Sinco Pharmaceuticals Holdings Limited
兴科蓉医药控股有限公司

(incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 6833

Global Offering

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

CMS 招商证券

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

Sinco Pharmaceuticals Holdings Limited
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering:	400,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares:	40,000,000 Shares (subject to adjustment)
Number of International Offer Shares:	360,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price:	HK$1.11 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value:	HK$0.0001 per Share
Stock code:	6833

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (on behalf of the Underwriters) on or about Thursday, 3 March 2016 and, in any event, not later than Tuesday, 8 March 2016. The Offer Price will be not more than HK$1.11 per Offer Share and is currently expected to be not less than HK$0.80 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$1.11 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$1.11 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (on behalf of the Underwriters) on or before Tuesday, 8 March 2016 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering 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, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

29 February 2016

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . . 11:30 a.m. on Thursday, 3 March 2016

Application lists open[3] . . . . . 11:45 a.m. on Thursday, 3 March 2016

Latest time for lodging **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Thursday, 3 March 2016

Latest time for completing payment of **WHITE FORM eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Thursday, 3 March 2016

Latest time for giving **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Thursday, 3 March 2016

Application lists close[3] . . . . . 12:00 noon on Thursday, 3 March 2016

Expected Price Determination Date[5] . . . . . Thursday, 3 March 2016

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering will be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on or before . . . . . Wednesday, 9 March 2016

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus . . . . . Wednesday, 9 March 2016

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above will be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.sinco-pharm.com** from . . . . . Wednesday, 9 March 2016

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from . . . . . Wednesday, 9 March 2016

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful application to be despatched on or before . . . . . Wednesday, 9 March 2016

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] . . . . . Wednesday, 9 March 2016

Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before . . . . . Wednesday, 9 March 2016

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on . . . . . 9:00 am on Thursday, 10 March 2016

Notes:

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

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for lodging 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 of lodging applications, when the application lists close.

(3) 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, 3 March 2016, the application lists will not open on that day. Please refer to the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

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

(5) The Price Determination Date is expected to be on or about Thursday, 3 March 2016 and, in any event, not later than Tuesday, 8 March 2016 unless otherwise determined between the Sole Global Coordinator (on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed by Tuesday, 8 March 2016 between us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not become unconditional and will lapse.

(6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, 9 March 2016 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be Thursday, 10 March 2016. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at www.sinco-pharm.com, does not form part of this prospectus.

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 the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read this section carefully before you invest in Offer Shares.

OUR BUSINESS OVERVIEW

We are the third largest provider of marketing, promotion and channel management, or MPCM, services in the PRC pharmaceutical industry with a market share of 6.4% based on revenue in 2014, according to the Frost & Sullivan Report. China's MPCM services market, which had a market size of RMB14,959.8 million in 2014, is a subset of China's pharmaceutical circulation market and accounted for approximately 1.0% of China's pharmaceutical circulation market in 2014, according to the Frost & Sullivan Report. We are also China's only MPCM services provider for plasma-based pharmaceuticals. China's plasma-based pharmaceutical product market grew at a CAGR of 23.2% from 2010 to 2014, which is faster than the CAGR of both the overall China pharmaceutical market and China's imported pharmaceutical market during the same period, according to the Frost & Sullivan Report. Driven by the unmet demand for plasma-based pharmaceuticals, favourable government initiatives, market development as well as technological improvements in the manufacturing process in China, the plasma-based pharmaceutical product market is expected to grow at a CAGR of 22.4% from 2015 to 2019 according to the Frost & Sullivan Report.

Our product portfolio comprises an imported pharmaceutical product in the plasma-based pharmaceuticals segment as well as other fast-growing or sizeable segments in China. The growth of some of the market segments to which our portfolio products belong, namely, oncology and haematology, has exceeded the overall growth of imported pharmaceuticals in China during the past five years.

Our products include Human Albumin Solution, a human albumin product. Human albumin is the largest component of the Chinese plasma-based pharmaceutical market and has a 55.8% market share by 2014 sales value. Human Albumin Solution is manufactured by Octapharma, which is one of the world's leading manufacturers of plasma-based pharmaceuticals based on global sales revenue in 2014, according to the Frost & Sullivan Report. Octapharma has named us their exclusive service provider for Human Albumin Solution in 24 provinces, municipalities and autonomous regions in China. Human albumin products were the only plasma-based pharmaceuticals allowed to be imported and sold in China as of the Latest Practicable Date. According to the Frost & Sullivan Report, the imported human albumin market in China grew at a CAGR of 30.8% from 2010 to 2014 and is expected to grow at a CAGR of 19.8% from 2015 to 2019, surpassing the historical and forecasted growth of China's overall pharmaceutical market.

OUR SERVICES

We provide our integrated MPCM services to small- and medium-sized overseas pharmaceutical manufacturers that do not possess independent marketing and promotion capabilities in China. We do not provide co-promotion services, as our suppliers generally do not have their own marketing and promotion teams in China. We enter into long-term agreements with our suppliers and generate profits by purchasing products from our suppliers and on-selling them to our distributors across China. Under this business model, the value of the services we provide is reflected in the difference between the purchase price that we negotiate with our suppliers and the sales price we agree to with our distributors. Our revenue grew from RMB26.2 million in 2012 to RMB532.5 million in 2013 and to RMB950.1 million in 2014. We recorded revenue of RMB850.8 million for the ten months ended 31 October 2015. In 2012, 2013, 2014 and the ten months ended 31 October 2015, our gross profit amounted to RMB3.2 million, RMB61.1 million, RMB129.8 million and RMB113.4 million, respectively, and our gross profit margin

was 12.4%, 11.5%, 13.7% and 13.3% for the respective periods. Our services primarily include the following:

- ***Formulating Marketing and Promotion Strategies***

We formulate tailored marketing strategies and plans for each product in our portfolio. We take various factors into consideration, including national and regional market demand, supply dynamics, competing products, the demographic profile of the relevant patient pool, national and regional prevalence rates, as well as prevailing treatment protocols.

- ***Executing Marketing and Promotion Strategies***

We execute our tailored marketing strategies and plans through our experienced in-house team, while utilising our distributors' local networks. We design and prepare promotion materials for our pharmaceutical products such as brochures, flyers and handouts, and organise and participate in academic seminars to raise and reinforce awareness of our products among medical professionals. To enhance the effectiveness of our marketing and promotion strategies, we also leverage our distributors to execute marketing and promotion plans. See "Business — Our Services" on pages 152 to 164 of this prospectus for more details. As of 31 October 2015, we had 67 qualified and experienced in-house marketing, promotion and channel management employees, more than half of them with five or more years of professional experience in the sale of pharmaceutical products in China.

- ***Channel Management Services***

Warehousing and Delivery Services

We work with third parties to provide our suppliers with an extensive logistic network that helps ensure the timely and cost-effective handling of products from importation to final delivery. We utilise one third-party that employs advanced technology to implement automatic thermal control to provide us with cold chain delivery services for Human Albumin Solution, ensuring consistent temperature during transport. By utilising climate-controlled vehicles, we ensure safe storage and transportation of Human Albumin Solution to comply with GSP standards.

The Tender Processes

Since 2013, we have participated in the tender processes and assisted our suppliers in selecting and managing distributors with proven track records of sales to hospitals. We act as the principal in the tender process in respect of all the imported pharmaceutical products we service, and have a team dedicated to participating in various procurement processes across China. We have adopted tailored bidding strategies for each product, taking into account its characteristics and technological advantages, and adjust those strategies from time to time to reflect changes in bidding policies and procedures. When we determine our bidding strategies, including bid prices, we refer to the clinical profiles of competing products, the likely market retail prices of products, the prices at which we purchase products from our suppliers, our and our distributors' expected margins, the manufacturer's profile as well as local market preferences. All of our pharmaceutical products, except for Human Albumin Solution, are mainly sold to hospitals and other medical institutions through centralised procurement. Human Albumin Solution is sold through hospital self-procurement. In 2013, 2014 and the first ten months of 2015, our tender success rate was 100.0%, 82.4% and 100.0%, respectively. In 2013, 2014 and the first ten months of 2015, we were awarded 4, 14 and 7 tenders, respectively. For more details about the tender processes, please see pages 158 to 159 of "Business — Our Services — Channel Management Services — The Tender Processes".

Appointing and Managing Distributors

In line with industry practice, we appoint distributors in different sales regions to sell and promote our products to hospitals and medical institutions. We had a nationwide network of 170 distributors across 31 provinces, municipalities and autonomous regions in China as of 31 October 2015. All of our distributors are required by PRC law to obtain pharmaceutical supply permits and GSP certificates, and they are required to provide us with proof that they have such permits and certificates. In 2012, 2013, 2014 and the first ten months of 2015, we discontinued our relationships with nil, 4, 47 and 84 distributors, respectively, due to (other than in 2012) our efforts to focus our resources to distributors with better sales performance and wider hospital coverage, and because some of these distributors did not fulfil our distributor requirements.

Inventory Management

Through our ERP information management system, we provide our suppliers with up-to-date sales data on their products, which allows them to adjust their purchase and sales plans. Each year, we formulate a product purchase plan that includes projected purchase volumes for each month. We actively monitor our inventory levels and inventory turnover based on our sales and market demand. After products in our portfolio are sold to our distributors, we further track the flow of products through our major distributors' monthly sales reports or online systems, which allow us to monitor purchases made by hospitals, medical institutions and pharmacies through the distributors. Our distributors are also required to submit their sales reports to us each month, which we use to generate consolidated sales reports.

- ***Coordinating and Managing Product Registration Renewal and First-time Product Registration***

Under PRC law, before an overseas pharmaceutical product can be imported and distributed in China, it must be registered with the CFDA. We have a dedicated in-house team to coordinate and manage registration renewals, and we intend to internally coordinate and manage first-time registrations for new products in the future. For product registration, we select reputable medical institutions and physicians as researchers to run clinical trials if required. After substantial completion of the clinical trials, we recommend a qualified third-party CRO to complete the clinical trial report for submission to CFDA. We actively and closely monitor the performance of CROs that we recommend, and take primary responsibility in responding to any CFDA inquiries on a product's technical information, coordinating with our suppliers to ensure that accurate and up to date information is provided to the CFDA through the CROs. For product registration renewals, we monitor the expiry dates of product registrations and assist our suppliers in preparing the reports detailing the import records, clinical usage and adverse effects of the products within five years after the previous product registration or renewal. We do not bear the costs and expenses of product registrations and renewals, including the costs and expenses for engaging medical institutions and physicians for clinical trials and CROs, which are paid for by our suppliers.

