201021.4	
20	Shanghai Hutchison	Chinese traditional medicine composition for treating cholecyst disease and fingerprint pattern analyzing method thereof (一種治療膽囊疾病的中藥組合物及其指紋圖譜分析方法)	200710040014.6	

Serial No.	Applicant	Patent	Application No.	Remarks
21	Shanghai Hutchison	Method for detecting anthraquinone content in medicaments (一種測定藥物中蒽醌含量的方法)	200810207225.9	
22	Shanghai Hutchison	Method for determining active medical ingredients in serum (一種血清中測定藥物活性成分的方法)	200910049665.0	
23	Shanghai Hutchison	Application of pharmaceutical composition that contains licorice and white peony in preparing synergetic medicine for treating diabetes (含有甘草和白芍的藥物組合物在製備治療糖尿病增效藥物中的應用)	201010129878.7	
24	Shanghai Hutchison	Drug for treating sugar governing damage model and its preparation (一種用於治療糖調節受損的藥物及其製備方法)	201010129887.6	
25	Shanghai New Asiatic	Phenytoin sodium powder injection and preparing method thereof (苯妥英鈉粉針劑及其製備方法)	200710038520.1	
26	Shanghai New Asiatic and Shanghai Asia Pioneer	Cefpirome sulfate preparing technology (硫酸頭孢匹羅製備工藝)	200710044779.7	
27	Shanghai New Asiatic and Shanghai Asia Pioneer	Method for synthesizing carbenicillin sodium (羧苄西林鈉的合成方法)	200710173650.6	
28	Shanghai New Asiatic and Shanghai Asia Pioneer	Method for preparing ceftazidime pentahydrate (頭孢他啶五水合物的製備方法)	200810039234.1	
29	Shanghai New Asiatic and Shanghai Asia Pioneer	Synthetic method for cephalosporin intermediate (頭孢中間體的合成方法)	200810204984.X	
30	Shanghai New Asiatic and Shanghai Asia Pioneer	Refining process of 7-ACP.HCL (7-ACP•HCl的精製工藝)	200810207954.4	

Serial No.	Applicant	Patent	Application No.	Remarks
31	Shanghai Asia Pioneer	Medicine bottle label information online detection system in powder injection production based on mechanical vision (基於機器視覺的粉針劑生產中藥品標貼信息在線檢測系統)	200810036517.0	
32	Shanghai Asia Pioneer	Aluminum cap packaging online detection system in medical powder injection production based on mechanical vision (基於機器視覺的藥品粉針劑生產中鋁蓋包裝在線檢測系統)	200810036518.5	
33	Shanghai Asia Pioneer	Automatic removing device for sorting powder injection medicine bottle (一種用於粉針劑藥品分揀的自動撇除裝置)	200820057636.X	
34	Shanghai New Asiatic, Shanghai Asia Pioneer and Shanghai Medical Science and Technology Development Co., Ltd. (上海醫藥科技發展有限公司)	Preparing method for sodium fructose diphosphate granule agent (果糖二磷酸鈉粉針劑的製備方法)	200910054818.0	
35	Shanghai New Asiatic and Shanghai Asia Pioneer	Preparing method for cefuroxime sodium (頭孢呋辛鈉的製備方法)	200910054834.X	
36	Shanghai New Asiatic and Shanghai Asia Pioneer	Method for detecting acetone and ethyl acetate residue in drugs using gas chromatographic用氣相色譜同時檢測藥物中丙酮和乙酸乙酯殘留的方法)	200910200583.1	
37	Shanghai New Asiatic and Shanghai Asia Pioneer	Refining method for Faropenem sodium (法羅培南鈉的精製方法)	200910200644.4	
38	Shanghai Medical Science and Technology Development Co., Ltd. (上海醫藥科技發展有限公司)	Venlafaxine hydrochloride sustained-release tablet preparation and preparing method thereof (一種鹽酸文拉法辛緩釋片製劑及其製備方法)	200810037757.2	

Serial No.	Applicant	Patent	Application No.	Remarks
39	Shanghai Medical Science and Technology Development Co., Ltd. (上海醫藥科技發展有限公司)	Ixers sonchifolia freeze-dried powder for injection and preparing method thereof (一種注射用苦碟子凍乾粉針及其製備方法)	200810037755.3	
40	Shanghai Medical Science and Technology Development Co., Ltd. (上海醫藥科技發展有限公司)	Antifungal pharmaceutical composition (一種抗真菌藥物組合物)	200810037756.8	
41	Shanghai Medical Science and Technology Development Co., Ltd. (上海醫藥科技發展有限公司)	Method for preparing cilnidipine used as dihydropyridine calcium antagonist (啶類鈣拮抗劑西尼地平及其製劑的製備方法)	200810038932.X	
42	Shanghai Medical Science and Technology Development Co., Ltd. (上海醫藥科技發展有限公司)	Omeprazole capsule and preparing method thereof (一種奧美拉唑膠囊及其製備方法)	200810207913.5	
43	Shanghai Medical Science and Technology Development Co., Ltd. (上海醫藥科技發展有限公司)	Flunarizine voglibose tablets and preparing method thereof (一種氟桂利嗪口崩片及其製備方法)	200910051812.8	
44	Sunve Pharmaceutical	Preparing method for Rivastigmine midbody 3-hydroxyl-alpha-N, N-dimethyl phenylethylamine (利伐斯的明中間體3-羥基 -α-N,N-二甲基苯乙胺的製備方法)	200710043635.X	
45	Sunve Pharmaceutical	Split method for (S)3-hydroxyl-alpha-N, N-dimethyl phenylethylamine ((S)3-羥基 -α-N,N-二甲基苯乙胺的拆分方法)	200710043636.4	
46	Sunve Pharmaceutical	Preparing method for (2R,3S)-2-hydroxyl-3-amido-3-benzene propanoic methyl ester ((2R,3S)-2-羥基-3-胺基 -3-苯丙酸甲酯的製備方法)	200710043637.9	
47	Sunve Pharmaceutical	Purification process for Oseltamivir Phosphate (磷酸奥司他韋的純化方法)	200710043638.3	

Serial No.	Applicant	Patent	Application No.	Remarks
48	Sine Pharmaceutical	Milrinone lyophilized powder for injection and preparing method thereof (注射用米力農凍乾粉及其製備方法)	200510026706.6	
49	Sine Pharmaceutical	Boletic acid ketotifen eye drops containing sodium hyaluronate and its preparing process (含玻璃酸鈉的富馬酸酮替芬滴眼液及其製備方法)	200510029347.X	
50	Sine Pharmaceutical	Eye preparation containing sodium hyaluronate for treating fundus macular degeneration and its preparing method (含玻璃酸鈉的治療眼底黃斑變性的眼用製劑及其製備方法)	200510030723.7	
51	Sine Pharmaceutical	High purity cortex fraxini and its preparing method (高純度秦皮甲素及其製備方法)	200510030722.2	
52	Sine Pharmaceutical	Racanisodamine eye drops (消旋山莨菪鹼滴眼液)	200510028069.6	
53	Sine Pharmaceutical	Injection tyxolazo and its making method (一種注射用泰妥拉唑及其製備方法)	200510111465.5	
54	Sine Pharmaceutical	Preparations containing rosuvastatin calcium and amlodipine and method for preparing the same (含有瑞舒伐他汀鈣和氨氯地平的製劑及其製備方法)	200610028434.8	
55	Sine Pharmaceutical	Preparations containing rebeprazole and sodium bicarbonate and method for preparing the same (含有雷貝拉唑和碳酸氫鈉的製劑及其製備方法)	200610030513.2	

Serial No.	Applicant	Patent	Application No.	Remarks
56	Sine Pharmaceutical	Novel lactic acid bacillus mycopremna, pharmaceutical composition and uses thereof, and production method (新的乳酸桿菌菌株、藥物組合物及其用途、以及製造方法)	200610117825.7	
57	Sine Pharmaceutical	Medicinal composition for regrouping human P43 protein and its application in medication (一種重組人P43蛋白的藥物組合物及其在醫藥上的應用)	200610118859.8	
58	Sine Pharmaceutical	Medicament compound containing levorotatory ammonia chlorine horizon and atorvastatin (含有左旋氨氯地平和阿托伐他汀的治療組合物)	200610147240.X	
59	Sine Pharmaceutical	Preparing technology of recombinant human p43 protein (重組人p43蛋白的製備工藝)	200710036577.8	
60	Sine Pharmaceutical	Lactobacillus acidophilus/enterococcus faecalis culture medium, preparations and technique (嗜酸乳桿菌/糞腸球菌培養基、製劑及其工藝)	200710037649.0	
61	Sine Pharmaceutical	Long bifidobacterium culture medium, preparation and technique (長型雙歧桿菌培養基製劑及其工藝)	200710037650.3	
62	Sine Pharmaceutical	Low molecular weight biodegradable triblock copolymer (lactide — copolymerization — glycolide) polyethylene glycol ester copolymer with invertible thermal gelling property (具有可逆熱膠凝性質的可生物降解低分子量三嵌段聚 (丙交酯-共聚 -乙交酯) 聚乙二酯共聚物)	200710042905.5	

Serial No.	Applicant	Patent	Application No.	Remarks
63	Shanghai Sine Jiahua Pharmaceutical Co., Ltd. (上海信誼嘉華藥業有限公司)	Composition containing telmisartan and preparing method thereof (一種包含替米沙坦片的組方及其製備方法)	200710041363.X	
64	Sine Pharmaceutical	Pharmaceutical preparation containing alendronate sodium and cholecalciferol-cholesterol (包含阿侖膦酸鈉和膽維丁的藥物製劑)	200710170980.X	
65	Sine Pharmaceutical	New lactobacillus rhamnosus strain, its pharmaceutical composition and the uses thereof and the method for preparation (新的乳酸桿菌菌株、藥物組合物及其用途、以及製造方法)	PCT/CN2007/070962	
66	Sine Pharmaceutical	Pharmaceutical composition comprising P43 Protein for the treatment of gastric adenocarcinoma (含有P43蛋白用予治療胃癌的藥物組合物)	PCT/CN2007/070965	
67	Sine Pharmaceutical	Anticoagulant compound, composition and application thereof (抗凝化合物、組合物及其用途)	200810041855.3	
68	Sine Pharmaceutical	Packaging box (Ofloxacin Eye Drops) (包裝盒 (氧氟沙星滴眼液))	200830064037.6	
69	Sine Pharmaceutical	Anticoagulant compound, composition and application thereof (抗凝化合物、組合物及其用途)	200810041853.4	
70	Sine Pharmaceutical	Anticoagulant compound, composition and application thereof (抗凝化合物、組合物及其用途)	200810041856.8	
71	Sine Pharmaceutical	Anticoagulant compound, composition and application thereof (抗凝化合物、組合物及其用途)	200810041854.9	

Serial No.	Applicant	Patent	Application No.	Remarks
72	Sine Pharmaceutical	Hydrofluoroalkane aerosol containing lidocaine (含利多卡因的氫氟烷烴氣霧劑)	200810207656.5	
73	Sine Pharmaceutical	Preparation process of recombinant human P43 (重組人p43蛋白的製備工藝)	PCT/CN2008/070132	
74	Sine Pharmaceutical	Culture medium for lactobacillus acidophilus and streptococcus faecalis composition the same and preparation method thereof (嗜酸乳桿菌糞腸球菌培養基、製劑及其工藝)	PCT/CN2008/070255	
75	Sine Pharmaceutical	Culture Medium for bifidobacterium longum, composition comprising the same and preparation method thereof (長型雙歧桿菌培養基製劑及其工藝)	PCT/CN2008/070254	
76	Sine Pharmaceutical	Rabeprazole composite and preparation thereof (雷貝拉唑組合物及其製備方法)	200910047142.2	
77	Sine Pharmaceutical	N end missing p43 protain and its application in anti-cancer drugs (N端缺失型 p43蛋白及其在腫瘤治療藥物中的應用)	200910047143.7	
78	Sine Pharmaceutical	C end missing p43 protain and its application in anti-cancer drugs (C端缺失型 p43蛋白及其在腫瘤治療藥物中的應用)	200910047144.1	
79	Sine Pharmaceutical	Eye gel and its preparing method (眼用凝膠及其製備方法)	200510025018.8	on examination
80	Sine Pharmaceutical	Racanisodamine eye drops (消旋山莨菪鹼滴眼液)	200510028069.6	on examination
81	Sine Pharmaceutical	Recombination human epidermal growth factor spray and its preparing method (一種重組人表皮生長因子噴霧劑及其製備方法)	200610147971.4	on examination

Serial No.	Applicant	Patent	Application No.	Remarks
82	Sine Pharmaceutical	Digitalis extract and its preparing method (一種洋地黃提取物及其製備方法)	200610147972.9	on examination
83	Sine Pharmaceutical	Medicament compound containing levorotatory ammonia chlorine horizon and atorvastatin and preparing method thereof (含有左旋氨氯地平和阿托伐他汀的藥物組合物及製備方法)	200610147240.X	on examination
84	Sine Pharmaceutical	Long bifidobacterium culture medium, preparation and technique (長型雙岐桿菌培養基、製劑及其工藝)	200710037650.3	on examination
85	Sine Pharmaceutical	Biodegradable triblock copolymer with invertible thermal gelling property (具有可逆熱膠凝性質的可生物降解三嵌段共聚物)	200710042905.5	on examination
86	Sine Pharmaceutical	Anticoagulant compound, composition and application thereof (抗凝化合物、組合物及其用途)	200810041856.8	open stage
87	Sine Pharmaceutical	Anticoagulant compound, composition and application thereof (抗凝化合物、組合物及其用途)	200810041855.3	open stage
88	Sine Pharmaceutical	Anticoagulant compound, composition and application thereof (抗凝化合物、組合物及其用途)	200810041854.9	open stage
89	Sine Pharmaceutical	Anticoagulant compound, composition and application thereof (抗凝化合物、組合物及其用途)	200810041853.4	open stage
90	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	Testing method for Accutane capsule (異維A酸軟膠丸的測試方法)	200910205111.5	on examination
91	Shanghai No.1 Biochemical	3-hydroxy tanshinone IIA sodium sulfonate and its application (3-羥基丹參酮 IIA磺酸鈉及其製備方法和用途)	201010500755.X	

Serial No.	Applicant	Patent	Application No.	Remarks
92	Shanghai No.1 Biochemical	A preparing method of Sodium Tanshinon II Asilate for injection (一種供注射用丹參酮IIA磺酸鈉的製備方法)	201010143887.1	on examination
93	Shanghai Sunhe Biotechnology Co., Ltd. (上海三合生物技術有限公司)	Use of symipristone compound for treating AIDS (賽米司酮類化合物用於治療愛滋病的用途)	200510028057.3	
94	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	'Yinhuanghanhua' dropping pill for treating upper respiratory tract infection (一種用於治療上呼吸道感染的銀黃含化滴丸)	200610148060.3	
95	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Aripiprazole dropping pill and preparing method thereof (阿立呱唑滴丸劑及其製備方法)	200610148257.7	
96	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Duloxetine enteric-coated preparation and core material and preparing method thereof (一種度洛西汀腸溶製劑及其芯材和製備方法)	200810207877.2	
97	Shanghai Far-East Pharmaceutical Machinery Co., Ltd. (上海遠東製藥機械總廠有限公司)	Build-in preheating tube type multiple-effect water distiller (內置預熱管式多效蒸餾水機)	200820061007.4	
98	Zhongxi Sunve	Duloxetine enteric-coated preparation and core material and preparing method thereof (一種度洛西汀腸溶製劑及其芯材和製備方法)	PCT/CN2009/074786	
99	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Duloxetine slow-release enteric-coated preparation and core material and preparing method thereof (一種度洛西汀的緩釋腸溶製劑及其芯材和製備方法)	200910215411.1	

Serial No.	Applicant	Patent	Application No.	Remarks
100	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司) and Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)	Solid oral medicine composition containing aripiprazole microcrystal (一種含有阿立呱唑微晶的固體口服藥物組合物)	201010119171.8	
101	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Packaging Box for Medicament (Hydroxychloroquine Sulfate tablet) (藥品包裝盒 (硫酸羥氯喹片))	201030167763.8	
102	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Packaging Box for Medicament (Danxiang Guanxin injection) (藥品包裝盒(丹香冠心注射液))	201030167775.0	
103	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Packaging Box for Medicament (Aripiprazole tablet) (藥品包裝盒(阿立呱唑片))	201030167726.7	
104	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Packaging Box for Medicament (Aripiprazole capsule) (藥品包裝盒(阿立呱唑膠囊))	201030167736.0	
105	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Packaging Box for Medicament (Duloxetine Hydrochloride Enteric tablet) (藥品包裝盒 (鹽酸度洛西汀腸溶片))	201030167739.4	
106	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Packaging Box for Medicament (Duloxetine Hydrochloride Enteric capsule) (藥品包裝盒(鹽酸度洛西汀腸溶膠囊))	201030167744.5	
107	Shanghai Zhongxi Pharmaceuticals Co., Ltd. (上海中西製藥有限公司)	Packaging Box for Medicament (Fluoxetine Hydrochloride capsul (藥品包裝盒(鹽酸氟西汀膠囊))	201030167753.4	
108	Zhonghua Pharmaceutical	Dragon and tiger rentan plant medicine composition, preparing method and application thereof (一種龍虎人丹植物藥組合物及其製備和應用)	200910194559.1	

Serial No.	Applicant	Patent	Application No.	Remarks
109	Zhonghua Pharmaceutical	Improved method for preparing 3.5g refined menthocamphorate (一種改進的製備3.5克精裝清涼油的方法)	200910052738.1	
110	Zhonghua Pharmaceutical	Mixing equipment used in the process of preparing menthocamphorate plant medicine composition (一種清涼油植物藥組合物製備過程用混合設備)	201020239063.X	
111	Zhonghua Pharmaceutical	Method for dry pill (一種乾燥藥丸的方法)	201010197550.9	
112	Shanghai Pharmaceutical (Group) Co., Ltd (上海醫藥(集團)有限公司) and Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院)	Risperidone sustained-release gel injection and preparing method thereof (利培酮緩釋凝膠注射劑及其製備方法)	200910053425.8	Under the process to be transferred to the Company
113	Shanghai Pharmaceutical (Group) Co., Ltd (上海醫藥(集團)有限公司)	Method for preparing thieno[3,2-c] pyridine derivative (噻吩並[3,2-c]吡啶衍生物的製備方法)	200910050594.6	Under the process to be transferred to the Company
114	Shanghai Pharmaceutical (Group) Co., Ltd (上海醫藥(集團)有限公司)	(S)-3-(1-dimethylaminoethyl)phenol preparing method ((S)-3-(1-二甲氨基乙基) 苯酚的製備方法)	200910055549.X	Under the process to be transferred to the Company
115	Shanghai Pharmaceutical (Group) Co., Ltd (上海醫藥(集團)有限公司)	Method for preparing entecavir (一種恩替卡韋的製備方法)	200910201121.1	Under the process to be transferred to the Company
116	Shanghai Pharmaceutical (Group) Co., Ltd (上海醫藥(集團)有限公司)	Morpholine derivative (Jointly with Tanabe Seiyaku for application) (嗎啉衍生物 (與日本田邊共同申請))	200880020245.3	Under the process to be transferred to the Company

Serial No.	Applicant	Patent	Application No.	Remarks
117	Shanghai Pharmaceutical (Group) Co., Ltd (上海醫藥(集團)有限公司)	Letrozole ground mixture and preparing method thereof and medicine composition containing it (一種來曲唑共研磨物及其製備方法和含其藥物組合物)	201010230687.X	Under the process to be transferred to the Company
118	Shanghai Pharmaceutical (Group) Co., Ltd (上海醫藥(集團)有限公司)	Method for preparing Clofarabine and its intermediary compound (一種氯法拉濱及其中間體化合物的製備方法)	201010234571.3	Under the process to be transferred to the Company
119	Shanghai Pharmaceutical (Group) Co., Ltd (上海醫藥(集團)有限公司)	2,3-dihydro-4(1H）-Quinazolinedione derivative and its application (2,3-二氫-4(1H）-喹唑酮衍生物及其應用)	201010254655.3	Under the process to be transferred to the Company
120	Changzhou Pharmaceutical Factory Co., Ltd	Exendin4 polypeptide fragments (Exendin4多肽片段)	200810008419.6	
121	Changzhou Pharmaceutical Factory Co., Ltd	Method for preparing D-3-thioacetyl-2-methylpropionyl-L-proline (製備D-3-乙醯硫基-2-甲基丙醯 -L-脯氨酸的方法)	200810123806.4	
122	Changzhou Pharmaceutical Factory Co., Ltd	Preparing method of heptenoic acid ester derivative (一種庚烯酸酯衍生物的製備方法)	200810110711.9	
123	Changzhou Pharmaceutical Factory Co., Ltd	Method for preparing Felodipine Sustained Release Tablets (非洛地平緩釋片的製備方法)	201010193842.5	
124	Changzhou Pharmaceutical Factory Co., Ltd	Method for improving resolution yield of Clopidogrel camphorsulfonate (一種提高氯吡格雷樟腦磺酸鹽拆分收率的方法)	201010204576.1	
125	Chiatai Qingchunbao	Method for extracting salvianolic acid B (一種丹酚酸B的提取方法)	200810061462.9	
126	Chiatai Qingchunbao	Preparing method of injector using tween-80 as solubilizer (一種以吐溫-80為增溶劑的注射液的製備方法)	200910095951.0	

Serial No.	Applicant	Patent	Application No.	Remarks
127	Chiatai Qingchunbao	Quantitative measuring method for 5-hydroxymethyl furfural in shengmai injection (一種參麥注射液中5-羥甲基糠醛的定量測定方法)	200910100937.5	
128	Chiatai Qingchunbao	Compound in salvia miltiorrhiza bungered sage root injection and application thereof in curing treating cardiovascular disease (丹參注射液中的化合物及其在心血管疾病治療中的應用)	200910154841.7	
129	Chiatai Qingchunbao	Stable sitafloxacin medicinal composition and preparing method thereof (一種穩定的西他沙星藥用組合物及其製備方法)	200910155342.X	
130	Chiatai Qingchunbao	Quality control method for Shenmai injection (一種參麥注射液的質量控制方法)	200910155685.6	
131	Chiatai Qingchunbao	Quantitative measuring method for effective ingredient in Salvia miltiorrhiza Bunge injection (一種丹參注射液中有效成分的定量測定方法)	201010117473.1	
132	Chiatai Qingchunbao	Salvianolic acid A injection and its preparing method (一種丹參丹酚酸A的注射製劑及其製備方法)	200710120048.6	on examination
133	Chiatai Qingchunbao	Method of preparing red sage root injection and quality control method thereof (一種丹參注射液的製備方法及其質量控制方法)	200710143306.2	on examination
134	Chiatai Qingchunbao	Method for extracting effective part of Chinese traditional medicine of red sage root and rhizome of Sichuan lovage (丹參和川芎中藥有效部位的提取方法)	200710127787.8	on examination

Serial No.	Applicant	Patent	Application No.	Remarks
135	Chiatai Qingchunbao	One-step granulation device (一種一步製粒裝置)	200810163264.3	on examination
136	Chiatai Qingchunbao	Method for extracting salvianolic acid B (一種丹酚酸B的提取方法)	200810061462.9	on examination
137	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Chinese medicine for dissipating cold, clearing heat, harmonizing nutrient and relieving pain and preparing method thereof (一種散寒清熱、和營定痛的中藥及其製備方法)	200810012478.0	
138	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Sanitary hydrojet for cleaning vagina and preparing method (一種潔陰衛生噴液及製備方法)	200910010765.2	
139	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Sanitary moisture paper tissue and preparing method thereof (一種衛生濕巾及其製備方法)	200910010764.8	
140	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Sanitary moisture paper tissue capable of cleaning vaginal and preparing method thereof (潔陰衛生濕巾及其製備方法)	200910010766.7	
141	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Method for preparing Chinese medicine preparation for treating wind-heat symptoms type nephritis (治療風熱症候型腎炎中藥製劑的製備方法)	200810012479.5	
142	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Chinese medicine for treating children's hyperkinetic syndrome and its preparing method (一種治療兒童多動症的中藥及製備方法)	200610046034.x	
143	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Chinese medicine for treating neuorsis and its preparing method (一種治療神經衰弱症的中藥及製備方法)	200610046033.5	

Serial No.	Applicant	Patent	Application No.	Remarks
144	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Chinese medicine for treating puerperal hypogalactia and its preparing method (一種治療產後乳少、無乳、乳汁不通的中藥及製備方法)	200610046009.1	
145	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Traditional Chinese medicinal composition plaster for curing rheumatism or rheumatoid diseases and its preparing method (一種治療風濕或類風濕的中藥組合物貼膏及其製備方法)	200710175896.7	
146	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Traditional Chinese medicine for treating kidney yin deficiency and deficiency of both yin and yang and its preparing method (治療腎陰虛、陰陽兩虛症的中藥及製備方法)	200710157653.0	
147	Shanghai Sunway Biotech Co., Ltd.	Novel tumor target gene therapy system based on gland virus replication and recombination (一種新的基於腺病毒複製重組的腫瘤靶向基因治療系統)	200810200511.2	open stage
148	No. 5 Medical Instruments Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療器械五廠)	Light bulb fixture mechanism of operation shadowless lamp using two kinds light of light bulb as light source (一種以兩種燈泡作為光源的手術無影燈的燈泡固定裝置)	200610029558.8	on examination
149	Qingdao Growful	A Chinese medicine composition for brain and its preparing method and testing method (一種健腦中藥組合物及其製備方法和檢測方法)	200910152373.X	open stage
150	Qingdao Growful	A pharmaceutical composition for treatment of cold and its preparing method (一種治療感冒的藥物組合物及其製備方法)	200910148324.9	open stage

Serial No.	Applicant	Patent	Application No.	Remarks
151	Qingdao Growful	A Chinese medicine composition for treatment of gastritis, gastric ulcer and duodenal ulcer and their identification methods (一種治療胃炎、胃潰瘍及十二指腸潰瘍的中藥組合物及其鑒別方法)	200910087825.0	open stage

(ii) Trademarks

(a) Registered trademarks:

As of the Latest Practicable Date, the following trademarks were registered in the name of the relevant member of our Company:

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
1.	Shanghai Pharmaceuticals	4275001	静苏	Class 5	September 27, 2017	
2.	Shanghai Pharmaceuticals	4275002	克分	Class 5	October 13, 2017	
3.	Shanghai Pharmaceuticals	4275003	潘酮	Class 5	January 27, 2018	
4.	Sine Pharmaceutical	101282		Class 5	February 28, 2013	
5.	Sine Pharmaceutical	212067		Class 5	August 29, 2014	
6.	Sine Pharmaceutical	1407500		Class 5	June 13, 2020	
7.	Sine Pharmaceutical	1616520		Class 5	August 13, 2011	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
8.	Sine Pharmaceutical	135107		Class 5	February 28, 2013	
9.	Sine Pharmaceutical	381854	九 福	Class 5	February 28, 2013	
10.	Sine Pharmaceutical	172087		Class 5	February 28, 2013	
11.	Sine Pharmaceutical	936688		Class 5	January 27, 2017	
12.	Sine Pharmaceutical	1002771	信韦林	Class 5	May 13, 2017	
13.	Sine Pharmaceutical	1032565	戴菲林	Class 5	June 20, 2017	
14.	Sine Pharmaceutical	1032566	信潘安	Class 5	June 20, 2017	
15.	Sine Pharmaceutical	1032567	信可舒	Class 5	June 20, 2017	
16.	Sine Pharmaceutical	1032568	地灵那	Class 5	June 20, 2017	
17.	Sine Pharmaceutical	1032569	信安已	Class 5	June 20, 2017	
18.	Sine Pharmaceutical	1032570	信开芬	Class 5	June 20, 2017	
19.	Sine Pharmaceutical	1032571	安菲林	Class 5	June 20, 2017	
20.	Sine Pharmaceutical	1032572	信流丁	Class 5	June 20, 2017	
21.	Sine Pharmaceutical	1044721	信甘味	Class 5	July 6, 2017	
22.	Sine Pharmaceutical	1044725	信妥明	Class 5	July 6, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
23.	Sine Pharmaceutical	1050614	奥斯灵	Class 5	July 13, 2017	
24.	Sine Pharmaceutical	1050615	信利妥	Class 5	July 13, 2017	
25.	Sine Pharmaceutical	1118258	[illegible]	Class 5	October 13, 2017	
26.	Sine Pharmaceutical	1210315	万象帕拉幸	Class 5	September 27, 2018	
27.	Sine Pharmaceutical	1246255	四季	Class 5	February 13, 2019	
28.	Sine Pharmaceutical	1352798	[illegible]	Class 5	January 13, 2020	
29.	Sine Pharmaceutical	1353335	泽之浩	Class 5	January 13, 2020	
30.	Sine Pharmaceutical	1365169	信尼平	Class 5	February 20, 2020	
31.	Sine Pharmaceutical	147387		Class 5	February 28, 2013	
32.	Sine Pharmaceutical	1600498	平通	Class 5	July 13, 2011	
33.	Sine Pharmaceutical	3012381	信利唑	Class 5	December 20, 2012	
34.	Sine Pharmaceutical	3012396	祺素	Class 5	December 20, 2012	
35.	Sine Pharmaceutical	3183135	伊奇复	Class 5	August 13, 2013	
36.	Sine Pharmaceutical	3190080	美哒灵	Class 5	September 20, 2013	
37.	Sine Pharmaceutical	3190081	泰尔丝	Class 5	September 20, 2013	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
38.	Sine Pharmaceutical	3190082	安通停	Class 5	September 20, 2013	
39.	Sine Pharmaceutical	3221906	英康利	Class 5	September 20, 2013	
40.	Sine Pharmaceutical	3316369	環福星	Class 5	March 13, 2014	
41.	Sine Pharmaceutical	3450537	乐适	Class 5	October 20, 2014	
42.	Sine Pharmaceutical	3890500	信赖安	Class 5	June 27, 2016	
43.	Sine Pharmaceutical	3890502	信雪宁	Class 5	June 27, 2016	
44.	Sine Pharmaceutical	3890503	信沙欣	Class 5	June 27, 2016	
45.	Sine Pharmaceutical	3890505	信卫安	Class 5	June 27, 2016	
46.	Sine Pharmaceutical	3890507	信复丁	Class 5	June 27, 2016	
47.	Sine Pharmaceutical	3890509	小培菲康	Class 5	June 13, 2016	
48.	Sine Pharmaceutical	4114516	信 松	Class 5	March 27, 2017	
49.	Sine Pharmaceutical	4114517	信舒宁	Class 5	March 27, 2017	
50.	Sine Pharmaceutical	4114518	信维宁	Class 5	March 27, 2017	
51.	Sine Pharmaceutical	4114519	信瑞舒	Class 5	March 27, 2017	
52.	Sine Pharmaceutical	4114522	信甘宁	Class 5	March 27, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
53.	Sine Pharmaceutical	4114524	信润清	Class 5	March 27, 2017	
54.	Sine Pharmaceutical	4114546	信可宁	Class 5	March 27, 2017	
55.	Sine Pharmaceutical	4350362	信立安	Class 5	January 6, 2018	
56.	Sine Pharmaceutical	4350363	信依生	Class 5	January 6, 2018	
57.	Sine Pharmaceutical	4694751	新信利妥	Class 5	October 20, 2018	
58.	Sine Pharmaceutical	4797152	信维明	Class 5	February 27, 2019	
59.	Sine Pharmaceutical	4797153	信维九	Class 5	February 27, 2019	
60.	Sine Pharmaceutical	4797154	信复智	Class 5	February 27, 2019	
61.	Sine Pharmaceutical	4843418	沙可清	Class 5	January 27, 2019	
62.	Sine Pharmaceutical	4843570	莎可清	Class 5	January 27, 2019	
63.	Sine Pharmaceutical	4870392	信妥安	Class 5	January 20, 2019	
64.	Sine Pharmaceutical	607797	恬 尔 心	Class 5	August 29, 2012	
65.	Sine Pharmaceutical	619519	信舒	Class 5	November 29, 2012	
66.	Sine Pharmaceutical	619520		Class 5	November 29, 2012	
67.	Sine Pharmaceutical	655156	信法丁	Class 5	August 27, 2013	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
68.	Sine Pharmaceutical	655157	利舒卡	Class 5	August 27, 2013	
69.	Sine Pharmaceutical	655158	信可松	Class 5	August 27, 2013	
70.	Sine Pharmaceutical	699277	美达新	Class 5	July 27, 2014	
71.	Sine Pharmaceutical	705370	优哒灵	Class 5	September 13, 2014	
72.	Sine Pharmaceutical	705371	培菲康	Class 5	September 13, 2014	
73.	Sine Pharmaceutical	729229	美 诺	Class 5	February 13,2015	
74.	Sine Pharmaceutical	978657	泰尔丝	Class 5	April 13, 2017	
75.	Sine Pharmaceutical	1608532	仲康	Class 5	July 27, 2011	
76.	Sine Pharmaceutical	1688475	Zooncan	Class 5	December 27, 2011	
77.	Sine Pharmaceutical	200575	樂口福	Class 5	October 29, 2013	
78.	Sine Pharmaceutical	3012382	氟尔乐	Class 5	December 20, 2012	
79.	Sine Pharmaceutical	4114521	信润明	Class 5	March 27, 2017	
80.	Sine Pharmaceutical	4364798	谊泰美	Class 5	January 27, 2018	
81.	Sine Pharmaceutical	4364799	谊立止	Class 5	January 27, 2018	
82.	Sine Pharmaceutical	4388189	乐冰	Class 5	February 13, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
83.	Sine Pharmaceutical	4388190	乐凝	Class 5	February 13, 2018	
84.	Sine Pharmaceutical	978656	卡利亚	Class 5	April 13, 2017	
85.	Sine Pharmaceutical	172875	SINE	Class 29	March 14, 2013	
86.	Sine Pharmaceutical	1432726	培菲康	Class 30	August 13, 2020	
87.	Sine Pharmaceutical	1444719	SINE	Class 30	September 13, 2020	
88.	Sine Pharmaceutical	3078589	信怡	Class 30	March 27, 2013	
89.	Sine Pharmaceutical	3390101	Futuran Baldrian	Class 30	April 13, 2014	
90.	Sine Pharmaceutical	3480361	康多心保	Class 30	April 27, 2015	
91.	Sine Pharmaceutical	3480362	利甘龙	Class 30	August 20, 2014	
92.	Sine Pharmaceutical	3480363	福图安	Class 30	August 20, 2014	
93.	Sine Pharmaceutical	3221907	SINE	Class 32	January 6, 2014	
94.	Sine Pharmaceutical	1389396	百尔洛	Class 5	April 27, 2020	
95.	Sine Pharmaceutical	1624583	凯替	Class 5	August 27, 2011	
96.	Sine Pharmaceutical	1728428	抚尔达	Class 5	March 13, 2012	
97.	Sine Pharmaceutical	3012382	氟尔乐	Class 5	December 20, 2012	