We operate a low margin business, mainly because (i) we conduct part of the marketing and promotion activities through our distributors and typically demand full prepayments from our distributors, and (ii) Human Albumin Solution and the antibiotics products serviced by us, each of which has a relatively low gross profit margin, accounted for a majority of our revenue during the Track Record Period. See "Risk Factors — Risks Relating to Our Business — Our business is a low-margin business and our profit margins may be sensitive to cost increases and competition" on pages 42 to 43, "Business — Our Services — Executing Marketing and Promotion Strategies" on pages 155 to 156, "Business — Our Products" on pages 164 to 172 and "Business — Our Customers" on pages 181 to 186 for more information.

BUSINESS EXPANSION

In anticipation of our business expansion, we are constructing a cold chain facility and a research and development base in Shuangliu District, Chengdu, Sichuan Province with a total construction area of 87,000 square metres. We are constructing the cold chain facility to reduce future warehousing costs and better control safety and quality of the plasma-based product in our portfolio. The cold chain facility will be GSP certified and equipped with advanced climate control technology and a sophisticated quality control system. We completed the construction of the first phase of the premises, including 15,000 square metres of cold chain storage, in December 2015. We commenced construction of the premises without obtaining the required land use rights certificate and other construction permits, and we will not utilise the premises or apply any proceeds from the Global Offering to the development of the premises until we have obtained the required certificate and permits. See "Business — Non-Compliance Matters" on pages 195 to 199 of this prospectus for more details. We plan to begin constructing the second phase of the premises, including 25,000 square metres of cold chain storage and 47,000 square metres of research and development base, in 2017. The research and development base will be equipped with advanced equipment and facilities for the testing and further development of Sinco I, the product we are currently developing. We expect to commence operation of the research and development base by end of 2018.

OUR PRODUCTS

Our product portfolio includes plasma-based product and products in other fast-growing or sizeable therapeutic areas. We systematically screen and select products from prospective product candidates in the overseas market that we believe have high growth potential in the Chinese pharmaceutical market. We assess the market sizes, current and future market shares and competitiveness of prospective product candidates. We also prefer products which are complementary to Human Albumin Solution and are used in treating chronic and geriatric illnesses prevalent in China. Through this process, our management is able to better judge whether the products we introduce into China are likely to achieve market acceptance and popularity. During the Track Record Period, we expanded our portfolio of pharmaceutical products from two to six, and further expanded to seven products as of the Latest Practicable Date after we started servicing Xinneng Q_{10} in December 2015.

The best selling product in our portfolio is Human Albumin Solution, a human albumin product manufactured by Octapharma. It is used to remedy hypovolemia and hypovolemic shock, abnormally high intracranial pressure, edema and ascites, and to prevent and cure hypoalbuminemia and neonatal hyper-bilirubinemia. Human Albumin Solution is the only human albumin product that can be used on premature infants. We have been the sole service provider with respect to Human Albumin Solution to 24 provinces, municipalities and autonomous regions in China since November 2012. In August 2015, Octapharma confirmed our exclusive right to service Human Albumin Solution in these regions. A pharmaceutical wholesaler unaffiliated with us has been selling Human Albumin Solution since 2004 and currently has the exclusive right to sell Human Albumin Solution in the remaining seven provinces, municipalities and autonomous regions in China. Human Albumin Solution was the fourth best-selling human albumin product in China with a market share of 9.6% in 2014, according to the Frost & Sullivan Report. In addition, we entered into a supplemental agreement to the distribution agreement in October 2015 with Octapharma whereby Octapharma acknowledged that (i) it expects to increase the volume of Human Albumin Solution to be delivered to us from 2015 to 2019, (ii) annual price negotiations would be conducted in good faith to ensure, to the extent commercially practicable to Octapharma, that we receive a reasonable profit margin broadly in line with our historical profit margins and (iii) a six-month notice period is required for either us or Octapharma to terminate the distribution agreement, if the parties cannot agree on the purchase price of Human Albumin Solution for the next year. From 2013 to 2014, our sales of Human Albumin Solution grew at a rate of 150.2%, and accounted for 3.5% and 7.3% of all human albumin product sales in China in the respective years. We generated revenues of RMB251.2 million and RMB628.6 million from the sale of Human Albumin Solution in 2013 and 2014, respectively. We generated revenue of RMB551.9 million from the sale of Human Albumin Solution in the first ten months of 2015, representing a 17.9% increase from the corresponding period in 2014.

Axetine and Medocef are antibiotics manufactured by Medochemie. Axetine is used for the treatment of bacterial infections, including respiratory infections, urinary tract infections, soft tissue infections, gynaecological and obstetrical infections, gonorrhoea and other infections, as well as the prevention of post-surgery infections. We generated revenue of RMB25.9 million, RMB238.2 million, RMB258.0 million and RMB201.4 million from the sale of Axetine in 2012, 2013, 2014 and the first ten months of 2015, respectively. Medocef is used for the treatment of bacterial infections, including infections of the lower respiratory tract, such as pneumonia, urinary tract, bile duct, peritoneum, skin, soft tissue, pelvic area and sepsis. We generated revenue of RMB0.3 million, RMB43.1 million, RMB49.1 million and RMB45.6 million from the sale of Medocef in 2012, 2013, 2014 and the first ten months of 2015, respectively.

We added three new products to our portfolio in 2014, namely Taurolite, TAD and Esafosfina. Taurolite is manufactured by Bruschettini. Taurolite is used for the treatment of gallstone diseases, or cholelithiasis, a prevalent disease in China with a 7% incidence rate. We generated revenue of RMB6.0 million and RMB36.1 million from the sale of Taurolite in 2014 and the first ten months of 2015, respectively. TAD and Esafosfina are manufactured by Foscama. TAD is used for the treatment and prophylaxis of intoxications from ethyl alcohol, organophosphorus and several groups of drugs, as well as cell damage from ionising radiations and liver damage. We generated revenue of RMB4.0 million and RMB12.6 million from the sale of TAD in 2014 and the first ten months of 2015, respectively. Esafosfina was the only imported injectable fructose 1,6-diphosphate approved by the CFDA as of the Latest Practicable Date for treating hypophosphatemia and chromic diseases including alcohol intoxication, malnutrition and hypophosphatemic respiratory failure. We generated revenue of RMB4.4 million and RMB3.2 million from the sale of Esafosfina in 2014 and the first ten months of 2015, respectively.

Due to CFDA's decision to conduct specification verification and validation for TAD, we are experiencing a delay in renewing the imported drug licenses for TAD, which had expired in February 2015 and March 2015, respectively. We estimate that (i) such delay is expected to cause our estimated sales volume of TAD for the year ended 31 December 2015 to decrease from 2,500 thousand units to 1,369 thousand units, and (ii) the decrease in our gross profit for the year ended 31 December 2015 and the six months ending 30 June 2016 due to such delay is expected to be approximately RMB1.7 million and RMB2.2 million, respectively. Please see "Risk Factors — Risks Relating to Our Business — Our business and the business of our suppliers and distributors require certain licences, permits and certifications. Failure to obtain these licences, permits and certifications may have a material adverse effect on our business, financial condition and results of operations" on pages 51 to 52 for more information.

To diversify our revenue stream, we entered into a collaboration agreement with Liaoning Wanjia to become the exclusive service provider for our seventh product, Xinneng Q_{10}, a dietary supplement in China in September 2015. Xinneng Q_{10} is composed of Coenzme Q_{10}, an oil-soluble antioxidant used to improve basic cell functions and is especially beneficial for the liver, kidney and pancreas. We started servicing Xinneng Q_{10} in December 2015.

We have engaged the Institute of Chinese Medical Sciences to develop "Sinco I", a realgar-based chemical medicine intended to treat acute promyelocytic leukaemia. We expect to complete the pre-clinical research and pilot experiments for Sinco I by December 2016. We plan to apply for permission to begin clinical trials in 2017, which we expect to complete by 2022. Following the completion of such clinical trials, we aim to apply for Sinco I's new-drug certificate in China between 2022 and 2023. We intend to subcontract the manufacturing of Sinco I to third parties after meeting all requirements for production.

The following tables set forth a breakdown of our revenue, revenue as a percentage of total revenue, gross profit and gross profit margin by type of product for the periods indicated. See the section headed "Business — Our Products — Product Portfolio" on pages 165 to 172 of this prospectus for further details of our products.

	For the year ended 31 December											
	2012				2013				2014			
	RMB'000				RMB'000				RMB'000			
	Revenue	% of Revenue	Gross Profit	Gross Profit Margin (%)	Revenue	% of Revenue	Gross Profit	Gross Profit Margin (%)	Revenue	% of Revenue	Gross Profit	Gross Profit Margin (%)
Human Albumin Solution	–	–	–	–	251,216	47.2	39,662	15.8	628,575	66.2	92,218	14.7
Antibiotics (Axetine and Medocef)	26,166	100.0	3,232	12.4	281,264	52.8	21,457	7.6	307,073	32.3	36,000	11.7
Others (Taurolite, TAD and Esafosfina)	–	–	–	–	–	–	–	–	14,431	1.5	1,552	10.8
Total	**26,166**	**100.0**	**3,232**	**12.4**	**532,480**	**100.0**	**61,119**	**11.5**	**950,079**	**100.0**	**129,770**	**13.7**

	For the ten months ended 31 October							
	2014				2015			
	RMB'000 (Unaudited)				RMB'000			
	Revenue	% of Revenue	Gross Profit	Gross Profit Margin (%)	Revenue	% of Revenue	Gross Profit	Gross Profit Margin (%)
Human Albumin Solution	468,190	65.2	69,747	14.9	551,878	64.9	68,776	12.5
Antibiotics (Axetine and Medocef)	244,987	34.1	30,155	12.3	246,984	29.0	30,878	12.5
Others (Taurolite, TAD and Esafosfina)	5,241	0.7	140	2.7	51,933	6.1	13,760	26.5
Total	**718,418**	**100.0**	**100,042**	**13.9**	**850,795**	**100.0**	**113,414**	**13.3**

OUR SUPPLIERS

We purchase pharmaceutical products from overseas and domestic suppliers, either directly or indirectly through their sales agents, and generate revenue by on-selling them to our distributors. Our suppliers or their sales agents have granted us the rights to market, promote and manage sales channels for their products in China. We have established stable relationships, directly or indirectly through sales agents, with all of our suppliers, including Octapharma, one of the leading global manufacturers of plasma-based pharmaceuticals based on global sales revenue with 9.6% market share in China's human albumin market in 2014, Medochemie, a manufacturer with global sales of a wide range of pharmaceuticals, including popular antibiotics, Bruschettini, a leading manufacturer of third-generation ursodeoxycholic acid products, Foscama, a renowned manufacturer of drugs for the treatment of cardiovascular and metabolism diseases, as well as Liaoning Wanjia, a domestic manufacturer of Xinneng Q_{10}.

The following table sets forth the material terms of our agreements with our current suppliers:

Supplier (and Products)	Minimum Sale or Purchase Requirement	Current service term	Other key terms
Octapharma (Human Albumin Solution)	Purchase of 80% (for the first three months) of a six-month forecast updated by supplier monthly	Since November 2012 and continuing indefinitely, subject to, among others, annual price negotiations	Supplier may terminate if we fail to meet the minimum purchase requirement or fail to reach agreement on annual purchase price terms
Medochemie (Axetine and Medocef)[1]	None	Since April 2011 and continuing indefinitely, unless terminated	Either party may terminate with six months' prior notice
Bruschettini (Taurolite)	Sale of one million units per year and increasing annually until reaching four million units in April 2018	Initial term from January 2014 to March 2023, then continuing indefinitely thereafter if minimum sale requirement is met[2]	Supplier may terminate if we fail to meet the minimum sales requirement
Foscama (TAD and Esafosfina)	Sale of 700,000 and 450,000 units, respectively per year, and increasing annually until reaching 1.5 million and 2.5 million units, respectively, in April 2018	Initial term from January 2014 to March 2023, then continuing indefinitely thereafter if minimum sale requirement is met[2]	Supplier may terminate if we fail to meet the minimum sales requirement
Liaoning Wanjia (Xinneng Q_{10})	Subject to negotiation	Initial term from October 2015 to December 2025[3]	Either party may terminate by giving written notice to the other

[1] *We have purchased products through Deutsche Sinomed, the exclusive sales agent of Axetine and Medocef, manufactured by Medochemie, in China, since April 2011.*

[2] *We purchased products through Vast Surplus from 2014 until February 2015 and then through Trendful, the exclusive sales agent of Bruschettini and Foscama in China, since March 2015.*

[3] *We started servicing Xinneng Q_{10} in December 2015.*

For details regarding the termination, renewal and minimum purchase terms of our agreements with our suppliers, please see the section headed "Business — Our Product Suppliers" on pages 173 to 180 of this prospectus.

OUR CUSTOMERS

We sell our pharmaceutical products to distributors, who onsell the products to hospitals and pharmacies either directly or through their sub-distributors. As of 31 December 2012, 2013, 2014 and 31 October 2015, we had 11, 165, 186 and 170 distributors, respectively. In 2012, 2013, 2014 and the first ten months of 2015, aggregate sales to our five largest customers, each of whom is a distributor, accounted for 93.3%, 52.7%, 59.1% and 64.5% of our revenue, respectively, and sales to our largest customer accounted for 45.5%, 18.3%, 21.1% and 22.5% of our revenue for the respective periods.

THE IMPORTED PLASMA-BASED PHARMACEUTICAL PRODUCT MARKET

We provide MPCM services for an imported plasma-based pharmaceutical, one of the fastest-growing segments of China's pharmaceutical market due to the unmet demand for plasma-based pharmaceuticals, favourable government initiatives, market development as well as technological improvements in the manufacturing process. According to the Frost & Sullivan Report, the market for imported pharmaceutical products grew from RMB40.8 billion in 2010 to RMB80.0 billion in 2014, representing a CAGR of 18.3% from 2010 to 2014, and is expected to continue to grow at a CAGR of 16.0% and reach RMB168.9 billion in 2019; the market for plasma-based pharmaceuticals grew from RMB8.4 billion in 2010 to RMB19.4 billion in 2014, representing a CAGR of 23.2% from 2010 to 2014, and is expected to reach RMB54.6 billion in 2019, representing a CAGR of 22.4% from 2015 to 2019.

COMPETITIVE LANDSCAPE WITHIN OUR INDUSTRY

Our company was the third largest MPCM services provider by revenue in the PRC pharmaceutical industry in 2014 and the only MPCM services provider for plasma-based pharmaceuticals. Our strategic therapeutic area of focus and integrated services drove our market share in the MPCM services industry to grow from 0.3% in 2012 to 6.4% in 2014. The table below illustrates the key industry players and their respective market shares by revenue as well as therapeutic areas of focus and pharmaceutical products in 2014:

Rank	Key Industry Player	Revenue in 2014 (RMB million)	Therapeutic Areas of Focus and Pharmaceutical Products*	Market Share
1	China Medical System Holdings Limited	2,945	Central nervous system, gastroenterology, cardiovascular and respiratory	19.7%
2	China Pioneer Pharma Holdings Limited	1,540	Ophthalmology	10.3%
3	***Sichuan Sinco Pharmaceuticals Co., Ltd.***	***950***	***Plasma-based pharmaceutical and antibiotics***	***6.4%***
4	China NT Pharma Group Company Limited ...	865	Oncology and antibiotics	5.8%
5	Eddingpharm International Holdings Ltd.** ...	790	Nutrition, oncology and respiratory	5.3%

* *Therapeutic areas and pharmaceutical products that account for 10% or more of such company's total revenue.*

** *Based on Frost & Sullivan estimates.*

Source: Frost & Sullivan Report

OUR COMPETITIVE STRENGTHS

We believe that the following strengths differentiate us from our competitors and position us well for future growth:

- We are the third largest MPCM services provider in the PRC pharmaceutical industry as well as the only provider of such services for imported plasma-based pharmaceuticals.
- We offer a differentiated product portfolio focused on imported pharmaceutical products in the plasma and other fast-growing or sizeable segments of China's pharmaceutical market.
- We provide valuable and highly sought after integrated MPCM services for imported pharmaceutical products.
- We employ a flexible and effective marketing and promotion service model supported by a strong distribution network and an experienced marketing and promotion team.
- We have a highly experienced and dedicated management team.

OUR STRATEGIES

We aim to strengthen our position as China's leading provider of MPCM services in the pharmaceutical industry, in particular, the imported plasma-based pharmaceutical product market, and to become a vertically integrated leader in this industry through the following strategies:

- Strengthen our leading position in providing MPCM services in the imported plasma-based pharmaceutical market in China.
- Continue to expand our product portfolio to achieve synergies from our integrated service platform.
- Continue to penetrate China's pharmaceutical market by expanding our marketing, promotion and channel management team, utilising distributors closer to patients and increasing our medical institution coverage.

- Continue to upgrade our information management systems to optimise our marketing, promotion and sales network, to enhance operating efficiencies and to improve cost effectiveness.
- Facilitate multi-channel growth and evolve into a vertically integrated company through investing in our own cold chain facility, research and development base and developing product research and development capabilities.

KEY FINANCIAL DATA

We began our business in 2011 and have a limited operating history. The following tables summarise our consolidated financial results during the Track Record Period. The summary of consolidated statements of financial position data as of 31 December 2012, 2013, 2014 and 31 October 2015 and the summary of consolidated statements of profit or loss and other comprehensive income data and the summary of consolidated statements of cash flows data for the three years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015 included in the following tables are derived from, and should be read in conjunction with, the Accountants' Report set out in Appendix I to this prospectus and the section headed "Financial Information" on pages 222 to 262 of this prospectus.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
							(Unaudited)			
Revenue	26,166	100.0	532,480	100.0	950,079	100.0	718,418	100.0	850,795	100.0
Cost of sales	(22,934)	(87.6)	(471,361)	(88.5)	(820,309)	(86.3)	(618,376)	(86.1)	(737,381)	(86.7)
Gross profit	3,232	12.4	61,119	11.5	129,770	13.7	100,042	13.9	113,414	13.3
Other income and gains	215	0.8	4,920	0.9	2,295	0.2	781	0.1	534	0.1
Selling and distribution expenses	(225)	(0.9)	(2,358)	(0.4)	(6,792)	(0.7)	(3,944)	(0.5)	(4,186)	(0.5)
Administrative expenses	(2,673)	(10.2)	(9,866)	(1.9)	(17,520)	(1.8)	(13,948)	(1.9)	(29,838)	(3.5)
Other expenses	(20)	(0.1)	(1,834)	(0.3)	(7,715)	(0.8)	(8,858)	(1.2)	(10,471)	(1.2)
Finance costs	–	–	(1,062)	(0.2)	(6,226)	(0.8)	(4,906)	(0.7)	(6,054)	(0.7)
Profit before tax	529	2.0	50,919	9.6	93,812	9.8	69,167	9.6	63,399	7.5
Income tax expense	(253)	(1.0)	(7,932)	(1.5)	(13,683)	(1.4)	(10,451)	(1.5)	(12,321)	(1.4)
Profit for the period	276	1.0	42,987	8.1	80,129	8.4	58,716	8.2	51,078	6.0
Attributable to:										
Owners of the Parent	138	0.5	36,539	6.9	69,367	7.3	50,642	7.0	51,080	6.0
Non-controlling interests	138	0.5	6,448	1.2	10,762	1.1	8,074	1.2	(2)	(0.0)
	276	1.0	42,987	8.1	80,129	8.4	58,716	8.2	51,078	6.0

For the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015, our net profit margin was 1.0%, 8.1%, 8.4%, 8.2% and 6.0%, respectively. The increase in our net profit margin in 2013 was primarily due to a decrease in our tax rate and smaller increases in our administrative expenses relative to our increase in revenues. The decrease in our net profit margin in the first ten months of 2015 was primarily due to the listing expenses of RMB10.0 million in relation to the proposed listing of our Shares on the Hong Kong Stock Exchange, and to a lesser degree, the depreciation of the RMB against the U.S. dollar in the second half of 2015.

Summary of Consolidated Statements of Financial Position

	As of 31 December			As of 31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets	9,837	103,652	153,122	244,417
Current Assets	112,929	273,193	288,092	173,634
Current Liabilities	117,697	328,489	317,729	242,860
Net Current Liabilities	(4,768)	(55,296)	(29,637)	(69,226)
Total Assets Less Current Liabilities	5,069	48,356	123,485	175,191
Total Equity	5,069	48,356	123,485	175,191

We recorded net current liabilities during the Track Record Period, which we primarily attribute to capital expenditure with respect to the purchase of property, plant and equipment and intangible assets, which increased our long-term assets but lowered our current assets, as well as significant amounts of advances from distributors. Our Directors believe that, with our available banking facilities, the future cash generated from our operating activities and the proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position after Listing. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — We recorded net current liabilities during the Track Record Period, and such positions may continue or recur after the Listing" on page 43 of this prospectus.

Summary of Consolidated Statements of Cash Flows

	For the year ended 31 December			For the ten months ended 31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from/(used in) operating activities	(889)	77,899	53,137	25,491
Net cash used in investing activities	(9,596)	(89,821)	(41,628)	(45,847)
Net cash from financing activities	40,400	26,247	14,301	9,904
Net increase/(decrease) in cash and cash equivalents	29,915	14,325	25,810	(10,452)
Cash and cash equivalents at beginning of the year	154	30,069	44,455	70,216
Effect of foreign exchange rate changes	–	61	(49)	(1,074)
Cash and cash equivalents at end of the period	30,069	44,455	70,216	58,690

FINANCIAL RATIOS

	As of 31 December			As of 31 October
	2012	2013	2014	2015
Gross margin (%)[(1)]	12.4	11.5	13.7	13.3
Net profit margin (%)[(2)]	1.0	8.1	8.4	6.0
Gearing ratio (%)[(3)]	65.7	42.0	21.5	22.5
Return on equity (%)[(4)]	5.4	88.9	64.9	29.2
Return on total assets (%)[(5)]	0.2	11.4	18.2	12.2
Net debt to equity ratio (%)[(6)]	191.8	72.5	27.3	29.0
Current ratio[(7)]	0.96	0.83	0.91	0.72
Quick ratio[(8)]	0.96	0.38	0.59	0.38

(1) Gross margin equals gross profit divided by revenue for the year/period, expressed as a percentage.