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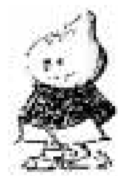
98.	Sine Pharmaceutical	3206410	贝西伊	Class 5	August 27, 2013	
99.	Sine Pharmaceutical	3206411	贝西迪	Class 5	August 27, 2013	
100.	Sine Pharmaceutical	3890508	信消坦	Class 5	June 27, 2016	
101.	Sine Pharmaceutical	4557014	信宜平	Class 5	July 6, 2018	
102.	Sine Pharmaceutical	4557015	信必奇	Class 5	July 27, 2018	
103.	Sine Pharmaceutical	5393568		Class 5	August 27, 2019	
104.	Sine Pharmaceutical	5626355	信舒泽	Class 5	November 13, 2019	
105.	Sine Pharmaceutical	5803657	信必舒	Class 5	December 13, 2019	
106.	Sine Pharmaceutical	6347528	信倍蓝	Class 5	March 27, 2020	
107.	Sine Pharmaceutical	6347529	信朗	Class 5	March 27, 2020	
108.	Sine Pharmaceutical	6347530	信明露	Class 5	March 27, 2020	
109.	Sine Pharmaceutical	6347531	信倍清	Class 5	March 27, 2020	
110.	Sine Pharmaceutical	6347532	信甘霖	Class 5	March 27, 2020	
111.	Sine Pharmaceutical	6895885	培菲康	Class 5	July 13, 2020	

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112.	Sine Pharmaceutical	7492618	SINE	Class 5	December 20, 2020	
113.	Sine Pharmaceutical	7492624	SINE	Class 5	December 20, 2020	
114.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	3712504	信可止	Class 5	January 27, 2016	
115.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	3890506	霄霖	Class 5	June 27, 2016	
116.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4115818	谊可婷	Class 5	March 27, 2017	
117.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4114548	谊 婷	Class 5	March 27, 2017	
118.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4557016	谊宁	Class 5	July 27, 2018	
119.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4557017	谊可宁	Class 5	July 27, 2018	
120.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4662785	谊尔婷	Class 5	October 6, 2018	
121.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4686979	谊尔	Class 5	October 13, 2018	

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122.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4686980	谊灵	Class 5	October 13, 2018	
123.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4686981	谊尔灵	Class 5	October 13, 2018	
124.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4557018	谊可止	Class 5	July 6, 2018	
125.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	4686982	美洁多	Class 5	October 13, 2018	
126.	Shanghai Yanan Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象藥業有限公司) (the predecessor of Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.)	3382596	延尔	Class 5	July 13, 2014	
127.	Shanghai Yanan Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象藥業有限公司) (the predecessor of Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.)	3227231	苏导	Class 5	September 20, 2013	
128.	Shanghai Yanan Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象藥業有限公司) (the predecessor of Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.)	3227230	因得利	Class 5	September 20, 2013	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
129.	Shanghai Yanan Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象藥業有限公司) (the predecessor of Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.)	1906876	延诺信	Class 5	September 6, 2012	
130.	Shanghai Yanan Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象藥業有限公司) (the predecessor of Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.)	3158602	延迪诺	Class 5	June 20, 2013	
131.	Shanghai Yanan Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象藥業有限公司) (the predecessor of Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.)	3155930	坦斯克	Class 5	June 20, 2013	
132.	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	4890418	谊红	Class 5	January 13, 2019	
133.	Shanghai Yanan Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象藥業有限公司) (the predecessor of Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.)	3794032	苏川亭	Class 5	March 13, 2016	
134.	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	4650993	百礽	Class 5	October 13, 2018	
135.	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	4274998	苏尔川	Class 5	September 27, 2017	
136.	Shanghai No. 1 Biochemical	3411400	九唯他	Class 5	September 27, 2014	

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137.	Shanghai No. 1 Biochemical	4863682	善育	Class 5	January 13, 2019	
138.	Shanghai No. 1 Biochemical	4913032	信令	Class 5	March 13, 2019	
139.	Shanghai No. 1 Biochemical	5260604	信怡复	Class 5	August 13, 2019	
140.	Shanghai No. 1 Biochemical	101279		Class 5	February 28, 2013	
141.	Shanghai No. 1 Biochemical	101287		Class 5	February 28, 2013	
142.	Shanghai No. 1 Biochemical	1580468	SBPC	Class 5	June 6, 2011	
143.	Shanghai No. 1 Biochemical	1367736	苦良	Class 5	February 27, 2020	
144.	Shanghai No. 1 Biochemical	1640583	宜通	Class 5	September 27, 2011	
145.	Shanghai No. 1 Biochemical	1696489	赛尔盖	Class 5	January 13, 2012	
146.	Shanghai No. 1 Biochemical	1805638	Exvein 益吉美	Class 5	July 13, 2012	
147.	Shanghai No. 1 Biochemical	1972098	迅刻	Class 5	November 13, 2012	
148.	Shanghai No. 1 Biochemical	3168812	[illegible]	Class 5	July 6, 2013	
149.	Shanghai No. 1 Biochemical	3262993	亿复新	Class 5	January 6, 2014	
150.	Shanghai No. 1 Biochemical	3262994	怡新力	Class 5	January 6, 2014	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
151.	Shanghai No. 1 Biochemical	3262996	依可佳	Class 5	January 6, 2014	
152.	Shanghai No. 1 Biochemical	3283238	福欣康林	Class 5	February 6, 2014	
153.	Shanghai No. 1 Biochemical	3290779	诺新康	Class 5	January 20, 2014	
154.	Shanghai No. 1 Biochemical	3677770	倍宜宁	Class 5	December 13, 2015	
155.	Shanghai No. 1 Biochemical	3677771	赛特奇灵	Class 5	December 13, 2015	
156.	Shanghai No. 1 Biochemical	3822789	捷甘清	Class 5	April 6, 2016	
157.	Shanghai No. 1 Biochemical	3915145	赛比林	Class 5	August 13, 2016	
158.	Shanghai No. 1 Biochemical	3928919	信乐平	Class 5	August 27, 2016	
159.	Shanghai No. 1 Biochemical	3020033	[illegible]	Class 5	December 20, 2012	
160.	Shanghai No. 1 Biochemical	3168811	丹盛	Class 5	July 6, 2013	
161.	Shanghai No. 1 Biochemical	3518890	脂唯他	Class 5	February 13, 2018	
162.	Shanghai No. 1 Biochemical	3692228	复甘	Class 5	January 6, 2016	
163.	Shanghai No. 1 Biochemical	4377019	旨新怡	Class 5	May 13, 2018	
164.	Shanghai No. 1 Biochemical	3411401	力素	Class 5	September 20, 2014	
165.	Shanghai Ziyuan Pharmaceutical Co., Ltd.	4459309	紫源	Class 5	April 13, 2018	

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166.	Shanghai Ziyuan Pharmaceutical Co., Ltd.	4427208		Class 5	May 20, 2018	
167.	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	1302735		Class 5	August 13, 2009	
168.	Shanghai Shanglian Pharmaceutical Co., Ltd. (上海上聯藥業有限公司)	1770687		Class 5	May 20, 2012	
169.	Shanghai Industrial United Holdings Pharmaceutical Co., Ltd.	4487973		Class 5	May 6, 2018	This trademark has been licensed to Shanglian Pharmaceutical and the license expires on May 6, 2018
170.	Shanghai Industrial United Holdings Pharmaceutical Co., Ltd.	4502083		Class 30	September 6, 2017	This trademark has been licensed to Shanglian Pharmaceutical and the license expires on Sep 6, 2017
171.	Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (the predecessor of Shanglian Pharmaceutical) (上海實業聯合集團製藥有限公司（系上聯藥業前身）)	6058182		Class 5	February 6, 2020	

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172.	Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. (the predecessor of Shanglian Pharmaceutical) (上海實業聯合集團製藥有限公司（系上聯藥業前身）)	6058181		Class 30	December 20, 2019	
173.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	381337		Class 10	February 28, 2013	This is a branch company of Shanghai Medical Instruments Co., Ltd.
174.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	100489		Class 5	February 28, 2013	
175.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory(上海醫療器械股份有限公司齒科材料廠)	100490		Class 7	February 28, 2013	
176.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	100491		Class 9	February 28, 2013	
177.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	381338		Class 8	February 28, 2013	
178.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	3024400	上 齿	Class 10	March 6, 2013	
179.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	1573923	上 齿	Class 7	May 20, 2011	
180.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	1574107	上 齿	Class 8	May 20, 2011	

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181.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	1606563	上 齿	Class 9	July 20, 2011	
182.	Shanghai Medical Instruments Co., Ltd., Dental Material Factory (上海醫療器械股份有限公司齒科材料廠)	1620503	上 齿	Class 5	August 20, 2011	
183.	Shanghai Medical Instruments Co., Ltd. Dental Material Factory (上海醫療器械股份有限公司齒科機械廠)	1479098	SDIF	Class 10	November 20, 2020	
184.	Shanghai Kangge Special Medical Instruments Factory (上海康鴿特種醫用器械廠) (the predecessor of Shanghai Shangyi Kangge Medical Equipment Co., Ltd.)	1519436	KG	Class 10	February 6, 2021	
185.	Shanghai Shengli Medical Instruments Co., Ltd. (上海勝利醫療器械有限公司)	1685537		Class 10	December 20, 2011	
186.	Shanghai Shengli Medical Instruments Co., Ltd. (上海勝利醫療器械有限公司)	617516		Class 10	November 9, 2012	
187.	Shanghai Medical Instruments Co., Ltd. Dental Medical Instruments Factory (上海醫療器械股份有限公司齒科醫械廠)	910168		Class 10	December 6, 2016	
188.	Shanghai Medical Instruments Co., Ltd., the Medical Optical Instruments Factory (上海醫療器械股份有限公司醫用光學儀器廠)	1637566	上医光	Class 10	September 20, 2011	This is a branch company of Shanghai Medical Instruments Co., Ltd.
189.	Shanghai Medical Optical Instruments Factory (上海醫用光學儀器廠)	1181568	SMOIF	Class 10	June 6, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
190.	Shanghai Medical Optical Instruments Factory (上海醫用光學儀器廠)	100485		Class 10	February 28, 2013	
191.	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療設備廠)	1153055		Class 10	February 20, 2018	This is a branch company of Shanghai Medical Instruments Co., Ltd.
192.	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療設備廠)	1467023		Class 10	October 27, 2020	
193.	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療設備廠)	381628	玉兔牌	Class 10	February 28, 2013	
194.	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療設備廠)	1161204		Class 10	March 20, 2018	
195.	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療設備廠)	1920595	斯迈孚	Class 10	December 6, 2012	
196.	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療設備廠)	1920121	SMEF	Class 10	January 20, 2013	
197.	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療設備廠)	284214		Class 10	April 19, 2017	

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198.	Medical Equipment Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療設備廠)	135958		Class 10	February 28, 2013	
199.	No. 5 Medical Instruments Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療器械五廠)	216584		Class 10	December 24, 2014	This is a branch company of Shanghai Medical Instruments Co., Ltd.
200.	No. 5 Medical Instruments Factory of Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司醫療器械五廠)	4131189		Class 10	January 20, 2017	
201.	Shanghai Dental Medical Instruments Factory (上海齒科醫械廠)	898068		Class 10	November 13, 2016	
202.	Shanghai Dental Medical Instruments Factory (上海齒科醫械廠)	898079		Class 10	November 13, 2016	
203.	Shanghai Dental Medical Instruments Factory (上海齒科醫械廠)	898104		Class 10	November 13, 2016	
204.	Shanghai Dental Medical Instruments Factory (上海齒科醫械廠)	910168		Class 10	December 6, 2016	