(2) Net profit margin equals net profit for the year/period divided by revenue for the year/period, expressed as a percentage.

(3) Gearing ratio equals net debt divided by the sum of total equity and net debt as of the end of the year/period, and net debt equals interest-bearing bank loans and amount due to a related party minus cash and cash equivalents, expressed as a percentage.

(4) Return on equity equals profit for the year/period attributable to equity shareholders of the Company divided by total equity attributable to equity shareholders of the Company as of the end of the year/period, expressed as a percentage.

(5) Return on total assets equals profit for the year/period attributable to equity shareholders of the Company divided by total assets as of the end of the year/period, expressed as a percentage.

(6) Net debt to equity ratio equals net debt divided by total equity as of the end of the year/period. Net debt equals interest-bearing bank loans and amount due to a related party minus cash and cash equivalents, expressed as a percentage.

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

(8) Quick ratio equals current assets less inventories divided by current liabilities as of the end of the year/period.

For details regarding fluctuations in our financial ratios, see "Financial Information — Financial Ratios" on pages 258 to 260 of this prospectus.

The following table demonstrates the sensitivity to a 5% change in RMB against U.S. dollar and Euro respectively. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against US$ and Euro, respectively, with all other variables held constant, of the Group's profit before tax for the Relevant Periods (due to changes in the fair value of cash and cash equivalents, prepayments, deposits and bank loans denominated in US$ and Euro):

	2012	2013	2014	For the ten months ended 31 October 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Increase/(Decrease) on profit before tax				
If RMB weakens against the U.S. and Euro	2,263	(615)	(835)	(2,412)
If RMB strengthens against U.S. and Euro	(2,263)	615	835	2,412

FLUCTUATIONS IN FOREIGN EXCHANGE RATES

Our purchase prices of Human Albumin Solution, Axetine, Medocef, TAD and Esafosfina are denominated in U.S. dollars and our purchase price of Taurolite is denominated in Euros, while the prices we charge to our distributors are denominated in RMB. We are thus exposed to foreign exchange risk as the exchange rates between the RMB and the U.S. dollar or the Euro at the time we enter into supply and service agreements with our suppliers, or at the time we place orders under such agreements, may be substantially different from those at the time that we are required to make payments to our suppliers. In addition, if foreign exchange rate fluctuations cause increases in our cost of sales, we may not be able to adjust our selling prices promptly to pass such increases to our distributors. We do not have a currency hedging policy in place, and significant fluctuations in foreign exchange rates at any time could have an adverse effect on our financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business — Exchange rate fluctuations of the U.S. dollar or the Euro may affect our cash flow, financial position and results of operations" on pages 40 to 41 of this prospectus for more details.

In August 2015, China devalued the RMB daily reference rate to the U.S. dollar, leading to significant depreciation of the RMB against the U.S. dollar. Such depreciation continued in late 2015 and caused an increase in our cost of sales, in particular the cost of sales attributable to the sales of Human Albumin Solution, which had a negative impact on our gross profit and net profit for the year ended 31

December 2015. We and Octapharma have agreed on the new purchase price of Human Albumin Solution for 2016, which is the same as the purchase price for 2015. As such, if the depreciation of the RMB continues, it will have a significant adverse impact on our gross profit and net profit going forward.

In order to reduce the impact of the depreciation of the RMB against the U.S. dollar on our results of operations, we have taken or plan to take the following measures:

- *Entering into discussions with Octapharma to adjust our purchase price of Human Albumin Solution*

  We have notified Octapharma that we plan to conduct price adjustment discussions for Human Albumin Solution at the next quarterly meeting, which is scheduled in March 2016. Octapharma has acknowledged the impact of the RMB's depreciation on our gross profit margin and agreed to discuss the pricing of Human Albumin Solution at the upcoming quarterly meeting. Nevertheless, we note that (i) the discussions regarding the pricing of Human Albumin Solution at the upcoming quarterly meeting will be subject to the foreign exchange rates at the time; and (ii) there is no assurance that such discussions will have an outcome that is satisfactory to us.

- *Adjusting our purchase prices of Axetine, Medocef, TAD and Esafosfina*

  In response to the recent foreign exchange rate fluctuations, we entered into price adjustment discussions with Deutsche Sinomed. Following such discussions, we and Deutsche Sinomed have agreed to lower our purchase prices of Axetine and Medocef, which is expected to substantially offset the impact of the recent depreciation of the RMB on our cost of sales attributable to the sales of these products. The new purchase prices of Axetine and Medocef became effective in November 2015.

  In addition, according to sole distribution agreements between us and Trendful, if the exchange rate between the RMB and the U.S. dollar or the Euro as set forth in each of the sole distribution agreements exceeds 5%, we and Trendful will adjust the purchase price of the relevant product accordingly. Given that such arrangement has been triggered by the recent depreciation of the RMB against the U.S. dollar, we and Trendful have agreed to lower our purchase prices of TAD and Esafosfina, which is expected to partially offset the impact of the recent depreciation of the RMB on our cost of sales attributable to the sales of these products. The new purchase prices of TAD and Esafosfina became effective in January 2016.

- *Adjusting our selling price of Human Albumin Solution*

  We are in the process of negotiating with our distributors individually to raise our selling price of Human Albumin Solution. We aim to raise our average selling price of Human Albumin Solution by approximately 2%. Some of our distributors have already agreed to the new selling price of Human Albumin Solution, and we expect to complete all the negotiations by the end of the first quarter in 2016.

  In addition, we may be able to further raise the selling price of Human Albumin Solution in the near future. The retail price ceilings historically imposed by the PRC government authorities on certain pharmaceutical products, including Human Albumin Solution, were lifted on 1 June 2015. Given that the demand for human albumin products in China exceeds the supply, we expect that retail prices of human albumin products will likely increase in the near future, which will leave us with room to further raise the selling price of Human Albumin Solution. However, there is no assurance whether such price uplift will occur in the provinces, municipalities and autonomous regions in which we have the exclusive right to service Human Albumin Solution.

RECENT DEVELOPMENTS

Based on our unaudited management accounts, our average monthly revenue and average monthly gross profit for the two months ended 31 December 2015 increased as compared with the average monthly revenue and average monthly gross profit for the ten months ended 31 October 2015, respectively. Such increases were primarily attributable to an increase in the sales of Human Albumin Solution and Taurolite in the two months ended 31 December 2015. Furthermore, the depreciation of the RMB against the U.S. dollar, which started in August 2015 and continued in late 2015, caused an increase in our cost of sales. Please see " — Fluctuations in Foreign Exchange Rates" for more details. Our Directors confirm that there had been no material adverse change in our financial, operational or trading position or prospects for the two months ended 31 December 2015. Our Directors further confirm that, save for the one-off listing expenses described under "— Listing Expenses" below, there had been no material adverse change in our financial, operational or trading position or prospects since 31 October 2015, being the date of our latest audited financial results as set out in the Accountants' Report in Appendix I to this prospectus, up to the date of this prospectus.

LISTING EXPENSES

We incurred listing expenses of RMB10.0 million for the ten months ended 31 October 2015. Based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions and excluding any discretionary incentive fee which may be payable by us, we expect to incur listing expenses of approximately RMB18.1 million and RMB32.0 million (or RMB23.9 million after excluding underwriting commission), of which RMB14.3 million and RMB17.9 million is expected to be recognised as administrative expenses for the year ended 31 December 2015 and the year ending 31 December 2016, respectively. The remaining RMB9.8 million, which is directly attributable to issuing new shares, as well as underwriting commission of RMB8.5 million, will be deducted from equity upon the completion of the Global Offering in accordance with IAS 32. We expect that our net profit for the year ending 31 December 2016 will be negatively impacted by these one-off listing expenses.

OFFERING STATISTICS

Market capitalisation at Listing	:	Approximately HK$1.28 billion to HK$1.78 billion (assuming the Over-allotment Option is not exercised)
Offer size	:	Initially 25% of our enlarged issued share capital
Over-allotment Option	:	Up to 15% of our initial Offer Shares
Offer Price per Share	:	HK$0.80 to HK$1.11 per Share
Board lot	:	4,000 Shares
Offering structure	:	90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)
Number of shares to be issued	:	400,000,000
Adjusted net tangible value per share	:	HK$0.23 to HK$0.31 per share

DIVIDENDS

In 2014, we declared and paid a dividend of RMB5.0 million on our distributable profits for the year ended 31 December 2013. We have not declared or paid any other dividend since our incorporation. Our future declarations of dividends may or may not reflect our historical or further declarations of dividends. The Company does not have a dividend policy. The Board has the absolute discretion to declare dividends, subject to our Articles of Association, the Cayman Companies Law and PRC laws governing our subsidiaries' ability to declare and pay dividends to us. Any declaration of dividends will depend on our future operations and earnings, capital requirements and surplus, cash flows and general financial conditions, contractual restrictions and other factors that our Directors consider relevant.

PROFIT ESTIMATE

For the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2015, our unaudited pro forma estimated earnings per Share for the year ended 31 December 2015 has been prepared on the bases of the notes set out below. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ended 31 December 2015 or for any future period.

Estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2015 [(1)(3)] . . . . . not less than RMB67.8 million (approximately HK$80.9 million)

Unaudited pro forma estimated earnings per Share for the year ended 31 December 2015 [(2)(3)] . . . . . not less than RMB0.04 (approximately HK$0.05)

Notes:

(1) The bases on which the above profit estimate has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2015 based on the audited consolidated results for the ten months ended 31 October 2015 and the unaudited consolidated results based on management accounts of our Group for the two months ended 31 December 2015.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results for the year ended 31 December 2015 attributable to owners of the Company, assuming that a total of 1,600,000,000 Shares had been in issued during the entire year. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme.

(3) The estimated consolidated profit attributable to owners of the Company and the unaudited pro forma estimated earnings per Share are converted into HK$ at the exchange rate of RMB0.8380 to HK$1.00.

USE OF PROCEEDS

We intend to use the net proceeds of the Global Offering for the following purposes:

Percentage of Net Proceeds	Future Plans
45%	(i) acquisition of sale and distribution rights of new products; and (ii) acquisition of businesses in the pharmaceutical industry with proprietary intellectual property or growth potential;
33%	repay a portion of the loans and bank trade credits due from the Group which were guaranteed by Mr. Huang;
14%	develop our cold chain facility and research and development base. Our cold chain facility is expected to be one of the largest cold chain facilities in the Southwest China after completion. We will not apply any proceeds from the Global Offering to the development of our cold chain facility and research and development base until we have rectified certain non-compliance incident. See "Business — Non-Compliance Matters" on pages 195 to 199 of this prospectus for more details; and
8%	our working capital and other general corporate purposes.

NON-COMPLIANCE MATTERS

We had certain incidents of non-compliance during the Track Record Period. As of the Latest Practicable Date, we had not obtained the land use rights certificate and the construction permits required for the construction of our premises, which are currently under construction in Shuangliu District, Chengdu, Sichuan Province. See "Business — Non-Compliance Matters" on pages 195 to 199 of this prospectus for more details.

RISK FACTORS

Our business faces risks including those set out in "Risk Factors" section on pages 38 to 68 of this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares. Some of the major risks that we face include:

- We currently source all the products in our portfolio from five suppliers, either directly or indirectly through their sales agents. Failure to maintain relationships with our existing suppliers or their sales agents or increase the number of our suppliers may materially and adversely affect our business, financial condition and results of operations.
- There is uncertainty regarding the impact of the new guiding pharmaceutical pricing mechanism on the pricing of our product offerings.
- Exchange rate fluctuations of the U.S. dollar or the Euro may affect our cash flow, financial position and results of operations.
- The market for plasma-based pharmaceuticals is strictly regulated, and such regulations are subject to amendments and changes by various authorities, which could result in more difficult or costly compliance obligations than those compliance obligations under current regulations. Failure to comply with current or future regulations could have a material and adverse impact on our business prospects, financial condition and results of operations.
- If the Insurance Catalogues or Catalogues of Essential Pharmaceuticals are amended to exclude the products currently in our portfolio, or if products we add to our portfolio in the future are not included in the Insurance Catalogues or Catalogues of Essential Pharmaceuticals, our business, financial condition, results of operations and prospects could be materially and adversely affected.
- Our business is a low-margin business and our profit margin may be sensitive to cost increases and competition.
- We recorded net current liabilities during the Track Record Period, and such positions may continue or recur after the Listing.
- Pharmaceutical products, and plasma-based pharmaceuticals in particular, require strict storage conditions.
- We may experience prolonged delays or significant disruptions to the supply of the products in our portfolio, or an increase in the purchase prices of such products, which may adversely affect our business, financial condition and results of operations.
- We rely on third-party companies to provide us with warehousing and delivery services.
- The manufacture of Human Albumin Solution, on which we depend for the majority of our revenue, relies on the availability of quality plasma, a biological raw material that cannot be industrially fabricated.
- We have a limited operating history.

CONTROLLING SHAREHOLDERS INFORMATION

Immediately following the completion of the Global Offering (without taking into account the Shares that may be issued pursuant to the Over-allotment Option or any options which may be granted under the Share Option Scheme), Risun, 100% owned by Mr. Huang, will hold approximately 65.625% of our issued share capital. Therefore, Risun and Mr. Huang will continue to be our Controlling Shareholders after the Listing. Save and except for their interests in our Company and its subsidiaries, neither of our Controlling Shareholders nor any of their associates had interests in any other companies as at the Latest Practicable Date which may, directly or indirectly, compete with our business. See the section headed "Relationship with Our Controlling Shareholders" on pages 204 to 207 of this prospectus for further details.

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

"Accountants' Report"	the report of the Reporting Accountants dated 29 February 2016, the text of which is set out in Appendix I of this prospectus
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"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
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on 1 February 2016 a summary of which is set out in Appendix VI to this prospectus
"Audit Committee"	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company
"Beijing Ziguang"	Beijing Ziguang Pharmaceutical Co., Ltd. (北京紫光製藥有限公司), a limited liability company incorporated in the PRC and an Independent Third Party
"Board" or "Board of Directors"	the board of directors of the Company
"Brightsome"	Brightsome Sky Investments Limited, a limited company incorporated under the laws of BVI on 16 January 2015, which is owned as to 100% by Lumine Holdings
"Bruschettini"	Bruschettini S.r.l., a limited company incorporated in the Italian Republic, the manufacturer of Taurolite and an Independent Third Party
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	The British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Companies Law"	the Companies Law (2013 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFDA"	China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局) established in March 2013, the successor of SFDA
"Chengdu Hengsheng"	Chengdu Hengsheng Ziguang Pharmaceutical Co., Ltd. (成都恒盛紫光醫藥技術有限責任公司), a limited liability company incorporated in the PRC on 4 March 2015, a wholly-owned subsidiary of the Company
"Chengdu Sinco Pharmaceuticals"	Chengdu Sinco Pharmaceuticals Co., Ltd. (成都興科蓉醫藥技術有限責任公司), a limited liability company incorporated in the PRC on 26 February 2014, which is a wholly-owned subsidiary of the Company
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
"Circular 37"	the Notice on Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investment by Domestic Residents Through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), issued by SAFE on 14 July 2014
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Company" or "our Company" or "the Company"	Sinco Pharmaceuticals Holdings Limited (興科蓉醫藥控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 16 March 2015
"Controlling Shareholders"	Mr. Huang and Risun
"Deed of Non-competition"	the deed of non-competition entered into between the Controlling Shareholders and the Company dated 1 February 2016 in respect of certain non-competition undertakings given by the Controlling Shareholders in favour of our Group
"Deutsche Sinomed"	Deutsche Sinomed GmbH & Co. KG, a limited partnership established in the Federal Republic of Germany and the exclusive sales agent for Axetine and Medocef, manufactured by Medochemie, in China and an Independent Third Party
"Director(s)"	the director(s) of the Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law, promulgated on 16 March 2007 and became effective as of 1 January 2008
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent global market research and consulting company which was founded in 1961 and is based in the United States
"Frost & Sullivan Report"	a report prepared by Frost & Sullivan on the pharmaceutical market in China, which was commissioned by the Company
"Foscama"	Biomedica Foscama Group S.p.A., a limited company incorporated in the Italian Republic, the manufacturer of TAD and Esafosfina, and an Independent Third Party
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Government Gazette"	the official publication of the Government for, among other things, statutory notices for public tenders
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and our subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)

"Guangzhou Pharmaceuticals"	Guangzhou Pharmaceuticals Corporation (廣州醫藥有限公司), a limited liability company incorporated in the PRC and an Independent Third Party. It is one of the largest pharmaceutical distributors in China with one of the joint-venture partners being Walgreens Boots Alliance, Inc., a global pharmaceutical company
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Share(s)"	the 40,000,000 Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Prosperous"	Hong Kong Prosperous Group Holding Limited (香港恒盛集團控股有限公司), a limited company incorporated in Hong Kong on 20 December 2013, which is a wholly-owned subsidiary of Starwell Group
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus) for cash at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) and on the terms and subject to the conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated 26 February 2016 relating to the Hong Kong Public Offering and entered into among our Company, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Hong Kong Underwriters as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses" in this prospectus
"Human Albumin Solution"	refers to Octapharma's human albumin solution 20% (containing 200 grammes of total protein per litre) and human albumin solution 25% (containing 250 grammes of total protein per litre). The term Human Albumin Solution refers to both products or either one of them as the context requires
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"Independent Third Party(ies)"	a person or entity who is not considered a connected person or associate of a connected person of the Company under the Listing Rules
"Institute of Chinese Medical Sciences"	the Institute of Chinese Materia Medica, China Academy of Chinese Medical Sciences (中國中醫科學院中藥研究所)
"International Offer Share(s)"	the 360,000,000 Shares initially being offered by our Company pursuant to the International Offering for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any Over-allotment Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S or any other available exemption for registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Sole Global Coordinator, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company, the Controlling Shareholders and the Sole Global Coordinator in respect of the International Offering, as further described in the section headed "Underwriting — The International Offering" in this prospectus

"Kang Tai Yun Dao"	Beijing Kang Tai Yun Dao Technology Co., Ltd. (北京康泰運道科技有限公司) a limited liability company incorporated in the PRC on 12 April 2013, which is owned by Zhang Zhijie (張志傑), an executive Director of the Company as to 60% and Mr. Guo Jingqi (郭景旗), an Independent Third Party, as to 40%
"Kelun Pharmaceuticals"	Sichuan Kelun Pharmaceuticals Trading Co., Ltd. (四川科倫醫藥貿易有限公司), a limited liability company incorporated in the PRC on 26 November 1998, which, as at the Latest Practicable Date, is jointly owned as to 0.2% by Liu Sichuan (劉思川), 1.8% by Cheng Zhipeng (程志鵬), 29.8% by Sichuan Kelun Industrial Group Co., Ltd. (四川科倫實業集團有限公司) and 68.2% by Sichuan Huifeng Investment Development Co., Ltd. (四川惠豐投資發展有限責任公司)
"Latest Practicable Date"	20 February 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Liaoning Wanjia"	Liaoning Wanjia Pharmaceutical Technology Co., Ltd. (遼寧萬嘉醫藥科技有限公司), a limited liability company incorporated in the PRC, the manufacturer of Xinneng Q_{10} and an Independent Third Party
"LIBOR"	London Interbank Offered Rate
"Linzhi Ziguang"	Xizang Linzhi Ziguang Pharmaceutical Co., Ltd (西藏林芝紫光藥業有限責任公司), a limited liability company incorporated in the PRC on 17 November 2014, a wholly-owned subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be 10 March 2016 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Lumine Holdings"	Lumine Holdings Limited, a limited company incorporated under the laws of BVI on 16 April 2014, which is wholly-owned by Mr. He Ji

"Medochemie"	Medochemie Ltd., a limited liability company incorporated in the Republic of Cyprus and an Independent Third Party
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company (as amended from time to time), conditionally adopted on 1 February 2016, a summary of which is set out in Appendix VI to this prospectus
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"MOH"	the Ministry of Health (中華人民共和國衛生部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"Mr. He Ji"	Mr. He Ji (何霽), one of our shareholders
"Mr. Huang"	Mr. Huang Xiangbin (黃祥彬), our Chairman, Executive Director, Chief Executive Officer and one of our Controlling Shareholders
"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)
"NHFPC"	the National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會)
"Octapharma"	Octapharma AG, a corporation limited by shares incorporated in the Swiss Confederation, one of the world's leading manufacturers of plasma-based pharmaceuticals in terms of global sales revenue in 2014 according to the Frost and Sullivan Report and an Independent Third Party
"Offer Price"	the final price per Hong Kong Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$1.11 and expected to be not less than HK$0.80, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and to be determined as further described in the section headed "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus
"Offer Share(s)"	the Share(s) offered in the Global Offering, where relevant, together with any Over-allotment Shares that may be issued by the Company pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by the Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which the Company may issue up to an aggregate of 60,000,000 Over-allotment Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"Over-allotment Shares"	up to 60,000,000 Shares to be issued by the Company upon the exercise of the Over-allotment Option at the Offer Price under the International Offering
"PBOC"	People's Bank of China (中國人民銀行)
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"Price Determination Agreement"	the agreement to be entered into by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around 3 March 2016 (Hong Kong time) and, in any event no later than 8 March 2016 (Hong Kong time) on which the Offer Price is determined by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters)
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	a committee of the Board established by the Board to discharge the Board's responsibilities relating to the remuneration of Directors and executive officers of our Company
"Reorganisation"	the reorganisation of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure" of this prospectus
"Reporting Accountants"	Ernst & Young
"Risun"	Risun Investments Limited, a limited company incorporated under the laws of BVI on 16 January 2015, which is a wholly-owned subsidiary of Mr. Huang, and one of our Controlling Shareholders