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205.	Shanghai Medical Instruments Co., Ltd	6140852		Class 10	December 20, 2019	
206.	Shanghai Pharmaceutical Distribution Co.	151178		Class 5	February 28, 2013	
207.	Shanghai Pharmaceutical Distribution Co.	808051		Class 5	January 20, 2016	
208.	Shanghai Pharmaceutical Distribution Co.	5011144	SHAPHAR	Class 5	April 20, 2019	
209.	Shanghai Pharmaceutical Distribution Co.	5011145	SHAPHAR	Class 5	April 20, 2019	
210.	Shanghai Pharmaceutical Distribution Co.	5673709	SPDC	Class 39	October 27, 2019	
211.	Shanghai Pharmaceutical Distribution Co.	5673710	SPDC	Class 39	October 27, 2019	
212.	Shanghai Pharmaceutical Distribution Co.	798252		Class 5	December 13, 2015	
213.	Shanghai Pharmaceutical Distribution Co.	820401		Class 10	March 6, 2016	
214.	Shanghai Pharmaceutical Distribution Co.	1020850	金 龟	Class 5	June 6, 2017	
215.	Shanghai Pharmaceutical Distribution Co.	1226146		Class 5	November 27, 2018	
216.	Shanghai Pharmaceutical Distribution Co.	4530854	LIFLOXIN	Class 5	May 20, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
217.	Shanghai Pharmaceutical Distribution Co.	4530855	FELGIN	Class 5	May 20, 2018	
218.	Shanghai Pharmaceutical Distribution Co.	4530856	MOLCHI	Class 5	May 13, 2018	
219.	Shanghai Pharmaceutical Distribution Co.	4530857	FEVAFIX	Class 5	May 13, 2018	
220.	Shanghai Pharmaceutical Distribution Co.	4530858	LIFLIN	Class 5	May 13, 2018	
221.	Shanghai Pharmaceutical Distribution Co.	4530859	CIMAX	Class 5	May 13, 2018	
222.	Shanghai Pharmaceutical Distribution Co.	4530860	MAURIGIN	Class 5	May 13, 2018	
223.	Shanghai Pharmaceutical Distribution Co.	4530861	CLOFIN	Class 5	May 13, 2018	
224.	Shanghai Pharmaceutical Distribution Co.	4530863	NIXA-G	Class 5	May 13, 2018	
225.	Shanghai Pharmaceutical Distribution Co.	4530867	LILYAPETI	Class 5	May 13, 2018	
226.	Shanghai Pharmaceutical Distribution Co.	4530868	ZONALGIN	Class 5	May 13, 2018	
227.	Shanghai Pharmaceutical Distribution Co.	4530869	TEMIDO	Class 5	May 13, 2018	
228.	Shanghai Pharmaceutical Distribution Co.	4530870	MALAMOX	Class 5	May 13, 2018	
229.	Shanghai Pharmaceutical Distribution Co.	4530871	DICLOXIN	Class 5	May 13, 2018	
230.	Shanghai Pharmaceutical Distribution Co.	4530872	MEDIPHENICOL	Class 5	May 13, 2018	
231.	Shanghai Pharmaceutical Distribution Co.	4530873	GRENIN	Class 5	May 13, 2018	
232.	Shanghai Pharmaceutical Distribution Co.	4530874	DIGO	Class 5	May 13, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
233.	Shanghai Pharmaceutical Distribution Co.	4530885	TAMAN	Class 5	May 13, 2018	
234.	Shanghai Pharmaceutical Distribution Co.	4530886	SUPERLIFETI	Class 5	May 13, 2018	
235.	Shanghai Pharmaceutical Distribution Co.	4530887	CIMOXIL	Class 5	May 13, 2018	
236.	Shanghai Pharmaceutical Distribution Co.	4530888	GEOVIN	Class 5	May 13, 2018	
237.	Shanghai Pharmaceutical Distribution Co.	4530889	MOXEEL	Class 5	May 13, 2018	
238.	Shanghai Pharmaceutical Distribution Co.	4530890	BASSLOX	Class 5	May 13, 2018	
239.	Shanghai Pharmaceutical Distribution Co.	4530891	VERAK	Class 5	May 13, 2018	
240.	Shanghai Pharmaceutical Distribution Co.	4530892	RONIDA	Class 5	May 13, 2018	
241.	Shanghai Pharmaceutical Distribution Co.	4530893	ROGIT	Class 5	May 13, 2018	
242.	Shanghai Pharmaceutical Distribution Co.	3546060	GOLDEN RAIN	Class 18	June 27, 2015	
243.	Shanghai Pharmaceutical Distribution Co.	3546061	CHUVI	Class 12	December 13, 2014	
244.	Shanghai Pharmaceutical Distribution Co.	3546062	[illegible]	Class 12	December 13, 2014	
245.	Shanghai Pharmaceutical Distribution Co.	4215373	JIJI	Class 7	December 27, 2016	
246.	Shanghai Pharmaceutical Distribution Co.	4215374	Spartek	Class 7	January 6, 2017	
247.	Shanghai Pharmaceutical Distribution Co.	4215376		Class 7	January 27, 2017	
248.	Huashi Pharmacy	1523801	华氏	Class 35	February 13, 2021	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
249.	Huashi Pharmacy	4848554	华氏	Class 39	July 6, 2019	
250.	Huashi Pharmacy	4848555	华氏	Class 21	April 6, 2019	
251.	Huashi Pharmacy	4794436		Class 5	May 6, 2019	
252.	Huashi Pharmacy	4852509	华氏	Class 3	June 20, 2019	
253.	Huashi Pharmacy	4852510	华氏	Class 5	February 20, 2019	
254.	Huashi Pharmacy	4852511	华氏	Class 10	July 20, 2018	
255.	Huashi Pharmacy	4852521	HSDRUG	Class 5	January 6, 2020	
256.	Huashi Pharmacy	4852503	HSDRUG	Class 35	March 6, 2019	
257.	Huashi Pharmacy	4852504	HSDRUG	Class 16	January 20, 2019	
258.	Huashi Pharmacy	4852505	HSDRUG	Class 21	January 20, 2019	
259.	Huashi Pharmacy	4852506	HSDRUG	Class 32	May 13, 2018	
260.	Huashi Pharmacy	4852507	HSDRUG	Class 33	May 13, 2018	
261.	Huashi Pharmacy	4852520	HSDRUG	Class 44	April 20, 2019	
262.	Huashi Pharmacy	4852521	HSDRUG	Class 3	March 6, 2019	
263.	Huashi Pharmacy	4852502	HSDRUG	Class 10	July 27, 2018	
264.	Huashi Pharmacy	4848520	HSDRUG	Class 30	May 13, 2018	

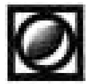
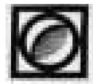
Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
265.	Huashi Pharmacy	4852508	HSDRUG	Class 39	March 6, 2019	
266.	Huashi Pharmacy	3737786	华氏	Class 5	April 13, 2016	
267.	Huashi Pharmacy	1588373	华氏	Class 5	June 20, 2011	
268.	Huashi Pharmacy	4794431		Class 16	February 20, 2019	
269.	Huashi Pharmacy	4794432		Class 44	February 27, 2019	
270.	Huashi Pharmacy	4794433		Class 35	January 27, 2019	
271.	Huashi Pharmacy	4794434		Class 30	April 6, 2018	
272.	Huashi Pharmacy	4794435		Class 10	June 6, 2018	
273.	Huashi Pharmacy	4794437		Class 3	March 6, 2019	
274.	Huashi Pharmacy	4794446		Class 39	January 27, 2019	
275.	Huashi Pharmacy	4794447		Class 33	April 6, 2018	
276.	Huashi Pharmacy	4794448		Class 32	April 6, 2018	
277.	Huashi Pharmacy	4794449		Class 21	February 20, 2019	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
278.	Huashi Pharmacy	3763251	华氏	Class 10	May 27, 2015	
279.	Huashi Pharmacy	7059868	华氏	Class 35	August 27, 2020	
280.	Chiatai Qingchunbao	3527278	西子夫人	Class 30	October 6, 2014	
281.	Chiatai Qingchunbao	3527279	西子夫人	Class 5	February 20, 2015	
282.	Chiatai Qingchunbao	1906175	固苏桉	Class 5	October 20, 2012	
283.	Chiatai Qingchunbao	1352739	固疏安	Class 5	January 13, 2020	
284.	Chiatai Qingchunbao	1265252	克尔迈	Class 5	April 20, 2019	
285.	Chiatai Qingchunbao	1087276	信 宁	Class 5	August 27, 2017	
286.	Chiatai Qingchunbao	866095	狄 泰 辛	Class 5	August 27, 2016	
287.	Chiatai Qingchunbao	715082	金事力	Class 32	November 13, 2014	
288.	Chiatai Qingchunbao	726832	金事力	Class 29	January 27, 2015	
289.	Chiatai Qingchunbao	712209	金事力	Class 30	October 27, 2014	
290.	Chiatai Qingchunbao	711475	勤 可	Class 30	October 20, 2014	
291.	Chiatai Qingchunbao	726831	勤 可	Class 29	January 27, 2015	
292.	Chiatai Qingchunbao	715081	勤 可	Class 32	November 13, 2014	
293.	Chiatai Qingchunbao	712548	贝斯宝	Class 5	October 27, 2014	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
294.	Chiatai Qingchunbao	712667	天補力	Class 33	October 27, 2014	
295.	Chiatai Qingchunbao	687338	天補力	Class 5	April 27, 2014	
296.	Chiatai Qingchunbao	686030	桃源岭	Class 32	April 20, 2014	
297.	Chiatai Qingchunbao	1352740	阿齐舒	Class 5	January 13, 2020	
298.	Chiatai Qingchunbao	769703	正大青春宝	Class 40	October 13, 2014	
299.	Chiatai Qingchunbao	770344	正大青春宝	Class 37	October 20, 2014	
300.	Chiatai Qingchunbao	770564	正大青春宝	Class 36	October 27, 2014	
301.	Chiatai Qingchunbao	770509	正大青春宝	Class 35	October 27, 2014	
302.	Chiatai Qingchunbao	770468	正大青春宝	Class 42	October 20, 2014	
303.	Chiatai Qingchunbao	771305	正大青春宝	Class 39	November 6, 2014	
304.	Chiatai Qingchunbao	771707	正大青春宝	Class 41	November 13, 2014	
305.	Chiatai Qingchunbao	841123	正大青春宝	Class 31	May 20, 2016	
306.	Chiatai Qingchunbao	858312	正大青春宝	Class 11	July 27, 2016	
307.	Chiatai Qingchunbao	770208	正大青春宝	Class 38	October 20, 2014	
308.	Chiatai Qingchunbao	858743	正大青春宝	Class 9	July 27, 2016	
309.	Chiatai Qingchunbao	857398	正大青春宝	Class 28	July 20, 2016	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
310.	Chiatai Qingchunbao	858930	正大青春宝	Class 10	July 27, 2016	
311.	Chiatai Qingchunbao	859502	正大青春宝	Class 20	July 27, 2016	
312.	Chiatai Qingchunbao	861429	正大青春宝	Class 21	August 6, 2016	
313.	Chiatai Qingchunbao	875044	正大青春宝	Class 18	September 27, 2016	
314.	Chiatai Qingchunbao	860622	正大青春宝	Class 12	August 6, 2016	
315.	Chiatai Qingchunbao	711936		Class 24	October 20, 2014	
316.	Chiatai Qingchunbao	707232		Class 28	September 20, 2014	
317.	Chiatai Qingchunbao	709096		Class 30	October 6, 2014	
318.	Chiatai Qingchunbao	770815		Class 37	October 27, 2014	
319.	Chiatai Qingchunbao	3020698		Class 30	February 20, 2013	
320.	Chiatai Qingchunbao	685541		Class 7	April 13, 2014	
321.	Chiatai Qingchunbao	779366		Class 35	March 13, 2015	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
322.	Chiatai Qingchunbao	771154		Class 41	November 6, 2014	
323.	Chiatai Qingchunbao	770259		Class 39	October 20, 2014	
324.	Chiatai Qingchunbao	770207		Class 38	October 20, 2014	
325.	Chiatai Qingchunbao	769490		Class 42	October 6, 2014	
326.	Chiatai Qingchunbao	769172		Class 40	October 6, 2014	
327.	Chiatai Qingchunbao	689276		Class 3	May 13, 2014	
328.	Chiatai Qingchunbao	690563		Class 10	May 20, 2014	
329.	Chiatai Qingchunbao	769149		Class 36	October 6, 2014	
330.	Chiatai Qingchunbao	688103		Class 30	May 6, 2014	
331.	Chiatai Qingchunbao	688274		Class 29	May 6, 2014	
332.	Chiatai Qingchunbao	687339		Class 5	April 27, 2014	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
333.	Chiatai Qingchunbao	686027		Class 32	April 20, 2014	
334.	Chiatai Qingchunbao	704181		Class 5	September 6, 2014	
335.	Chiatai Qingchunbao	756522		Class 5	July 20, 2015	
336.	Chiatai Qingchunbao	4050033	金屏风	Class 5	February 6, 2017	
337.	Chiatai Qingchunbao	4050035	金屏风	Class 30	May 20, 2016	
338.	Chiatai Qingchunbao	4050032	金屏风	Class 5	February 6, 2017	
339.	Chiatai Qingchunbao	4050036	金屏风	Class 30	May 20, 2016	
340.	Chiatai Qingchunbao	4116829	平之乐	Class 30	September 6, 2016	
341.	Chiatai Qingchunbao	4116828	平之乐	Class 5	April 6, 2017	
342.	Chiatai Qingchunbao	5232057	正大永真	Class 30	March 27, 2019	
343.	Chiatai Qingchunbao	6428086	永真	Class 40	July 6, 2020	
344.	Chiatai Qingchunbao	5901252	永真片	Class 30	December 27, 2019	
345.	Chiatai Qingchunbao	5901250	永真片	Class 30	December 27, 2019	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
346.	Chiatai Qingchunbao	5232058	正大[illegible]	Class 5	July 13, 2019	
347.	Chiatai Qingchunbao	6807944	永真	Class 31	April 13, 2020	
348.	Chiatai Qingchunbao	6428083	永真	Class 1	March 27, 2020	
349.	Chiatai Qingchunbao	6598451	永真	Class 7	March 27, 2020	
350.	Chiatai Qingchunbao	6428084	永真	Class 10	March 6, 2020	
351.	Chiatai Qingchunbao	6598450	永真	Class 29	March 6, 2020	
352.	Chiatai Qingchunbao	4625795		Class 30	December 20, 2017	
353.	Chiatai Qingchunbao	5742484	波派舒 BOPAISHU	Class 30	October 6, 2019	
354.	Chiatai Qingchunbao	5246483		Class 30	April 6, 2019	
355.	Chiatai Qingchunbao	5246484		Class 5	October 6, 2019	
356.	Chiatai Qingchunbao	5246486		Class 30	April 6, 2019	
357.	Chiatai Qingchunbao	5246487		Class 5	July 13, 2019	
358.	Chiatai Qingchunbao	4506015	永真	Class 30	January 20, 2020	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
359.	Chiatai Qingchunbao	4506016	永真	Class 30	January 20, 2020	
360.	Chiatai Qingchunbao	4506017	永真	Class 5	June 6, 2020	
361.	Chiatai Qingchunbao	4506018	永真	Class 5	June 6, 2020	
362.	Chiatai Qingchunbao	4625794		Class 5	July 27, 2019	
363.	Chiatai Qingchunbao	5089660	KELITONG 科立通	Class 30	November 13, 2018	
364.	Chiatai Qingchunbao	5089661	KELITONG 科立通	Class 5	August 13, 2019	
365.	Chiatai Qingchunbao	5102444	速旨宁 SUZHINING	Class 5	August 13, 2019	
366.	Chiatai Qingchunbao	5102452	科旨宁 KEZHINING	Class 5	August 13, 2019	
367.	Chiatai Qingchunbao	5102453	科瑞通 KERUITONG	Class 5	May 20, 2019	

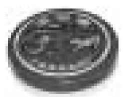
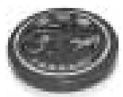
Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
368.	Chiatai Qingchunbao	5102454	科易舒 KEYISHU	Class 5	May 20, 2019	
369.	Chiatai Qingchunbao	5102455	科利菲 KELIFEI	Class 5	May 20, 2019	
370.	Chiatai Qingchunbao	5102456	科利菲 KELIFEI	Class 30	November 13, 2018	
371.	Chiatai Qingchunbao	5102457	科易舒 KEYISHU	Class 30	November 13, 2018	
372.	Chiatai Qingchunbao	5102458	科瑞通 KERUITONG	Class 30	November 13, 2018	
373.	Chiatai Qingchunbao	5102459	科旨宁 KEZHINING	Class 30	November 13, 2018	
374.	Chiatai Qingchunbao	5102460	速旨宁 SUZHINING	Class 30	November 13, 2018	
375.	Chiatai Qingchunbao	5742483	波派舒 BOPAISHU	Class 5	December 6, 2019	
376.	Chiatai Qingchunbao	5742485	唐宁1号 TANGNINGYIHAO	Class 5	December 20, 2019	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
377.	Chiatai Qingchunbao	5742486	唐宁 TANGNING	Class 5	April 13, 2020	
378.	Chiatai Qingchunbao	6428085	永真	Class 32	September 27, 2020	
379.	Chiatai Qingchunbao	6598452	永真	Class 42	August 27, 2020	
380.	Chiatai Qingchunbao	6807941	永真	Class 44	September 27, 2020	
381.	Chiatai Qingchunbao	6807942	永真	Class 43	September 20, 2020	
382.	Chiatai Qingchunbao	6807943	永真	Class 35	September 20, 2020	
383.	Chiatai Qingchunbao	7174564	伏高	Class 5	August 13, 2020	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
384.	Zhongxi Sunve	101280		Class 5	February 28, 2013	
385.	Zhongxi Sunve	1644403	维沙欣	Class 5	October 6, 2011	
386.	Zhongxi Sunve	1745542	三维康	Class 5	April 13, 2012	
387.	Zhongxi Sunve	3642378	维绛知	Class 5	October 27, 2015	
388.	Zhongxi Sunve	3715742	维洁信	Class 5	February 13, 2016	
389.	Zhongxi Sunve	4567506	SUNVE	Class 5	August 6, 2019	
390.	Zhongxi Sunve	4567507	维戈洛	Class 5	August 6, 2018	
391.	Zhongxi Sunve	4567508	维柳芬	Class 5	August 6, 2018	
392.	Zhongxi Sunve	719521	三维	Class 30	December 13, 2014	
393.	Zhongxi Sunve	719523	SUNVE	Class 30	December 13, 2014	
394.	Zhongxi Sunve	720673	SUNVE	Class 31	December 20, 2014	
395.	Zhongxi Sunve	720703	三维	Class 3	December 20, 2014	
396.	Zhongxi Sunve	721002	三维	Class 5	December 20, 2014	
397.	Zhongxi Sunve	721025	SUNVE	Class 5	December 20, 2014	
398.	Zhongxi Sunve	721282	三维	Class 7	December 20, 2014	
399.	Zhongxi Sunve	722110	SUNVE	Class 3	December 27, 2014	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
400.	Zhongxi Sunve	722509	SUNVE	Class 7	December 27, 2014	
401.	Zhongxi Sunve	964176	SUNVECON	Class 5	March 20, 2017	
402.	Zhonghua Pharmaceutical	944551		Class 3	February 13, 2017	Has been transfered to Zhonghua Pharmaceutical
403.	Zhonghua Pharmaceutical	3045483		Class 3	June 6, 2013	Has been transfered to Zhonghua Pharmaceutical
404.	Zhonghua Pharmaceutical	266342		Class 5	October 19, 2016	Has been transfered to Zhonghua Pharmaceutical
405.	Zhonghua Pharmaceutical	306133		Class 5	December 29, 2017	Has been transfered to Zhonghua Pharmaceutical
406.	Zhonghua Pharmaceutical	936703		Class 5	January 27, 2017	Has been transfered to Zhonghua Pharmaceutical
407.	Zhonghua Pharmaceutical	3045487		Class 5	February 27, 2013	Has been transfered to Zhonghua Pharmaceutical
408.	Zhonghua Pharmaceutical	3583287		Class 5	July 20, 2015	Has been transfered to Zhonghua Pharmaceutical
409.	Zhonghua Pharmaceutical	1447692		Class 30	September 20, 2020	Has been transfered to Zhonghua Pharmaceutical
410.	Zhonghua Pharmaceutical	3045485		Class 30	March 13, 2013	Has been transfered to Zhonghua Pharmaceutical