"RMB"	Renminbi, the lawful currency of the PRC
"Ruixin"	Chengdu Ruixin Biopharmaceutical Technology Co., Ltd (成都瑞欣生物醫藥技術有限公司) a limited liability company incorporated in the PRC on 17 February 2004, which is jointly owned as to 50% by Mr. Huang and 50% owned by Mr. Chen Xiangui (陳賢貴), an Independent Third Party. Pursuant to a shareholders' resolution dated 22 September 2015, it was agreed that Ruixin is to be dissolved. Ruixin is expected to dissolve within 6 months from the date of the shareholders' resolution
"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 of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFDA"	the State Food and Drug Administration of the PRC (中華人民共和國國家食品藥品監督管理局) established in April 2003, the predecessor of the CFDA
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.0001 each
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 1 February 2016, the principal terms of which are summarised in "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix VII to this prospectus
"Shareholder(s)"	holder(s) of Shares
"Sichuan Sinco Pharmaceuticals"	Sichuan Sinco Pharmaceuticals Co., Ltd (四川興科蓉藥業有限責任公司), a limited liability company incorporated in the PRC on 1 April 2011 and a wholly-owned subsidiary of Hong Kong Prosperous
"Sinco Biotechnology"	Sichuan Sinco Biotechnology Co., Ltd. (四川興科蓉生物科技有限公司), a limited liability company incorporated in the PRC on 25 November 2013, which is jointly owned as to 70% by Sichuan Sinco Pharmaceuticals and 30% by Kang Tai Yun Dao, respectively, and a subsidiary of our Company

"Sole Sponsor" or "Sole Global Coordinator" or "Sole Bookrunner"	China Merchants Securities (HK) Co., Limited
"Stabilising Manager"	China Merchants Securities (HK) Co., Limited
"Starwell Group"	Starwell Group Holding Limited (興豪集團控股有限公司), a limited company incorporated under the laws of BVI on 26 November 2013 and a wholly-owned subsidiary of our Company
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Risun on or about the Price Determination Date pursuant to which Risun will agree to lend to the Stabilising Manager up to 60,000,000 Shares on the terms set out therein
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Track Record Period"	the three financial years of the Company ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015
"Trendful"	Trendful Development Limited (銓福發展有限公司), a limited liability company established in Hong Kong, the exclusive sales agent for Bruschettini and Foscama in China and an Independent Third Party
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Vast Surplus"	Vast Surplus Corporation Limited (鵬盈有限公司), a limited company incorporated in Hong Kong on 6 October 2004 and wholly-owned by Mr. Huang
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**

"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Wisen"	Wisen Group Holding Limited, a limited company incorporated under the laws of BVI on 16 January 2015 and wholly-owned by Liu Sichuan
"Xinneng Q_{10}"	a dietary supplement registered with the CFDA, manufactured by Liaoning Wanjia, which is composed of Coenzyme Q_{10}, an essential oil-soluble antioxidant found in the human body, especially in the heart, liver, kidney and pancreas

In this prospectus, the terms "associate,", "close associate," "connected person," "connected transaction," "controlling shareholder," "core connected person," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese are translations of the Chinese names. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"acetaminophen"	a pain reliever and fever reducer that is used to treat pain conditions
"acute promyelocytic leukaemia"	a subtype of leukaemia characterised by a chromosomal translocation involving the retinoic acid receptor-alpha gene on chromosome; it is now one of the most treatable forms of leukaemia
"Alzheimer's disease"	a chronic brain disease that slowly destroys brain cells, causing a gradual decline in cognitive ability and daily functioning
"antibiotics"	a drug used to treat bacterial infections
"anticancer chemotherapeutic agent"	a chemical substance that is used in chemotherapy to treat cancers and tumours
"anti-infective"	a substance capable of acting against infection, by inhibiting the spread of an infectious agent or by killing the infectious agent outright
"antitubercular drugs"	any agent or group of drugs used to treat tuberculosis
"ascites"	refers to the accumulation of fluid in the peritoneal cavity
"biopharmaceutical"	any medicinal product manufactured in or extracted from biological sources
"bleeding disorder"	a group of conditions associated with problems with the body's clotting protein
"cancer"	a type of disease involving abnormal cell growth with the potential to invade or spread to other parts of the body
"Catalogues of Essential Pharmaceuticals"	lists of pharmaceutical products promulgated by the MOH or the provincial government authorities to promote fair prices for an equal access by the general public to essential medicines. The term refers to both National Catalogue of Essential Pharmaceuticals and Provincial Catalogues of Essential Pharmaceuticals
"cardiology"	a branch of medicine that deals with diseases and abnormalities of the heart
"cardiovascular"	relating to or affecting heart and blood vessels

"cardiovascular disease" or "CVD"	the class of diseases that involves the heart or blood vessels
"cefoperazone sodium"	an antibiotic used in treatment of bacterial infections, including infections of lower respiratory tract, urinary tract, bile duct, peritoneum, skin, soft tissue, pelvic area and sepsis
"cefuroxime sodium"	an antibiotic used in treatment of bacterial infections as well as the prevention of post-surgery infections
"Chinese medicine" or "traditional Chinese medicine"	a broad range of medicine practises sharing common concepts which have been developed in China for over 2,000 years, including various forms of herbal medicine and dietary therapy
"cholelithiasis"	also known as gallstone disease, a prevalent disease in China with a 7% incidence rate
"chronic"	a health condition or disease that is persistent or otherwise long-lasting in its effects or a disease that comes with time
"Class I hospitals"	local hospitals with small capacity designated by the NHFPC hospital classification system that provide a community with elementary medical services
"Class II hospitals"	regional hospitals with medium capacity designated by the NHFPC hospital classification system that provide multiple communities with integrated medical services and undertake certain educational and scientific research missions
"Class III hospitals"	multi-regional hospitals with large capacity designated by the NHFPC hospital classification system that provide multiple regions with high quality professional medical services, undertake higher education and scientific research initiatives and are followed by lower ranked Class II and Class I hospitals
"clinical trial(s)"	an experiment performed on human beings in order to evaluate the comparative efficacy of therapies. Individuals are assigned randomly to a treatment group (experimental therapy) and a control group (placebo or standard therapy) and the outcomes of the two groups are compared
"Coenzyme Q_{10}" or "CoQ_{10}"	an essential oil-soluble antioxidant found in the human body, especially in the heart, liver, kidney and pancreas
"cold chain storage" or "cold chain facility"	a term commonly used in the healthcare industry to refer to a system which maintains a specified temperature range for the goods moved through the supply chain from manufacturers to end users

"CRO"	refers to a contract research organisation that provides research services to pharmaceutical, and biotechnology and medical device industries on a contract basis
"crystalloid"	aqueous solutions of mineral salts or other water-soluble molecules, for example, saline solution
"customer relationship management system" or "CRM system"	a system for managing a company's interactions with current and future customers, which often involves using technology to organise, automate, and synchronise sales, marketing, customer service, and technical support
"decoction pieces"	Chinese medicines which are processed and can be directly prescribed
"detoxification"	the physiological or medicinal removal of toxic substances from a living organism, including, but not limited to, the human body, which is mainly carried out by the liver
"dextran(s)"	polymeric carbohydrate molecules synthesised from sucrose by certain lactic acid bacteria and are mainly used to anti-blood clot, to reduce blood viscosity and as a volume expander in hypovolemia
"distributor"	an entity that buys products or product lines, warehouses them, and resells them to retailers or direct to the end users or customers
"edema"	a condition characterised by an excess of watery fluid collecting in the tissues of the body
"endocrinology"	a branch of medicine concerned with the structure, function, and disorders of the endocrine glands
"ERP information management system"	a business management software that a company can use to collect, store, manage and interpret data from many business activities
"ethyl alcohol"	the principal type of alcohol found in alcoholic beverages, produced by the fermentation of sugars by yeasts
"fluid resuscitation"	the medical practice of replenishing bodily fluid lost through sweating, bleeding, fluid shifts or other pathologic processes
"fractionation"	a process of separating blood into different components
"free radicals"	atoms or molecules containing unpaired electrons
"fresh frozen plasma"	the liquid portion of human blood that has been frozen and preserved after a blood donation and is used for infusion

"fructose 1,6-diphosphate"	a diphosphate ester of fructose $C_6H_{14}O_{12}P_2$ reversibly formed from fructose-6-phosphate as an intermediate in carbohydrate metabolism
"gallstone"	a concretion formed in the gall bladder or bile duct, with its usual composition being cholesterol and a blood pigment liberated by haemolysis or a calcium salt
"gastroenterology"	the study of the digestive system and its diseases
"gelatins"	modified beef collagens used medically in shock treatment and to increase blood volume
"generic name"	the official, established and non-proprietary name assigned to a drug, under which the drug is licenced. All manufacturers list the drug by its generic name but may market the drug under their trademarks
"gonorrhoea"	a sexually transmitted infection with usual symptoms of abnormal discharge and pain or sensations in the pelvic area
"GMP" or "Good Manufacturing Practise"	guidelines and regulations issued from time to time pursuant to the Law of the PRC on the Administration of Pharmaceuticals to provide quality assurance and ensure that pharmaceutical products subject to the guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended uses
"GSP" or "Good Supply Practise"	a set of management procedures and standards regulating the pharmaceutical product supply chain
"haematology"	the branch of medicine concerned with the study, diagnosis, treatment, and prevention of diseases related to the blood
"healthcare service"	the service practice that provides inpatient or outpatient diagnosis, treatment and prevention of human disease, illness, injury or dysfunction through the medical procedures performed by professional practitioners in medicine, optometry, dentistry, nursing, pharmacy, and other fields
"heart failure"	a medical condition when the heart is unable to pump sufficiently to maintain blood flow to meet the body's needs
"hepatitis"	the inflammation of the liver by inflammatory cells
"hepatobiliary disease"	includes gallstone disease, or cholelithiasis, a prevalent disease in China with a 7% incidence rate