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
411.	Zhonghua Pharmaceutical	3045484	龍虎	Class 3	May 20, 2014	Has been transfered to Zhonghua Pharmaceutical
412.	Zhonghua Pharmaceutical	756560	龍虎	Class 5	July 20, 2015	Has been transfered to Zhonghua Pharmaceutical
413.	Zhonghua Pharmaceutical	3045488	龍虎	Class 5	January 20, 2014	Has been transfered to Zhonghua Pharmaceutical
414.	Zhonghua Pharmaceutical	3583288	龍虎	Class 5	June 20, 2015	Has been transfered to Zhonghua Pharmaceutical
415.	Zhonghua Pharmaceutical	22080		Class 5	February 28, 2013	Has been transfered to Zhonghua Pharmaceutical
416.	Zhonghua Pharmaceutical	3583286		Class 5	October 20, 2015	Has been transfered to Zhonghua Pharmaceutical
417.	Zhonghua Pharmaceutical	3045481		Class 30	May 13, 2014	Has been transfered to Zhonghua Pharmaceutical
418.	Zhonghua Pharmaceutical	3045482		Class 5	February 27, 2013	Has been transfered to Zhonghua Pharmaceutical
419.	Zhonghua Pharmaceutical	1780366	龙虎	Class 3	June 6, 2012	Has been transfered to Zhonghua Pharmaceutical
420.	Zhonghua Pharmaceutical	756561	龙虎	Class 5	July 20, 2015	Has been transfered to Zhonghua Pharmaceutical

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
421.	Zhonghua Pharmaceutical	1447690	龙虎	Class 30	September 20, 2020	Has been transfered to Zhonghua Pharmaceutical
422.	Zhonghua Pharmaceutical	3583282	龙 虎	Class 3	October 20, 2015	Has been transfered to Zhonghua Pharmaceutical
423.	Zhonghua Pharmaceutical	3583285	龙 虎	Class 5	October 6, 2015	Has been transfered to Zhonghua Pharmaceutical
424.	Zhonghua Pharmaceutical	3583271	新龙虎	Class 3	October 20, 2015	Has been transfered to Zhonghua Pharmaceutical
425.	Zhonghua Pharmaceutical	3583289	新龙虎	Class 5	October 6, 2015	Has been transfered to Zhonghua Pharmaceutical
426.	Zhonghua Pharmaceutical	3583283	龙虎	Class 3	October 20, 2015	Has been transfered to Zhonghua Pharmaceutical
427.	Zhonghua Pharmaceutical	3583284	龙虎	Class 5	October 6, 2015	Has been transfered to Zhonghua Pharmaceutical
428.	Zhonghua Pharmaceutical	101288		Class 5	February 28, 2013	Has been transfered to Zhonghua Pharmaceutical
429.	Zhonghua Pharmaceutical	3451574		Class 5	October 20, 2014	Has been transfered to Zhonghua Pharmaceutical
430.	Zhonghua Pharmaceutical	3451575		Class 5	October 20, 2014	Has been transfered to Zhonghua Pharmaceutical

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
431.	Zhonghua Pharmaceutical	936613		Class 5	January 27, 2017	Has been transfered to Zhonghua Pharmaceutical
432.	Zhonghua Pharmaceutical	960722		Class 5	March 13, 2017	Has been transfered to Zhonghua Pharmaceutical
433.	Zhonghua Pharmaceutical	5083366		Class 5	May 13, 2019	Has been transfered to Zhonghua Pharmaceutical
434.	Zhonghua Pharmaceutical	3451576		Class 5	October 20, 2014	Has been transfered to Zhonghua Pharmaceutical
435.	Zhonghua Pharmaceutical	3451577		Class 5	October 20, 2014	Has been transfered to Zhonghua Pharmaceutical
436.	Zhonghua Pharmaceutical	978763		Class 5	April 13, 2017	Has been transfered to Zhonghua Pharmaceutical
437.	Zhonghua Pharmaceutical	1008861	ROYAL	Class 5	May 20, 2017	Has been transfered to Zhonghua Pharmaceutical
438.	Zhonghua Pharmaceutical	1008897		Class 5	May 20, 2017	Has been transfered to Zhonghua Pharmaceutical
439.	Zhonghua Pharmaceutical	3590941	伊舒通	Class 5	June 27, 2015	Has been transfered to Zhonghua Pharmaceutical

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
440.	Zhonghua Pharmaceutical	3035673	伊斯妍	Class 5	December 27, 2012	Has been transfered to Zhonghua Pharmaceutical
441.	Zhonghua Pharmaceutical	4413973		Class 3	March 13, 2019	Has been transfered to Zhonghua Pharmaceutical
442.	Zhonghua Pharmaceutical	5083365		Class 5	May 13, 2019	Has been transfered to Zhonghua Pharmaceutical
443.	Zhonghua Pharmaceutical	635065	帕尔克	Class 5	March 29, 2013	Has been transfered to Zhonghua Pharmaceutical
444.	Zhonghua Pharmaceutical	3322836	新帕尔克	Class 5	March 13, 2014	
445.	Zhonghua Pharmaceutical	5125432		Class 5	May 27, 2019	
446.	Zhonghua Pharmaceutical	5125431	帕尔克	Class 5	May 27, 2019	
447.	Zhonghua Pharmaceutical	5125430	小帕尔克	Class 5	May 27, 2019	
448.	Zhonghua Pharmaceutical	5125429		Class 5	May 27, 2019	
449.	Zhonghua Pharmaceutical	5125428		Class 5	May 27, 2019	
450.	Zhonghua Pharmaceutical	4703612		—	August 22, 2013	Registered in Japan
451.	Zhonghua Pharmaceutical	2755373		—	August 26, 2013	Registered in United States
452.	Zhonghua Pharmaceutical	2991222	ROYAL	—	August 26, 2013	Registered in United States

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
453.	Zhonghua Pharmaceutical	6766657	霈布	Class 5	May 27, 2020	
454.	Zhonghua Pharmaceutical	5154684		Class 5	June 13, 2019	
455.	Zhonghua Pharmaceutical	4353188		Class 5	December 27, 2017	
456.	Zhonghua Pharmaceutical	6067153		Class 5	February 13, 2020	
457.	Zhonghua Pharmaceutical	6067143		Class 3	January 20, 2020	
458.	Zhonghua Pharmaceutical	6067144		Class 3	January 20, 2020	
459.	Zhonghua Pharmaceutical	6067148		Class 5	March 20, 2021	
460.	Zhonghua Pharmaceutical	5154683		Class 5	June 13, 2019	
461.	Zhonghua Pharmaceutical	3045480		Class 3	March 13, 2014	
462.	Zhonghua Pharmaceutical	6067158		Class 30	December 27, 2019	
463.	Zhonghua Pharmaceutical	6067160		Class 30	December 27, 2019	
464.	Zhonghua Pharmaceutical	6067149		Class 5	February 13, 2020	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
465.	Zhonghua Pharmaceutical	6067152		Class 5	February 13, 2020	
466.	Zhonghua Pharmaceutical	6067147		Class 3	January 20, 2020	
467.	Zhonghua Pharmaceutical	16058/02		—	December 27, 2011	Registered in Cambodia
468.	Zhonghua Pharmaceutical	16057/02	龍虎	—	December 27, 2011	Registered in Cambodia
469.	Zhonghua Pharmaceutical	48472		Class 5	December 27, 2011	Registered in Vietnam
470.	Zhonghua Pharmaceutical	49018		Class 5	December 27, 2011	Registered in Vietnam
471.	Zhonghua Pharmaceutical	Kor194311	龍虎	—	November 14, 2012	Registered in Thailand
472.	Zhonghua Pharmaceutical	IDM000006016	龍虎	Class 5	January 23, 2013	Registered in Indonesia
473.	Zhonghua Pharmaceutical	825512		Class 5	November 1, 2018	Registered in India
474.	Zhonghua Pharmaceutical	126747		Class 5	September 1, 2013	Registered in Russia
475.	Zhonghua Pharmaceutical	140851		—	September 10, 2013	Registered in Hungary
476.	Zhonghua Pharmaceutical	87302		—	September 21, 2013	Registered in Poland

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
477.	Zhonghua Pharmaceutical	28283		Class 5	October 28, 2016	Registered in Romania
478.	Zhonghua Pharmaceutical	23194		Class 5	February 2, 2012	Registered in Tanzania
479.	Zhonghua Pharmaceutical	19352		Class 5	February 6, 2016	Registered in Uganda
480.	Zhonghua Pharmaceutical	4875/95		Class 5	February 17, 2015	Registered in Democratic Republic of Congo
481.	Zhonghua Pharmaceutical	1141 OF 2002		Class 5	August 30, 2011	Registered in Burma
482.	Zhonghua Pharmaceutical	14487		—	April 28, 2012	Registered in Syria
483.	Zhonghua Pharmaceutical	16059/02		—	December 27, 2011	Registered in Cambodia
484.	Zhonghua Pharmaceutical	Kor219344		—	November 14, 2012	Registered in Thailand
485.	Zhonghua Pharmaceutical	731713		—	August 13, 2012	Registered in Benelux
486.	Zhonghua Pharmaceutical	24480		Class 5	January 13, 2019	Registered in Cyprus
487.	Zhonghua Pharmaceutical	46018 B		Class 5	June 23, 2014	Registered in Kenya

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
488.	Zhonghua Pharmaceutical	37544		—	August 7, 2015	Registered in Nigeria
489.	Zhonghua Pharmaceutical	22326		—	October 14, 2017	Registered in Ghana
490.	Zhonghua Pharmaceutical	341		Class 5	December 22, 2011	Registered in Tunisia
491.	Zhonghua Pharmaceutical	22428		Class 5	February 6, 2012	Registered in Organisation Africaine de la Propriété Intellectuelle
492.	Zhonghua Pharmaceutical	493562		Class 5	September 20, 2014	Registered in Mexico
493.	Zhonghua Pharmaceutical	1385/90		Class 5	May 16, 2015	Registered in Ecuador
494.	Zhonghua Pharmaceutical	821079042		Class 5	May 31, 2015	Registered in Brazil
495.	Zhonghua Pharmaceutical	821079034		Class 3	May 31, 2015	Registered in Brazil
496.	Zhonghua Pharmaceutical	A 551897		Class 5	March 12, 2018	Registered in Australia
497.	Zhonghua Pharmaceutical	22209		Class 5	April 23, 2019	Registered in Fiji

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
498.	Zhonghua Pharmaceutical	3218757		—	June 9, 2013	Registered in European Union
499.	Zhonghua Pharmaceutical	3583279	龙虎	Class 30	February 20, 2021	
500.	Zhonghua Pharmaceutical	6067157		Class 30	December 27, 2019	
501.	Zhonghua Pharmaceutical	6067142		Class 3	February 13, 2021	
502.	Zhonghua Pharmaceutical	6067145		Class 3	February 13, 2021	
503.	Zhonghua Pharmaceutical	6067146		Class 3	February 13, 2021	
504.	Zhonghua Pharmaceutical	3583270	新龙虎	Class 30	February 20, 2021	
505.	Shanghai Huayu Pharmaceutical Co., Ltd.	305179		Class 5	December 19, 2017	
506.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	780155		Class 5	October 6, 2015	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
507.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	780154	丹田	Class 5	October 6, 2015	
508.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	1416354	杏 灵	Class 5	July 6, 2020	
509.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	802249	斯泰隆	Class 5	December 27, 2015	
510.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	2677269	杏灵	Class 5	January 13, 2013	Registered in United States
511.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	2674579		Class 5	January 13, 2013	Registered in United States
512.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	4098403	力能保 COMING-POWER	Class 30	October 6, 2016	
513.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	4098401	糖爱保 DIA-POWER	Class 30	October 20, 2016	
514.	Shanghai Xingling Pharmaceutical Technology Co., Ltd.	4098402	通美保 CLEAR-POWER	Class 30	October 20, 2016	
515.	Shanghai Xinde Traditional Chinese Medicines Co., Ltd.(上海信德中藥公司)	593675		Class 5	May 9, 2012	
516.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3674081	五女山	Class 39	August 13, 2015	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
517.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3674080	五女山	Class 28	January 6, 2016	
518.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3674084	五女山	Class 41	August 13, 2015	
519.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3707523	五女山	Class 29	April 27, 2015	
520.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3674082	五女山	Class 7	June 13, 2015	
521.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3674086	五女山	Class 14	November 13, 2015	
522.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3674085	五女山	Class 43	January 13, 2016	
523.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3674083	五女山	Class 40	August 6, 2015	
524.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	1974387	Hengren	Class 5	November 20, 2012	
525.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	1974399		Class 5	December 13, 2012	
526.	Liaoning Huanhong Pharmaceutical Co., Ltd. (遼寧省桓紅藥業有限公司)	2008087	恒仁	Class 40	March 27, 2013	
527.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3772858	好护士	Class 30	October 20, 2015	
528.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3707524		Class 5	January 20, 2016	
529.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3668732	沃野	Class 5	March 6, 2016	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
530.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3772857	新护士	Class 10	November 20, 2015	
531.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3552799	正宇	Class 5	June 27, 2015	
532.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3552800	东仁	Class 5	April 20, 2015	
533.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	1969709		Class 35	March 27, 2013	
534.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	1906018		Class 5	January 20, 2014	
535.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	1974396	恒仁堂	Class 5	January 20, 2014	
536.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	1974394	恒仁	Class 5	January 20, 2014	
537.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3354475		Class 5	June 13, 2014	
538.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3881603		Class 5	June 13, 2016	
539.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3881604		Class 5	June 13, 2016	