"HIV"	a type of virus that infects the human immune system and may cause acquired immune deficiency syndrome, or AIDS, by killing the white blood cells, which a healthy body uses to fight off disease
"hospital infusion"	the administration of medication through a needle or catheter, usually via the intravenous route, in the hospital
"human albumin"	a soluble and monomeric protein in human blood plasma which accounts for 60% of the proteins found in plasma. It is used to remedy hypovolemia and hypovolemic shock, abnormally high intracranial pressure, edema and ascites, and to prevent and cure hypoalbuminemia and neonatal hyper-bilirubinemia
"human fibrinogen"	a fibrinogen coagulant prepared from human plasma and is used as an adjunct in the management of acute, congenital, or acquired chronic hypofibrinogenemia
"hydroxyethyl starches"	non-ionic starch derivative used to prevent shock following severe blood loss caused by trauma, surgery, or other problem
"hypoalbuminemia"	a medical condition where blood levels of albumin are abnormally low
"hypochloremic metabolic acidosis"	a form of metabolic acidosis, which the body produces excessive quantities of acid or when the kidneys are not removing enough acid from the body, associated with a normal anion gap, a decrease in plasma bicarbonate concentration, and an increase in plasma chloride concentration
"hypophosphatemia"	a medical condition characterised by an abnormally low level of phosphate in the blood
"hypophosphatemic"	of or related to hypophosphatemia
"hypovolemia"	a state of decreased blood volume, more specifically, decrease in volume of blood plasma
"hypovolemic shock"	an emergency condition in which severe blood and fluid loss make the heart unable to pump enough blood to the body
"incidence rate"	the number of new cases per population at risk in a given time period
"infuse" or "infusion"	the therapeutic introduction of fluid other than blood into a vein
"injectable"	capable of being injected

"injection"	an infusion method of putting fluid into the body, usually with a syringe and a hollow needle pierced through the skin to a sufficient depth for the material to be administered into the body
"Insurance Catalogues"	a compilation of pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance of the PRC as determined by the PRC central or provincial government authorities, as amended, supplemented or otherwise modified from time to time. The term refers to both the National Insurance Catalogue and Provincial Insurance Catalogues
"intoxication"	a condition caused by a psychoactive substance and results in disturbances in behaviour and/or psychophysiological functions and responses
"intracranial pressure"	the pressure inside the skull, in the brain tissue and cerebrospinal fluid
"leukaemia"	a group of cancers that usually begins in the bone marrow and results in high numbers of abnormal white blood cells
"malnutrition"	a condition that results from eating a diet with insufficient nutrients or excessive nutrients such that the diet causes health problems
"medical indication(s)"	refers to the therapeutic uses of a certain medication as described on the product package. The indications are regulated by the relevant licencing government authority, such as the CFDA, the U.S. Food and Drug Administration and the European Medicines Agency, in the respective jurisdictions
"MPCM"	refers to marketing, promotion and channel management for the sale and promotion of pharmaceutical products for pharmaceutical manufacturers
"narcotic"	a drug that causes a loss of feeling or paralysis
"National Catalogue of Essential Pharmaceuticals"	a list of pharmaceutical products promulgated by the MOH to promote fair prices for an equal access by the general public to essential medicines
"National Insurance Catalogue"	a catalogue of the list of pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance of the PRC as determined by the PRC central government, as amended, supplemented or otherwise modified from time to time

"neonatal hyper-bilirubinemia"	a condition occur in infants which there is too much bilirubin in the blood, causing jaundice, which is a yellowish pigmentation of the skin
"neuroleptics"	a class of psychiatric medication primarily used to manage psychosis, in particular in schizophrenia and bipolar disorder, and are increasingly being used in the management of non-psychotic disorders
"neurology"	the branch of medicine dealing with disorders of the nervous system
"obstetrical"	of or relating to the care and treatment of women in childbirth and during the period before and after delivery
"oncology"	a branch of medicine that deals with tumours, including study of their development, diagnosis, treatment, and prevention
"ophthalmology"	the branch of medicine that deals with the anatomy, physiology and diseases of the eye
"oral cholic acid drugs"	drugs which are composed of cholic acid, a primary bile acid, in treating hepatobiliary diseases and are taken orally
"organophosphorus"	degradable organic compound that is used primarily in pest control as an alternative to chlorinated hydrocarbons that persist in the environment
"originator branded generics"	patent-expired drugs manufactured by the original manufacturer
"Parkinson's disease"	a chronic and progressive movement disorder, caused by the death of brain neurons, with symptoms including shaking, rigidity, slowness of movement and difficulty with walking and gait
"pelvic"	either the lower part of the trunk, between the abdomen and the thighs, or the skeleton embedded in it
"peritoneum"	the major membrane that forms the lining of the abdominal cavity or coelom in amniotes
"pharmaceutical product"	a product used to diagnose, cure, treat, or prevent disease
"pharmacology"	the branch of medicines that studies the preparation, uses, and effects of drugs
"plasma"	the pale yellow liquid component of blood that makes up approximately 55% of total blood volume that normally holds the blood cells in whole blood in suspension

"plasma-based pharmaceutical(s)" or "plasma-based product(s)"	pharmaceutical products which are manufactured from human plasma
"pneumonia"	an inflammatory condition of the lung affecting primarily the microscopic air sacs known as alveoli
"prescription drugs"	pharmaceutical products which may only be prescribed by qualified medical practitioners
"prevalence rate"	the proportion of people in a population who have a particular disease at a specified point in time, or over a specified period of time
"Provincial Catalogues of Essential Pharmaceuticals"	lists of pharmaceutical products promulgated by the government authorities of each Chinese province to promote fair prices for an equal access by the general public to essential medicines
"Provincial Insurance Catalogues"	lists of pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance of the PRC as determined by the government authorities of each Chinese province, as amended, supplemented or otherwise modified from time to time
"psychotropic"	chemical substance that changes brain function and results in alterations in perception, mood, or consciousness
"rabies immunoglobulin"	globulin fraction of pooled plasma of high anti-rabies virus titer from immunised persons
"realgar"	an arsenic sulphide mineral and is orange-red in colour
"reduced glutathione"	an antioxidant that prevents damage to important cellular components caused by reactive oxygen species such as free radicals, peroxides, lipid peroxides and heavy metals
"respiratory"	relating to or affecting respiration or the organs of respiration
"sepsis"	a complication of an infection which triggers inflammatory responses throughout the body
"soft tissue"	the non-bone tissues that connect, support, or surround other structures and organs of the body
"synthetic colloid"	an artificial solution of molecules for infusion
"tauroursodeoxycholic acid" or "TUDCA"	a water-soluble bile salt used in the treatment of cholesterol gallstones and other hepatobiliary diseases

"tetanus immunoglobulin"	a sterile solution of globulins derived from plasma of adult human donors who exhibit a high titer of antibodies specific for tetanus due of immunisation with tetanus toxoid
"therapeutic area"	of or pertaining to the treating or curing of diseases or disorders
"tumour"	swelling, inflammation or morbid enlargement, combined with a new uncontrolled and progressive growth of tissue
"vertebrobasilar ischemia"	refers to a range of conditions that sever blood supply to the back of the brain which can have a negative effect on automatic brain functions
"yield"	total amount of protein produced in the process of fractionation

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industries and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the PRC;
- changes to the regulatory environment, policies, operating conditions and general outlook in the industries and markets in which we operate;
- the actions of and developments affecting our major customers and suppliers;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to control or reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors; and
- certain statements included in the section headed "Financial Information" in this prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialise or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

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 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, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

An investment in our Shares involves various risks. Before investing in our Shares, you should carefully consider all of the information set forth in this prospectus, and in particular, the specific risks set out below. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition and results of operations or the trading price of the Shares, and could cause you to lose your investment. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Please be cautioned that the risks and uncertainties described below are not exhaustive.

RISKS RELATING TO OUR BUSINESS

We currently source all the products in our portfolio from five suppliers, either directly or indirectly through their sales agents. Failure to maintain relationships with our existing suppliers or their sales agents or increase the number of our suppliers may materially and adversely affect our business, financial condition and results of operations.

We currently generate all of our revenue by acting as the main or exclusive provider of MPCM services for our five suppliers: Octapharma, Medochemie, Bruschettini, Foscama and Liaoning Wanjia. As of the Latest Practicable Date, we sourced seven products, namely Human Albumin Solution, Axetine, Medocef, Taurolite, TAD, Esafosfina and Xinneng Q_{10}, from our suppliers, either directly or indirectly through their sales agents. In 2012, our purchases of products from Medochemie accounted for 100% of our total purchases and our sale of two Medochemie products, Axetine and Medocef, amounted to an aggregate of RMB26.2 million, representing all of our revenue in 2012. In 2013, 2014 and the first ten months of 2015, our largest supplier was Octapharma, whose products accounted for 54.5%, 56.7% and 65.0% of our total purchases in the respective periods. Octapharma supplies us with Human Albumin Solution, which represented 47.2%, 66.2% and 64.9% of our revenue in 2013, 2014 and the first ten months of 2015, respectively.

Under the distribution agreement entered into between us and Octapharma, Octapharma provides us with Human Albumin Solution that has a minimum remaining shelf life of 24 months at the time of product delivery, and provides us with a six-month production forecast, of which the first three months is binding on the parties (the "**Binding Forecast**"). While the quantity of Human Albumin Solution to be supplied to us is tied to the Binding Forecast, Octapharma has discretion over making new forecasts, which can in turn affect the quantity of supply to us and disrupt our sales planning and management. In addition, although our distribution agreement with Octapharma has an indefinite term, it is subject to, among others, annual price negotiations. Please see "Business — Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Octapharma" for more information. We cannot assure you that we will be able to successfully consummate the annual price negotiations with Octapharma or fix a price that is favourable to us during the annual price negotiations. The amount of Human Albumin Solution supplied by Octapharma to us or our gross profit margin on the sale of Human Albumin Solution may decrease in the future, which would adversely affect our business, financial condition and results of operations.

As for our other supply arrangements, we have been the exclusive service provider for Medochemie's two antibiotics products, Axetine and Medocef, since April 2011, and the purchase price and quantity of supply from Medochemie are determined each quarter. Our sole distribution agreements to service Taurolite, TAD and Esafosfina also specify annual order amounts and provide us with exclusive rights for an indefinite term subject to the fulfilment of sales targets. In September 2015, we entered into a collaboration agreement with Liaoning Wanjia to be the exclusive service provider for Xinneng Q_{10} in China until December 2025. We started servicing Xinneng Q_{10} in December 2015.