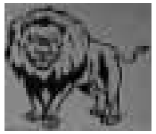
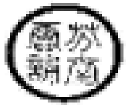
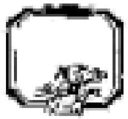
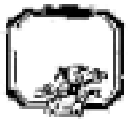
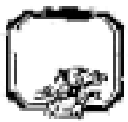
Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
540.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3945063	herbapex	Class 5	November 6, 2016	
541.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3938140	恒药	Class 5	October 27, 2016	
542.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	866126		Class 5	August 27, 2016	
543.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	4548968		Class 5	June 27, 2018	
544.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3831137		Class 5	July 20, 2018	
545.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	4057352	好护士	Class 5	July 27, 2017	
546.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	3772859	好护士	Class 5	June 6, 2016	
547.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	4268305		Class 5	October 13, 2017	
548.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	5005582	好护士	Class 10	March 20, 2019	
549.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	1170264	雷龙	Class 5	April 27, 2018	
550.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	1722728		Class 30	February 27, 2012	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
551.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	4079350	五女山山城	Class 5	May 20, 2017	
552.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	5005580	片癖	Class 5	June 20, 2019	
553.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	5005581	消乳	Class 5	June 20, 2019	
554.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	5005583	好护士	Class 21	May 27, 2019	
555.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	7365145		Class 5	September 20, 2020	
556.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	7365222		Class 30	August 27, 2020	
557.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	7365257		Class 32	August 27, 2020	
558.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	7365420		Class 29	October 20, 2020	
559.	Leiyunshang Pharmaceutical	1908630		Class 5	October 27, 2012	
560.	Leiyunshang Pharmaceutical	1724587		Class 5	March 6, 2012	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
561.	Leiyunshang Pharmaceutical	1567240		Class 30	May 6, 2021	
562.	Leiyunshang Pharmaceutical	1234282		Class 5	December 27, 2018	
563.	Leiyunshang Pharmaceutical	1714792	雷氏	Class 30	February 13, 2012	
564.	Leiyunshang Pharmaceutical	1056712	雷氏	Class 5	July 20, 2017	
565.	Leiyunshang Pharmaceutical	278587		Class 5	February 19, 2017	
566.	Leiyunshang Pharmaceutical	322774		Class 32	August 29, 2018	
567.	Leiyunshang Pharmaceutical	324082		Class 3	September 19, 2018	
568.	Leiyunshang Pharmaceutical	333106		Class 5	December 19, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
569.	Leiyunshang Pharmaceutical	333104		Class 5	December 19, 2018	
570.	Leiyunshang Pharmaceutical	681032	巴布 パップ	Class 5	March 13, 2014	
571.	Leiyunshang Pharmaceutical	681033	金胆	Class 5	March 13, 2014	
572.	Leiyunshang Pharmaceutical	681031	宫泰	Class 5	March 13, 2014	
573.	Leiyunshang Pharmaceutical	308715		Class 29	February 19, 2018	
574.	Leiyunshang Pharmaceutical	314445		Class 33	May 19, 2018	
575.	Leiyunshang Pharmaceutical	329397		Class 32	November 9, 2018	
576.	Leiyunshang Pharmaceutical	150118		Class 5	February 28, 2013	
577.	Leiyunshang Pharmaceutical	1104458		Class 5	September 20, 2017	

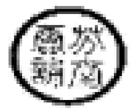
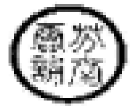
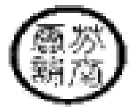
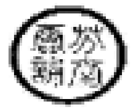
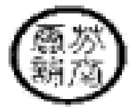
Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
578.	Leiyunshang Pharmaceutical	612992		Class 5	October 9, 2012	
579.	Leiyunshang Pharmaceutical	1023485		Class 30	June 6, 2017	
580.	Leiyunshang Pharmaceutical	1016665		Class 32	May 27, 2017	
581.	Leiyunshang Pharmaceutical	1367750	炮天红	Class 5	February 27, 2020	
582.	Leiyunshang Pharmaceutical	3449112	炮天红	Class 30	July 6, 2014	
583.	Leiyunshang Pharmaceutical	323984		Class 5	September 19, 2018	
584.	Leiyunshang Pharmaceutical	1334204	天盾	Class 30	November 13, 2019	
585.	Shanghai Leiyunshang Pharmaceutical Factory (上海雷允上製藥廠)	693369	逍遥	Class 30	June 13, 2014	
586.	Leiyunshang Pharmaceutical	384749	金狮	Class 5	September 9, 2020	

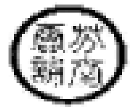
Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
587.	Leiyunshang Pharmaceutical	528250		Class 5	September 9, 2020	
588.	Leiyunshang Pharmaceutical	3508075		Class 33	October 6, 2014	
589.	Leiyunshang Pharmaceutical	3508111		Class 33	October 6, 2014	
590.	Leiyunshang Pharmaceutical	3508112		Class 33	October 6, 2014	
591.	Leiyunshang Pharmaceutical	3508109		Class 32	August 6, 2014	
592.	Leiyunshang Pharmaceutical	3508110		Class 32	August 6, 2014	
593.	Leiyunshang Pharmaceutical	3449122		Class 5	October 20, 2014	
594.	Leiyunshang Pharmaceutical	3449121		Class 5	October 20, 2014	
595.	Leiyunshang Pharmaceutical	3508108		Class 3	February 20, 2015	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
596.	Leiyunshang Pharmaceutical	3515471	喜考弗	Class 5	February 6, 2015	
597.	Leiyunshang Pharmaceutical	3508074		Class 3	March 6, 2015	
598.	Leiyunshang Pharmaceutical	972706	神家	Class 5	April 6, 2017	
599.	Leiyunshang Pharmaceutical	972705		Class 5	April 6, 2017	
600.	Leiyunshang Pharmaceutical	339054	神 S 象	Class 5	February 9, 2019	
601.	Leiyunshang Pharmaceutical	1055772	神 S 象	Class 36	July 13, 2017	
602.	Leiyunshang Pharmaceutical	1643008	神家	Class 30	September 27, 2011	
603.	Leiyunshang Pharmaceutical	1642991		Class 30	September 27, 2011	
604.	Leiyunshang Pharmaceutical	1642992	神 S 象	Class 30	September 27, 2011	
605.	Leiyunshang Pharmaceutical	1197491	神家	Class 32	August 6, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
606.	Leiyunshang Pharmaceutical	1197456		Class 32	August 6, 2018	
607.	Leiyunshang Pharmaceutical	1196150		Class 3	August 6, 2018	
608.	Leiyunshang Pharmaceutical	1216110		Class 3	October 20, 2018	
609.	Leiyunshang Pharmaceutical	1194960		Class 10	July 27, 2018	
610.	Leiyunshang Pharmaceutical	1194961		Class 10	July 27, 2018	
611.	Leiyunshang Pharmaceutical	1198371		Class 20	August 6, 2018	
612.	Leiyunshang Pharmaceutical	1196400		Class 20	August 13, 2018	
613.	Leiyunshang Pharmaceutical	1199394		Class 7	August 13, 2018	
614.	Leiyunshang Pharmaceutical	1199352		Class 7	August 13, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
615.	Leiyunshang Pharmaceutical	1079518		Class 35	August 13, 2017	
616.	Leiyunshang Pharmaceutical	1073854		Class 37	August 6, 2017	
617.	Leiyunshang Pharmaceutical	1049899		Class 39	July 6, 2017	
618.	Leiyunshang Pharmaceutical	1049650		Class 41	July 6, 2017	
619.	Leiyunshang Pharmaceutical	1067813		Class 42	July 27, 2017	
620.	Leiyunshang Pharmaceutical	3357989	神象	Class 5	May 27, 2014	
621.	Leiyunshang Pharmaceutical	1905821		Class 5	September 20, 2012	
622.	Leiyunshang Pharmaceutical	1954318		Class 30	November 6, 2012	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
623.	Leiyunshang Pharmaceutical	3256335		Class 5	January 6, 2014	
624.	Leiyunshang Pharmaceutical	3256336		Class 30	September 20, 2013	
625.	Leiyunshang Pharmaceutical	3256337		Class 5	January 6, 2014	
626.	Leiyunshang Pharmaceutical	3256338		Class 30	September 20, 2013	
627.	Leiyunshang Pharmaceutical	3726986	金狮	Class 5	April 13, 2016	
628.	Leiyunshang Pharmaceutical	4254303		Class 29	February 13, 2017	
629.	Leiyunshang Pharmaceutical	4254304		Class 30	February 13, 2017	
630.	Leiyunshang Pharmaceutical	4254302		Class 10	March 20, 2017	
631.	Leiyunshang Pharmaceutical	4254300		Class 3	August 27, 2017	
632.	Leiyunshang Pharmaceutical	4254301		Class 5	August 27, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
633.	Leiyunshang Pharmaceutical	4254305		Class 44	February 6, 2018	
634.	Leiyunshang Pharmaceutical	4254952	LEIYUNSHANG	Class 10	February 13, 2017	
635.	Leiyunshang Pharmaceutical	4254951	LEIYUNSHANG	Class 29	February 13, 2017	
636.	Leiyunshang Pharmaceutical	4254950	LEIYUNSHANG	Class 30	February 13, 2017	
637.	Leiyunshang Pharmaceutical	4254299	LEIYUNSHANG	Class 3	August 27, 2017	
638.	Leiyunshang Pharmaceutical	4254953	LEIYUNSHANG	Class 5	September 6, 2017	
639.	Leiyunshang Pharmaceutical	4254949	LEIYUNSHANG	Class 44	February 6, 2018	
640.	Leiyunshang Pharmaceutical	3508113		Class 3	February 20, 2015	
641.	Leiyunshang Pharmaceutical	3956734		Class 6	April 20, 2016	
642.	Leiyunshang Pharmaceutical	3956733		Class 7	April 20, 2016	
643.	Leiyunshang Pharmaceutical	3956732		Class 9	April 20, 2016	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
644.	Leiyunshang Pharmaceutical	3956806		Class 10	December 20, 2015	
645.	Leiyunshang Pharmaceutical	3956804		Class 12	April 20, 2016	
646.	Leiyunshang Pharmaceutical	3956803		Class 13	March 13, 2015	
647.	Leiyunshang Pharmaceutical	3956799		Class 18	November 27, 2017	
648.	Leiyunshang Pharmaceutical	3956809		Class 22	July 20, 2017	
649.	Leiyunshang Pharmaceutical	3956810		Class 23	July 20, 2017	
650.	Leiyunshang Pharmaceutical	3956811		Class 24	July 20, 2017	
651.	Leiyunshang Pharmaceutical	3956812		Class 25	August 20, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
652.	Leiyunshang Pharmaceutical	3956813		Class 26	July 20, 2017	
653.	Leiyunshang Pharmaceutical	3956814		Class 27	July 20, 2017	
654.	Leiyunshang Pharmaceutical	3956815		Class 28	November 27, 2017	
655.	Leiyunshang Pharmaceutical	3956820		Class 29	October 6, 2016	
656.	Leiyunshang Pharmaceutical	3956817		Class 30	February 13, 2016	
657.	Leiyunshang Pharmaceutical	3956819		Class 31	February 13, 2016	
658.	Leiyunshang Pharmaceutical	3956818		Class 34	February 13, 2016	
659.	Leiyunshang Pharmaceutical	3956823		Class 36	December 20, 2016	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
660.	Leiyunshang Pharmaceutical	3956821		Class 38	December 20, 2016	
661.	Leiyunshang Pharmaceutical	3956825		Class 39	December 20, 2016	
662.	Leiyunshang Pharmaceutical	3956826		Class 40	December 6, 2016	
663.	Leiyunshang Pharmaceutical	3956827		Class 41	December 6, 2016	
664.	Leiyunshang Pharmaceutical	3956828		Class 42	February 27, 2017	
665.	Leiyunshang Pharmaceutical	3956729		Class 43	January 6, 2017	
666.	Leiyunshang Pharmaceutical	3956730		Class 44	May 20, 2017	
667.	Leiyunshang Pharmaceutical	4149334		Class 30	December 27, 2016	
668.	Leiyunshang Pharmaceutical	4149335		Class 44	September 13, 2017	
669.	Leiyunshang Pharmaceutical	4148182		Class 5	September 27, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
670.	Leiyunshang Pharmaceutical	4115697	雷氏保健	Class 5	March 27, 2017	
671.	Leiyunshang Pharmaceutical	4295609	雷氏	Class 3	December 20, 2017	
672.	Leiyunshang Pharmaceutical	4295608	雷氏	Class 5	December 20, 2017	
673.	Leiyunshang Pharmaceutical	4295610	雷氏	Class 29	March 6, 2017	
674.	Leiyunshang Pharmaceutical	4295589	雷氏	Class 44	March 20, 2018	
675.	Leiyunshang Pharmaceutical	4295588	雷士	Class 3	December 6, 2017	
676.	Leiyunshang Pharmaceutical	4295587	雷士	Class 5	December 6, 2017	
677.	Leiyunshang Pharmaceutical	4295586	雷士	Class 29	March 6, 2017	
678.	Leiyunshang Pharmaceutical	4295585	雷士	Class 30	April 6, 2017	
679.	Leiyunshang Pharmaceutical	4285583	雷士	Class 44	June 13, 2018	
680.	Leiyunshang Pharmaceutical	4295601	雷仕	Class 3	December 6, 2017	
681.	Leiyunshang Pharmaceutical	4295603	雷仕	Class 5	December 6, 2017	
682.	Leiyunshang Pharmaceutical	4295604	雷仕	Class 29	March 6, 2017	
683.	Leiyunshang Pharmaceutical	4295605	雷仕	Class 30	April 6, 2017	
684.	Leiyunshang Pharmaceutical	4295612	雷仕	Class 44	June 13, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
685.	Leiyunshang Pharmaceutical	4295576	雷视	Class 3	December 6, 2017	
686.	Leiyunshang Pharmaceutical	4295575	雷视	Class 5	December 6, 2017	
687.	Leiyunshang Pharmaceutical	4295574	雷视	Class 29	March 6, 2017	
688.	Leiyunshang Pharmaceutical	4295602	雷视	Class 44	March 20, 2018	
689.	Leiyunshang Pharmaceutical	4295596	雷世	Class 3	December 6, 2017	
690.	Leiyunshang Pharmaceutical	4295595	雷世	Class 5	December 6, 2017	
691.	Leiyunshang Pharmaceutical	4295594	雷世	Class 29	April 6, 2017	
692.	Leiyunshang Pharmaceutical	4295597	雷世	Class 44	March 20, 2018	
693.	Leiyunshang Pharmaceutical	4381413	力 能 保	Class 30	July 13, 2017	
694.	Leiyunshang Pharmaceutical	4381411	通 美 保	Class 30	July 13, 2017	
695.	Leiyunshang Pharmaceutical	4381408	糖 爱 保	Class 30	July 13, 2017	
696.	Leiyunshang Pharmaceutical	4265911	雷氏前圣清	Class 5	October 13, 2017	
697.	Leiyunshang Pharmaceutical Shenxiang Ginseng Branch Company（神象參茸分公司）	4223045	神象康邦	Class 5	September 13, 2017	
698.	Leiyunshang Pharmaceutical	4566322	雷允上	Class 31	November 20, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
699.	Leiyunshang Pharmaceutical	4566323	雷允上	Class 29	February 6, 2018	
700.	Leiyunshang Pharmaceutical	4566325	雷允上	Class 3	July 27, 2018	
701.	Leiyunshang Pharmaceutical	4592271	雷氏 LEY'S	Class 3	August 13, 2018	
702.	Leiyunshang Pharmaceutical	4592274	雷氏 LEY'S	Class 33	December 20, 2017	
703.	Leiyunshang Pharmaceutical	4527446	雷氏 LEY'S	Class 5	May 20, 2018	
704.	Leiyunshang Pharmaceutical	4566321	雷允上	Class 44	October 13, 2018	
705.	Leiyunshang Pharmaceutical	4409826	Ley's	Class 5	February 13, 2018	
706.	Leiyunshang Pharmaceutical	4409827	Leys	Class 5	February 13, 2018	
707.	Leiyunshang Pharmaceutical	4589417	雷氏珍菊	Class 5	July 27, 2018	
708.	Leiyunshang Pharmaceutical	4589418	珍菊	Class 5	August 27, 2018	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
709.	Leiyunshang Pharmaceutical	4901048	神象野生	Class 30	September 13, 2018	
710.	Leiyunshang Pharmaceutical	4901050	神象野参	Class 30	September 27, 2018	
711.	Leiyunshang Pharmaceutical	4901052	神象野山	Class 30	September 27, 2018	
712.	Leiyunshang Pharmaceutical	4948324	雷氏凯康	Class 30	October 13, 2018	
713.	Leiyunshang Pharmaceutical	4780307		Class 30	June 6, 2018	
714.	Leiyunshang Pharmaceutical	5154919	雷氏尚品	Class 30	December 13, 2018	
715.	Leiyunshang Pharmaceutical	4901047	神象野山	Class 5	January 13, 2019	
716.	Leiyunshang Pharmaceutical	4901051	神象野山	Class 5	January 13, 2019	
717.	Leiyunshang Pharmaceutical	4948323	雷氏凯康	Class 5	May 6, 2019	
718.	Leiyunshang Pharmaceutical	3956731	雷氏	Class 45	February 27, 2017	
719.	Leiyunshang Pharmaceutical	3956735	雷氏	Class 4	February 6, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
720.	Leiyunshang Pharmaceutical	3956736		Class 3	February 6, 2017	
721.	Leiyunshang Pharmaceutical	3956737		Class 2	February 6, 2017	
722.	Leiyunshang Pharmaceutical	3956738		Class 1	February 6, 2017	
723.	Leiyunshang Pharmaceutical	3956794		Class 8	January 13, 2016	
724.	Leiyunshang Pharmaceutical	3956795		Class 5	February 6, 2017	
725.	Leiyunshang Pharmaceutical	3956796		Class 19	February 6, 2017	
726.	Leiyunshang Pharmaceutical	3956800		Class 16	February 6, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
727.	Leiyunshang Pharmaceutical	3956801		Class 15	February 6, 2017	
728.	Leiyunshang Pharmaceutical	3956802		Class 14	February 6, 2017	
729.	Leiyunshang Pharmaceutical	3956805		Class 11	January 27, 2016	
730.	Leiyunshang Pharmaceutical	3956808		Class 21	February 6, 2017	
731.	Leiyunshang Pharmaceutical	3956816		Class 17	February 6, 2017	
732.	Leiyunshang Pharmaceutical	3956821		Class 38	December 20, 2016	
733.	Leiyunshang Pharmaceutical	3956822		Class 37	February 27, 2017	
734.	Leiyunshang Pharmaceutical	4115697	雷氏保健	Class 5	March 27, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
735.	Leiyunshang Pharmaceutical	4148181	雷氏中药	Class 44	February 20, 2018	
736.	Leiyunshang Pharmaceutical	4148182	雷氏中药	Class 5	September 27, 2017	
737.	Leiyunshang Pharmaceutical	4149334	雷氏参茸	Class 30	December 27, 2016	
738.	Leiyunshang Pharmaceutical	4149335	雷氏参茸	Class 44	September 13, 2017	
739.	Leiyunshang Pharmaceutical	4149336	雷氏保健	Class 44	February 6, 2018	
740.	Leiyunshang Pharmaceutical	4149337	雷氏保健	Class 30	January 20, 2017	
741.	Leiyunshang Pharmaceutical	4295573	雷视	Class 32	March 6, 2017	
742.	Leiyunshang Pharmaceutical	4295577	雷士	Class 33	March 6, 2017	
743.	Leiyunshang Pharmaceutical	4295583	雷士	Class 44	June 13, 2018	
744.	Leiyunshang Pharmaceutical	4295584	雷士	Class 32	March 6, 2017	
745.	Leiyunshang Pharmaceutical	4295590	雪氏	Class 33	March 6, 2017	
746.	Leiyunshang Pharmaceutical	4295591	雷视	Class 30	March 6, 2017	
747.	Leiyunshang Pharmaceutical	4295592	雪氏	Class 32	March 6, 2017	
748.	Leiyunshang Pharmaceutical	4295593	雪氏	Class 30	March 6, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
749.	Leiyunshang Pharmaceutical	4295598	雷世	Class 33	March 6, 2017	
750.	Leiyunshang Pharmaceutical	4295599	雷世	Class 32	March 6, 2017	
751.	Leiyunshang Pharmaceutical	4295600	雷世	Class 30	March 6, 2017	
752.	Leiyunshang Pharmaceutical	4295603	雷仕	Class 5	December 6, 2017	
753.	Leiyunshang Pharmaceutical	4295606	雷仕	Class 33	March 6, 2017	
754.	Leiyunshang Pharmaceutical	4295607	雷仕	Class 32	March 6, 2017	
755.	Leiyunshang Pharmaceutical	4295611	雷视	Class 33	March 6, 2017	
756.	Leiyunshang Pharmaceutical	4381411	道 美 保	Class 30	July 13, 2017	
757.	Leiyunshang Pharmaceutical	4566321	雷允上	Class 44	October 13, 2018	
758.	Leiyunshang Pharmaceutical	4566324	雷允上	Class 5	September 27, 2018	
759.	Leiyunshang Pharmaceutical	4592273	LEYS	Class 44	October 20, 2018	
760.	Leiyunshang Pharmaceutical	4592275	LEYS	Class 30	December 20, 2017	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
761.	Leiyunshang Pharmaceutical	4780307		Class 30	June 6, 2018	
762.	Leiyunshang Pharmaceutical	4917695	雷氏膏方	Class 5	March 13, 2019	
763.	Leiyunshang Pharmaceutical	4917696	雷氏香袋	Class 5	March 27, 2019	
764.	Leiyunshang Pharmaceutical	4948324	雷氏凯康	Class 30	October 13, 2018	
765.	Leiyunshang Pharmaceutical	4989206	雷氏藿胆	Class 5	June 27, 2019	
766.	Leiyunshang Pharmaceutical	4989207	雷氏萆薢	Class 5	May 27, 2019	
767.	Leiyunshang Pharmaceutical	4989208	雷氏六神丸	Class 5	March 13, 2019	
768.	Leiyunshang Pharmaceutical	5108843	雷氏	Class 3	June 13, 2019	
769.	Leiyunshang Pharmaceutical	5108844	雷氏	Class 44	October 27, 2019	
770.	Leiyunshang Pharmaceutical	5108845	雷氏	Class 5	May 27, 2019	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
771.	Leiyunshang Pharmaceutical	5108846	雷氏	Class 30	November 13, 2018	
772.	Leiyunshang Pharmaceutical	5108847	雷氏	Class 33	November 13, 2018	
773.	Leiyunshang Pharmaceutical	5108848	雷氏	Class 32	November 13, 2018	
774.	Leiyunshang Pharmaceutical	5154918	雷氏阿胶尚品	Class 30	April 6, 2019	
775.	Leiyunshang Pharmaceutical	5159612	雷氏制造	Class 5	June 13, 2019	
776.	Leiyunshang Pharmaceutical	5159613	雷氏药业	Class 5	June 13, 2019	
777.	Leiyunshang Pharmaceutical	5159614	雷氏苏冰	Class 5	June 13, 2019	
778.	Leiyunshang Pharmaceutical	5159615	雷氏草药工厂	Class 5	October 27, 2019	
779.	Leiyunshang Pharmaceutical	5220583	雷氏	Class 30	March 27, 2019	
780.	Leiyunshang Pharmaceutical	5354863	雷宁	Class 30	July 20, 2019	
781.	Leiyunshang Pharmaceutical	5555503	雷氏健康欢乐行	Class 41	October 6, 2019	

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
782.	Leiyunshang Pharmaceutical	5764251		Class 35	May 27, 2020	
783.	Leiyunshang Pharmaceutical	5764252		Class 44	January 20, 2020	
784.	Leiyunshang Pharmaceutical	6069616		Class 44	July 6, 2020	
785.	Leiyunshang Pharmaceutical	6069615		Class 35	February 20, 2021	
786.	Leiyunshang Pharmaceutical	7922427	雷滋蕃六神丸	Class 5	January 20, 2021	
787.	Leiyunshang Pharmaceutical	7922432	滋蕃六神丸	Class 5	January 20, 2021	
788.	Leiyunshang Pharmaceutical	7922439	滋蕃公六神丸	Class 5	January 20, 2021	
789.	Leiyunshang Pharmaceutical	7922443	雷诵芬堂六神丸	Class 5	January 20, 2021	
790.	Leiyunshang Pharmaceutical	7922456	允上六神丸	Class 5	January 27, 2021	
791.	Leiyunshang Pharmaceutical	7922466	雷氏颂芬堂六神丸	Class 5	January 20, 2021	

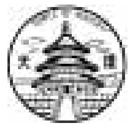
Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
792.	Shanghai Hutchison	101150		Class 5	February 28, 2013	
793.	Shanghai Hutchison	205426		Class 5	March 14, 2014	
794.	Shanghai Hutchison	336999		Class 32	January 19, 2019	
795.	Shanghai Hutchison	337851		Class 5	January 29, 2019	
796.	Shanghai Hutchison	353817		Class 3	July 9, 2019	
797.	Shanghai Hutchison	363038		Class 5	September 29, 2019	
798.	Shanghai Sine Kangjie Pharmaceutical Co., Ltd. (上海信誼康捷藥業有限公司)	7999666	金谊婷	Class 5	February 6, 2021	
799.	Shanghai Shanglian Pharmaceutical Co., Ltd. (上海上聯藥業有限公司)	8075128		Class 5	February 27, 2021	
800.	Zhonghua Pharmaceutical	4-2003-003723		Class 5	January 8, 2017	Registered in the Philippines

Serial No.	Registrant	Registration No.	Trademark	Class	Expiry date	Remarks
801.	Zhonghua Pharmaceutical	4-2003-003725		Class 5	September 3, 2016	Registered in the Philippines
802.	Zhonghua Pharmaceutical	613.742		Class 5	September 20, 2014	Registered in Chile
803.	Zhonghua Pharmaceutical	11172 OF 2002		Class 5	July 2, 2018	Registered in Hong Kong
804.	Zhonghua Pharmaceutical	19570616		Class 5	March 12, 2016	Registered in Hong Kong
805.	Zhonghua Pharmaceutical	2002-0488		Class 5	May 30, 2012	Registered in Cuba
806.	Zhonghua Pharmaceutical	783508		Class 5	December 2, 2012	Registered in Mexico

Our Company is applying for renewal of some of above trademarks which have expired or are about to expire in accordance with the relevant PRC laws and regulations, and such trademarks will be renewed upon the approval of the Trademark Office. As confirmed by Grandall Legal Group, Shanghai Office, the PRC legal adviser of the Company, there is no legal impediment for the renewal of the trademark registrations. The Directors are of the view that there will not be any material adverse impact on our Company if such trademark registrations expire.

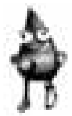
(b) Trademarks under application:

As of the Latest Practicable Date, the relevant member of our Company had applied for the registration of the following trademarks:

Serial No.	Registrant	Registration No.	Trademark	Class	Application date	Remarks
1.	Zhonghua Pharmaceutical	3045486	龍虎	Class 30	December 20, 2001	
2.	Zhonghua Pharmaceutical	6067159		Class 30	May 24, 2007	
3.	Zhonghua Pharmaceutical	6067151		Class 5	May 24, 2007	
4.	Zhonghua Pharmaceutical	6067150		Class 5	May 24, 2007	
5.	Zhonghua Pharmaceutical	6067154		Class 5	May 24, 2007	
6.	Zhonghua Pharmaceutical	6067155		Class 5	May 24, 2007	
7.	Zhonghua Pharmaceutical	6067156		Class 30	May 24, 2007	

Serial No.	Registrant	Registration No.	Trademark	Class	Application date	Remarks
8.	Zhonghua Pharmaceutical	3583260	龙虎	Class 30	June 6, 2003	
9.	Zhonghua Pharmaceutical	6067161		Class 30	May 24, 2007	
10.	Zhonghua Pharmaceutical	7981019	中华药业	Class 3	January 8, 2010	
11.	Zhonghua Pharmaceutical	7985277		Class 5	January 11, 2010	
12.	Zhonghua Pharmaceutical	7985295		Class 3	January 11, 2010	
13.	Zhonghua Pharmaceutical	8076841	中华药业	Class 3	February 20, 2010	
14.	Zhonghua Pharmaceutical	8630956		Class 3	September 1, 2010	
15.	Zhonghua Pharmaceutical	8630966		Class 3	September 1, 2010	

Serial No.	Registrant	Registration No.	Trademark	Class	Application date	Remarks
16.	Zhonghua Pharmaceutical	8630978		Class 5	September 1, 2010	
17.	Zhonghua Pharmaceutical	8631018		Class 5	September 1, 2010	
18.	Leiyunshang Pharmaceutical	4989209	雷氏六神	Class 5	Novembver 8, 2005	
19.	Leiyunshang Pharmaceutical	8290503		Class 30	May 12, 2010	
20.	Leiyunshang Pharmaceutical	8360629		Class 33	June 3, 2010	
21.	Sine Pharmaceutical	7499168		Class 5	June 25, 2009	
22.	Sine Pharmaceutical	8435791		Class 5	June 29, 2010	
23.	Sine Pharmaceutical	8436591		Class 5	June 29, 2010	
24.	Sine Pharmaceutical	8436604		Class 5	June 29, 2010	

Serial No.	Registrant	Registration No.	Trademark	Class	Application date	Remarks
25.	Sine Pharmaceutical	8436608		Class 5	June 29, 2010	
26.	Sine Pharmaceutical	8436610		Class 5	June 29, 2010	
27.	Sine Pharmaceutical	8436617		Class 5	June 29, 2010	
28.	Huashi Pharmacy	8173304	HFL	Class 44	April 2, 2010	
29.	Huashi Pharmacy	8173318	HFL	Class 30	April 2, 2010	
30.	Huashi Pharmacy	8173319	HFL	Class 21	April 2, 2010	
31.	Huashi Pharmacy	8173320	HFL	Class 8	April 2, 2010	
32.	Huashi Pharmacy	8173321	HFL	Class 5	April 2, 2010	
33.	Huashi Pharmacy	8173322	HFL	Class 3	April 2, 2010	
34.	Huashi Pharmacy	8221632	华氏 HUASHI	Class 35	April 19, 2010	
35.	Huashi Pharmacy	8221636	华氏大药房	Class 35	April 19, 2010	

Serial No.	Registrant	Registration No.	Trademark	Class	Application date	Remarks
36.	Huashi Pharmacy	8221651	华氏 HUASHI	Class 5	April 19, 2010	
37.	Huashi Pharmacy	8221657	华氏大药房	Class 5	April 19, 2010	
38.	Chiatai Qingchunbao	5901249	永真片	Class 5	February 9, 2007	
39.	Chiatai Qingchunbao	5901251	永真片	Class 5	February 9, 2007	
40.	Chiatai Qingchunbao	7174563	伏脂	Class 5	January 20, 2009	
41.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	8425766	好护士	Class 30	June 25, 2010	
42.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	8425804	好护士	Class 5	June 25, 2010	
43.	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	8431332		Class 5	June 28, 2010	
44.	Shanghai Hutchison	8153939	上药	Class 5	March 26, 2010	
45.	Shanghai Hutchison	8153945	上药牌	Class 5	March 26, 2010	

Serial No.	Registrant	Registration No.	Trademark	Class	Application date	Remarks
46.	Shanghai Hutchison	8153969		Class 5	March 26, 2010	
47.	Shanghai Hutchison	8153972		Class 5	March 26, 2010	

Note:

1. **Class 1:** Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.

2. **Class 2:** Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and powder form for painters, decorators, printers and artists.

3. **Class 3:** Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.

4. **Class 4:** Industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.

5. **Class 5:** Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

6. **Class 6:** Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.

7. **Class 7:** Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.

8. **Class 8:** Hand tools and implements (hand-operated); cutlery; side arms; razors.

9. **Class 9:** Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.

10. **Class 10:** Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopedic articles; suture materials.

11. **Class 11:** Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.

12. **Class 12:** Vehicles; apparatus for locomotion by land, air or water.

13. **Class 13:** Firearms; ammunition and projectiles; explosives; fireworks.

14. **Class 14:** Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.

15. **Class 15:** Musical instruments.

16. **Class 16:** Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.

17. **Class 17:** Rubber, gutta-percha, gum, asbestos, mica and goods made from these materials and not included in other classes; plastics in extruded form for use in manufacture; packing, stopping and insulating materials; flexible pipes, not of metal.

18. **Class 18:** Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.

19. **Class 19:** Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.

20. **Class 20:** Furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.

21. **Class 21:** Household or kitchen utensils and containers; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.

22. **Class 22:** Ropes, string, nets, tents, awnings, tarpaulins, sails, sacks and bags (not included in other classes); padding and stuffing materials (except of rubber or plastics); raw fibrous textile materials.

23. **Class 23:** Yarns and threads, for textile use.

24. **Class 24:** Textiles and textile goods, not included in other classes; bed and table covers.

25. **Class 25:** Clothing, footwear, headgear.

26. **Class 26:** Lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.

27. **Class 27:** Carpets, rugs, mats and matting, linoleum and other materials for covering existing floors; wall hangings (non-textile).

28. **Class 28:** Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.

29. **Class 29:** Meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats.

30. **Class 30:** Coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking-powder; salt, mustard; vinegar, sauces (condiments); spices; ice.

31. **Class 31:** Agricultural, horticultural and forestry products and grains not included in other classes; live animals; fresh fruits and vegetables; seeds, natural plants and flowers; foodstuffs for animals; malt.

32. **Class 32:** Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.

33. **Class 33:** Alcoholic beverages (except beers).

34. **Class 34:** Tobacco; smokers' articles; matches.

35. **Class 35:** Advertising; business management; business administration; office functions.

36. **Class 36:** Insurance; financial affairs; monetary affairs; real estate affairs.

37. **Class 37:** Building construction; repair; installation services.

38. **Class 38:** Telecommunications.

39. **Class 39:** Transport; packaging and storage of goods; travel arrangement.

40. **Class 40:** Treatment of materials.

41. **Class 41:** Education; providing of training; entertainment; sporting and cultural activities.

42. **Class 42:** Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

43. **Class 43:** Services for providing food and drink; temporary accommodation.

44. **Class 44:** Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.

45. **Class 45:** Legal services; security services for the protection of property and individuals; personal and social services rendered by others to meet the needs of individuals.

(iii) Domain Name

As of the Latest Practicable Date, the Company had obtained registration of the following material domain names:

Entity name	Domain name or internet keywords	Expiry date	Remarks
The Company	pharm-sh.com.cn	November 12, 2011	
	pharmhealth.com.cn	February 8, 2013	This domain name has been registered but hasn't been enabled.
	newpharm.com.cn	February 8, 2013	This domain name has been registered but hasn't been enabled.
	firsthealth.com.cn	February 8, 2013	This domain name has been registered but hasn't been enabled.
	spharm.com.cn	March 25, 2013	This domain name has been registered but hasn't been enabled.
	spharm.cn	March 25, 2013	
	shpgh.com	February 26, 2012	
	shpgh.com.cn	February 27, 2012	This domain name has been registered but hasn't been enabled.
	sphweb.com.cn	February 27, 2012	This domain name has been registered but hasn't been enabled.
	shpharma.com.cn	February 27, 2012	This domain name has been registered but hasn't been enabled.
Shanghai Pharmaceutical Distribution Co.	shaphar.com.cn	August 30, 2012	
Huashi Pharmacy	yplsw.com	May 27, 2020	
Changzhou Pharmaceutical	czyy.com.cn	December 23, 2014	
Changzhou Pharmaceutical Factory Co., Ltd.	czzyc.com	August 15, 2011	
Shanghai Medical Instruments Co. Ltd.	smicc.com	October 31, 2013	
Chiatai Qingchunbao	cnqcb.com	May 21, 2014	
Xiamen Traditional Chinese Medicine Co., Ltd.	dinglu.com	April 11, 2012	
Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	herbapex.com.cn	August 4, 2012	
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd.	hqytgyh.com	August 28, 2011	
Shanghai Sine Pharmaceutical Laboratories Co., Ltd	sinepharm.com	May 6, 2018	
Shanghai No. 1 Biochemical	sbpc.com.cn	March 8, 2016	
Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	sine-wx.com	April 29, 2013	

Entity name	Domain name or internet keywords	Expiry date	Remarks
Shanghai Sine Kangjie Pharmaceutical Co., Ltd.	sinekj.com	October 8, 2011	
Shanghai Asia Pioneer	asiapioneer.com.cn	November 11, 2012	
Shanghai New Asiatic	xinyapharm.com	June 14, 2013	
Leiyunshang Pharmaceutical	shlys.com	February 12, 2012	
Shanghai Huayu Pharmaceutical Co., Ltd.	hyherbs.com	February 18, 2012	
Zhongxi Sunve	sunve.com	May 31, 2017	
Zhonghua Pharmaceutical	zhpharm-sh.com	March 17, 2012	
Qingdao Growful	growful.com	May 25, 2013	
SPIE	shpiec.com	May 28, 2012	
Shanghai Far-East Pharmaceutical Machinery Co., Ltd	shyd.cn	December 10, 2011	
Shanghai Squibb	bms.com.cn	June 4, 2020	
Shanghai Roche	roche.com.cn	April 12, 2012	
Shanghai Hutchison	shpl.com.cn	July 10, 2021	
Shanghai Tsumura Pharmaceutical Co., Ltd.	shtsumura-p.com	June 18, 2011	

5. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS, MANAGEMENT AND STAFF

A. Particulars of Directors' and Supervisors' service agreements

None of our Directors, except for Mr. XU Guoxiong (徐國雄), 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.

Mr. Xu has entered into a service contract with the Company for an indefinite term commencing on May 1, 2010 (subject to termination in certain circumstances as stipulated in the relevant agreement). His salary will be determined by the Company according to Company's internal salary management system and his appointment contract. His salary is adjustable according to relevant PRC laws and regulations, Company's condition and Mr. Xu's performance.

B. Directors' and Supervisors' remuneration

The remuneration our Directors have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the three years ended December 31, 2008, 2009 and 2010 were approximately RMB801,000, RMB934,000 and RMB1,482,000, respectively.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to our five highest paid individuals of our Company, including our Directors, during each of 2008, 2009 and 2010 were approximately RMB3,000,000, RMB3,900,000 and RMB4,189,000 respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2008, December 31, 2009 and December 31, 2010. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable, in 2008, 2009 and 2010, by us or any of our subsidiaries to our Directors. Under the arrangement currently in force, the aggregate amount of remuneration of our Directors for the year ending December 31, 2011 (excluding discretionary bonuses for our Directors who are also members of the senior management) is estimated to be approximately RMB1,220,000.

Each member of our senior management has unilaterally undertaken to invest 50% of his or her 2011, 2012 and 2013 annual performance bonuses based on the Board's determination into our A Shares through open market purchases within certain period upon receiving such bonus payments in compliance with applicable PRC laws and regulations, including but not limited to the Shanghai Listing Rules. Each of them has also unilaterally undertaken not to dispose of the A Shares so purchased until six month after the expiration or termination of his or her term of office.

6. DISCLOSURE OF INTERESTS

A. Disclosure of interests

(i) So far as our Directors are aware, immediately after the completion of the Global Offering, the following persons will have an interest or short position in the Shares of the Company that is required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meetings of the Company:

Name of Equity Holder	Nature	Number of Shares held, assuming no exercise of the Over-Allotment Option	% of shareholding in the issued share capital of the Company, assuming no exercise of the Over-Allotment Option	Number of Shares held, assuming full exercise of the Over-Allotment Option	% of shareholding in the issued share capital of the Company, assuming full exercise of the Over-Allotment Option
SIIC(1)	A shares	914,958,047	34.43%	907,099,940	32.91%
	H shares	10,000,000	0.38%	10,000,000	0.36%
Shanghai Shangshi(2).	A shares	914,958,047	34.43%	907,099,940	32.91%
Shanghai Pharmaceutical (Group)	A shares	752,008,452	28.30%	745,527,845	27.05%
Huayuan Group(3) . . .	A shares	752,008,452	28.30%	745,527,845	27.05%
Shanghai Shengrui . .	A shares	162,850,536	6.13%	161,447,134	5.86%
Shanghai Guosheng Group Co., Ltd.(4) . .	A shares	162,850,536	6.13%	161,447,134	5.86%
Maxwell (Mauritius) Pte Ltd.(5)	H shares	97,540,100	3.67%	97,540,100	3.25%
Hong Leong Company (Malaysia) Berhad(6).	H shares	48,769,900	1.84%	48,769,900	1.63%

Notes:

(1) SIIC is a wholly owned subsidiary of the Shanghai SASAC. According to the Decision on Authorizing Shanghai Industrial Investment (Holdings) Co., Ltd to Operate Shanghai Overseas Companies, Major Overseas Corporations and State-owned Assets under Shanghai Industrial Investment (Holdings) Co., Ltd (Hu Guo Zi Wei Shou [1998] No.6) issued by Shanghai SASAC in 1998, SIIC was authorized to be the de facto controller of Shanghai Shangshi and is therefore deemed to hold state-owned equity interests in the Company through Shanghai Shangshi.

In addition, to reinstate the portion of its existing shareholding in our Company that is mandatorily transferred to NSSF, SIIC will subscribe for 10,000,000 H Shares through its Hong Kong incorporated subsidiary at the Offer Price in the International Offering, representing 0.38% of the total issued share capital of the Company immediately after the Global Offering (assuming the Over-Allotment Option is not exercised).

(2) Shanghai Shangshi is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shangshi holds a 60% equity interest in Shanghai Pharmaceutical (Group) and is therefore deemed to hold state-owned equity interests in the Company through Shanghai Pharmaceutical (Group). Upon completion of the Global Offering, out of 914,958,047 shares of state-owned shares in the Company held by Shanghai Shangshi, 162,949,595 shares will be held directly by Shanghai Shangshi, and 752,008,452 shares will be held indirectly by Shanghai Shangshi through Shanghai Pharmaceutical (Group).

(3) China Huayuan Group Ltd ("Huayuan Group") is a state-controlled holding company directly under the SASAC of the State Council and holds a 40% equity interest in Shanghai Pharmaceutical (Group). Due to disputes regarding certain loan contracts among Huayuan Group, Shanghai Pudong Development Bank Co., Ltd, Bank of Shanghai Co., Ltd and the Shanghai Bund Branch of China Merchants Bank Co., Ltd, the 40% equity interest in Shanghai Pharmaceutical (Group) held by Huayuan Group has been frozen since September 2005 in the property preservation procedure executed by Shanghai Second Intermediate People's Court. As of the Latest Practicable Date, the freezing of the equity interest has not been lifted. The freezing of the equity interest does not change the legal status of Huayuan Group as a shareholder of the Shanghai Pharmaceutical (Group).

(4) Shanghai Guosheng Group is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shengrui is a wholly owned subsidiary of Shanghai Guosheng Group, and Shanghai Guosheng Group is therefore deemed to hold state-owned equity interests in the Company through Shanghai Shengrui.

(5) Assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range stated in this Prospectus, shares subscribed by Maxwell (Mauritius) Pte Ltd., as the Cornerstone Investor, will represent approximately 13.35% of the H Shares outstanding (assuming the Over-Allotment Option is not exercised), or approximately 11.75% of the H Shares outstanding (assuming exercise in full of the Over-Allotment Option), in each case immediately following the completion of the Global Offering.

(6) Guoco Management Co. Ltd. and GuoLine Capital Limited, both indirect subsidiaries of Hong Leong Company (Malaysia) Berhad, are subscribing for approximately 32,513,300 and 16,256,600 H Shares, respectively, as Cornerstone Investors. Assuming an Offer Price of HK$23.90, being the mid-point of the indicative Offer Price range stated in this Prospectus, shares subscribed by Guoco Management Co. Ltd. and GuoLine Capital Limited, as Cornerstone Investors, will together represent approximately 6.67% of the H Shares outstanding (assuming the Over-Allotment Option is not exercised), or approximately 5.87% of the H Shares outstanding (assuming exercise in full of the Over-Allotment Option), in each case immediately following the completion of the Global Offering.

Save as disclosed in this Prospectus, but not taking into account any Shares which may be taken up under the Global Offering, the Directors or chief executive of the Company are not aware of any legal person or individual (not being a Director, Supervisor or chief executive of the Company) who will, immediately following completion of the Global Offering (assuming that the Over-Allotment Option is not exercised), have any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 Company.

(ii) As of the Latest Practicable Date, two Directors had an interest in the following number of A Shares in the Company.

Name	Number of A Shares
LU Mingfang	37,674
LU Shen	6,440

Save as disclosed in this Prospectus, none of the Directors, Supervisors or chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register of interests referred to in section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the H Shares are listed on the Hong Kong Stock Exchange.

B. Disclaimers

Save as disclosed in this Prospectus:

(i) none of the Directors, Supervisors nor any of the parties listed in paragraph 7I of this appendix is interested, directly or indirectly, in the promotion of, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to any member of our Company, or are proposed to be acquired or disposed of by or leased to any member of our Company;

(ii) none of the Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Company;

(iii) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 7I of this appendix:

(a) is interested legally or beneficially in any shares in any member of our Company; or

(b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company;

(iv) save as referred to above, 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 any member of our Company and any of the Directors or Supervisors; and

(v) no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this Prospectus to Shanghai Pharma Group (上海醫藥(集團)總公司) nor is any such cash, securities or other benefit proposed to be paid, allotted or given.

7. OTHER INFORMATION

A. Tax and estate duty

The Directors have been advised that no material liability for estate duty under the laws of the PRC, where substantially all of the assets and businesses of the Company are situated, would be likely to fall upon the Company or any member of our Company.

B. Litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or claim of material importance, and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company that would have material effect on the Company's results of operations or financial condition.

C. Agency fees or commissions

Save as disclosed in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Company within the two years immediately preceding the issue of this Prospectus.

D. Preliminary expenses

The preliminary expenses of the Company are estimated to be about HK$122 million and are payable by the Company.

E. Promoters

Shanghai Pharma Group (上海醫藥(集團)總公司) is the sole promoter of the Company. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this Prospectus.

F. Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, the H Shares. Each of the Joint Sponsors has declared pursuant to Rule 3A.08 of the Hong Kong Listing Rules that it is independent pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

Deutsche Bank had made a loan to our Company. As of the Latest Practicable Date, the outstanding amount of the loan was USD35 million (equivalent to approximately RMB227.4 million), representing approximately 0.81% of the total assets of our Company as at December 31, 2010. Given the small size of such loan as compared to our Company, the independence of Deutsche Bank as sponsor is not affected notwithstanding the existence of such loan.

G. Compliance Adviser

In accordance with Rule 3A.19 of the Hong Kong Listing Rules, we have agreed to appoint Goldman Sachs (Asia) L.L.C. as our compliance adviser.

H. No material adverse change

There has been no material adverse change in the financial or trading position of our Company since December 31, 2010.

I. Qualification of experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on 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 SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deutsche Bank AG, Hong Kong Branch	A registered institution with respect to Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) of the regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Credit Suisse (Hong Kong) Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Jones Lang LaSalle Sallmanns Limited	Chartered Surveyors and Valuer
PricewaterhouseCoopers	Certified public accountants
SHINEWING (HK) CPA Limited	Certified public accountants
Grandall Legal Group, Shanghai Office	PRC lawyers

J. Exemption from relevant Companies Ordinance provision and waivers from the relevant rules under the Hong Kong Listing Rules in relation to the property valuation report

Please refer to the section headed "Waivers from Strict Compliance with the Hong Kong Listing Rules and the Companies Ordinance" in this Prospectus for details.

K. 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.

L. 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 any member of our Company has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of any member of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries; and

(iv) neither the Company nor any of its subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares.

(b) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months.

(c) The Company currently does not intend to apply for the status of a Sino-foreign investment joint stock limited company and does not expect to be subject to the PRC Sino-foreign Joint Venture Law.

(d) Save as disclosed in this Prospectus, none of the equity and debt securities of our Company is listed or dealt in any other stock exchange or trading system nor is any listing or permission to deal in such securities being or proposed to be sought.

(e) No member of our Company has any outstanding debenture or other debt securities.

(f) All necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

M. Consents

Goldman Sachs, CICC, Deutsche Bank and Credit Suisse, as the Joint Sponsors, PricewaterhouseCoopers and SHINEWING, as the Company's reporting accountants, Jones Lang LaSalle Sallmanns Limited, as the Company's property valuer, and Grandall Legal Group, Shanghai Office, as the Company's legal advisers on PRC law, have given and have not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or opinion and/or the references to their names included herein in the form and context in which they are respectively included.

N. 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).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were: (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the paragraph headed "4. Further Information about the Business — A. Summary of material contracts" in Appendix X to this Prospectus; and (iii) the written consents referred to in the paragraph headed "7. Other Information — M. Consents" in Appendix X to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Freshfields Bruckhaus Deringer, 11th Floor, Two Exchange Square, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Articles of Association of the Company;

(b) the accountants' report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I;

(c) the accountants' report of CHS prepared by SHINEWING, the text of which is set out in Appendix IIA;

(d) the accountants' report of Shanghai New Asiatic and Shanghai Huakang prepared by PricewaterhouseCoopers, the text of which is set out in Appendix IIB;

(e) the report in relation to unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix III;

(f) the unaudited condensed consolidated interim financial information of the Company, the text of which is set out in Appendix IV;

(g) the letters from PricewaterhouseCoopers and the Joint Sponsors in relation to the profit forecast, the texts of which are set out in Appendix V;

(h) the letter, summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix VI;

(i) the PRC legal opinions issued by Grandall Legal Group, our legal advisors as to PRC law, in respect of general matters and property interests of the Group;

(j) the material contracts referred to in paragraph 4A of Appendix X;

(k) the written consents referred to in paragraph 7M of Appendix X; and

(l) copies of the following PRC laws, together with unofficial English translations thereof:

(i) the PRC Company Law, Special Regulations and Mandatory Provisions;

(ii) the PRC Civil Procedure Law;

(iii) the PRC Securities Law;

(iv) the PRC Arbitration Law; and

(v) the Foreign Exchange Control Regulations.

SPH 上海医药
SHANGHAI PHARMA