However, our rights to provide services for our suppliers are subject to termination, expiration, non-renewal or other limitations under specific conditions. Also, we cannot assure you that our

exclusivity in our current selling regions can be maintained upon the renewal of distribution agreements with our suppliers or their sales agents. If we do not perform as required under our agreements with certain suppliers or their sales agents, including Octapharma, such as by failing to preserve product quality, maintain proper marketing practices, reach mutual agreement on purchase prices or achieve desired sales volumes, our suppliers or their sales agents may terminate their agreements with us, cease to offer us rights on certain products or in certain territories or appoint additional service providers in provinces, municipalities or autonomous regions where we currently act as exclusive service provider. There are also uncertainties associated with certain terms in our agreements with Octapharma. For example, in October 2015, Octapharma entered into a supplemental agreement with us which acknowledges, among other things, that annual price negotiations would be conducted in such a manner as to ensure, to the extent commercially practicable to Octapharma, that we receive a reasonable profit margin broadly in line with our historical profit margins. However, despite such provision in the supplemental agreement, there is no assurance that the discussions between us and Octapharma regarding the pricing of Human Albumin Solution will have an outcome that is satisfactory to us. A significant adverse change in our relationship with any of these suppliers, or the partial or complete loss of one of our suppliers due to its bankruptcy, liquidation or closure, would lead to supply disruptions that could have an adverse effect on our business.

Moreover, our relationships with certain suppliers are subject to the arrangement between our suppliers and their respective exclusive sales agents. We purchase Medochemie's two antibiotics products, Axetine and Medocef, through the exclusive sales agent of the two products in China, Deutsche Sinomed. We also purchase Bruschettini's Taurolite and Foscama's TAD and Esafosfina through Trendful, the exclusive sales agent of Bruschettini and Foscama in China. We cannot assure you that the exclusive sales agents of suppliers with which we have distribution agreements will not cease to be representatives of such suppliers or the exclusivity of such sales agents will not be terminated.

We have invested and will also continue to invest significant resources in building a marketing and channel infrastructure for each of the products in our portfolio. If our rights to provide services for such products are constrained or terminated, we might not be able to realise our anticipated revenue from their sale and recover our costs. Furthermore, we believe that the products in our portfolio are highly differentiated, and we may not be able to find alternative products to replace those of suppliers who choose to limit or cease their relationship with us. Our reputation may also suffer, which may hinder our ability to attract additional or replacement suppliers, if any. Therefore, were any of our suppliers to limit or cease their relationship with us, our business, financial condition, and results of operations would be materially and adversely affected.

There is uncertainty regarding the impact of the new guiding pharmaceutical pricing mechanism on the pricing of our product offerings.

It is typical in China for selling prices of pharmaceutical products to decline over the course of the products' lifecycle as a result of, among other things, price control policies of the PRC government or increased competition from substitute products. Prior to 1 June 2015, all of the pharmaceutical products in our portfolio were subject to government price controls in the form of periodically-adjusted price ceilings imposed by the national and regional offices of the Pricing Bureau of the NHFPC, the NDRC and other authorities. Price ceilings on pharmaceutical products, as in effect before 1 June 2015, set the maximum prices at which pharmaceutical products which were fully or partially covered under the national insurance system at both the provincial and national level could be sold to patients at hospitals and pharmacies. These price ceilings were determined by the government based on factors such as profit margins that the relevant government authorities deem reasonable, product type, quality, production costs, prices of substitute pharmaceutical products and the extent of the supplier's compliance with the applicable standards of good manufacturing practise, or GMP. See the section headed "Regulatory Framework — Regulatory Framework Applicable to the Industry — Pricing Control" of this prospectus for further details of PRC price controls prior to 1 June 2015.

In October 2014, the NDRC issued a consultation paper to local bureaus of commodity prices indicating that the then-existing price controls over certain pharmaceuticals, including plasma-based pharmaceuticals, might be relaxed. In May 2015, the NDRC issued a Notice on Publishing and Circulating the Opinions on Facilitating the Pharmaceutical Pricing Reform which announced that, starting from 1 June 2015, the price ceilings imposed on most pharmaceutical products, including each pharmaceutical product in our portfolio, would be abolished, and these products would be subject to a more market-based guiding pricing mechanism to be formulated by medical insurance bureaus and other relevant authorities. Accordingly, price ceilings were lifted on 1 June 2015.

There is uncertainty regarding how prices will be determined in this new regulatory environment. As of the Latest Practicable Date, the new guiding pricing mechanism announced in the Notice on Publishing and Circulating the Opinions on Facilitating the Pharmaceutical Pricing Reform had not been formulated or established, and we do not know when implementation will occur. Thus, we are in a period during which we have limited guidance from government authorities as to the price at which the products in our portfolio should be sold, and it is not yet clear how the market for our product offerings will continue to operate under such circumstances. Further, we do not know how the new guiding pricing mechanism will affect the market for our product offerings. Although as of the Latest Practicable Date we have not observed any price changes in response to the lifting of price ceilings, we cannot predict the future effect on the selling prices of the products in our portfolio, including Human Albumin Solution. There is no guarantee that application of the new guiding pricing mechanism will result in prices that are able to cover the costs and expenses involved in servicing our product offerings. If prices are lower under the new mechanism, our profit margins may be adversely affected, or some of our suppliers that have discretion over the quantity of supply to us, such as Octapharma, may decide to allocate more product shipments to markets other than China. If prices are higher under the new mechanism, demand for our product offerings may lessen and we may find it difficult to fulfil our contracted sales targets or otherwise achieve growth. Also, as the mechanism is intended to provide for prices based on free market forces, competitive pressure may force us to lower prices to below those that existed when price ceilings were in effect. Finally, we do not know how the new pricing mechanism will be enforced, or how rigorous enforcement will be. Thus, there is uncertainty about the future pricing of Human Albumin Solution and all of our other product offerings.

Although our distribution agreements with our suppliers, except for our distribution agreements for Taurolite, TAD and Esafosfina, contain provisions to mitigate the impact of any changes in current selling prices of their products, such as provisions allowing us to re-negotiate price every quarter, these provisions may be inadequate for us to protect our profit margins if prices change materially under the new guiding pricing mechanism. If we are forced to change selling prices under the new mechanism, whether due to increased price competition or requirements of the mechanism itself, or if the selling prices of our products decline due to the emergence of substitute products, the expiration of patent protection, other market factors, or any other reason associated with the uncertainties of future pricing regulations, our business, financial condition and results of operations may be materially and adversely affected.

Exchange rate fluctuations of the U.S. dollar or the Euro may affect our cash flow, financial position and results of operations.

The prices charged by the suppliers from whom we purchase the products in our portfolio are mostly denominated in U.S. dollars and Euros, while the prices we charge to our customers are denominated in Renminbi. We also maintain bank accounts denominated in both the U.S. dollar and the Renminbi and have outstanding bank loans denominated in U.S. dollars. We are thus exposed to foreign exchange risk as the exchange rates between the Renminbi and foreign currencies at the time we enter into supply and service agreements, or at the time we place orders under such agreements, may be substantially different from those at the time that we are required to make payments to the suppliers. In addition, if exchange rate fluctuations cause increases in our cost of sales, we may not be able to adjust

our selling prices promptly to pass such increases to our distributors, which would adversely affect our profits. In August 2015, China devalued the RMB daily reference rate to the U.S. dollar, leading to significant depreciation of the RMB against the U.S. dollar. Such depreciation continued in late 2015 and caused an increase in our cost of sales, in particular an increase in the cost of sales attributable to the sales of Human Albumin Solution, which had a negative impact on our gross profit and gross profit margin for the year ended 31 December 2015. In the future, the Chinese government may adopt a more flexible currency policy, which could lead to the Renminbi experiencing more substantial revaluation against foreign currencies. We and Octapharma have agreed on the new purchase price of Human Albumin Solution for 2016, which is the same as the purchase price for 2015. As such, if the depreciation of the RMB continues, it will have a significant adverse impact on our gross profit and gross profit margin going forward. We do not have a currency hedging policy in place, and large fluctuations in foreign exchange rates at any time could have an adverse effect on our financial condition and results of operations. In order to reduce the impact of the depreciation of the RMB against the U.S. dollar on our results of operations, we plan to, among others, negotiate with Octapharma and our distributors, respectively, to adjust our purchase price and selling price of Human Albumin Solution. Please see "Summary — Fluctuations in Foreign Exchange Rates" for more information. However, we cannot assure you that such discussions will have an outcome that is satisfactory to us.

We recorded net foreign exchange gains of RMB0.2 million and RMB4.0 million for the years ended 31 December 2012 and 2013, respectively, and net foreign exchange losses of RMB5.6 million and RMB8.8 million for the year ended 31 December 2014 and the ten months ended 31 October 2015, respectively. In the event that the Renminbi depreciates against the U.S. dollar, we will incur foreign exchange losses, and our ability to pay for our supplies could be adversely affected.

The market for plasma-based pharmaceuticals is strictly regulated, and such regulations are subject to amendments and changes by various authorities, which could result in more difficult or costly compliance obligations than those compliance obligations under current regulations. Failure to comply with current or future regulations could have a material and adverse impact on our business prospects, financial condition and results of operations.

Human Albumin Solution, a plasma-based product imported into China, currently accounts for more than half of our revenue, and we intend to add more imported plasma-based products to our product portfolio in the future. As a biological raw material, plasma is inherently susceptible to contamination, infection, adulteration, spoilage and defects which may not be easily identified or screened, and thus plasma-based pharmaceuticals present unique risks as compared to other pharmaceuticals. Accordingly, plasma-based products and the companies that import them are subject to stringent regulatory oversight under laws and regulations, such as the Administrative Measures for the Import of Pharmaceuticals, which requires imported plasma-based pharmaceuticals to satisfy certain marketing and sale standards and the GMP standards of their jurisdiction of manufacture, as well as those of the CFDA. See the section headed "Regulatory Framework — Regulatory Framework Applicable to the Industry — PRC Laws and Regulations relating to Pharmaceutical Products — Import of Pharmaceutical Products" of this prospectus for further details. In addition, under the current PRC regulatory regime, the importation and sale of plasma-based pharmaceuticals are heavily restricted. For example, the Guangdong Institute for Food and Drug Control, or GDIFDC, issued a Notice of Not-Release of Biological Products (生物製品批簽發不合格通知書) for a particular batch of Human Albumin Solution with a total of 12,023 bottles on 25 November 2013. As part of the custom clearance process, the human albumin output capacity (defined as the output amount of human albumin derived from one litre of plasma) should be declared. The human albumin output capacity stated in the import documentation of such batch of Human Albumin Solution was slightly below the designed human albumin output capacity as declared by Octapharma to the CFDA. This means that fewer bottles of Human Albumin Solution were produced from each litre of plasma. Although the composition of each bottle of Human Albumin Solution was not affected and there were no quality or safety issues in relation to that batch of products, as evidenced by the passing of qualification

tests performed by the GDIFDC, such batch of Human Albumin Solution, other than 32 bottles used for GDIFDC testing, was returned to Octapharma on 13 March 2014. While the incident did not materially impact us, there is no assurance that any similar instances in the future will not affect our ability to timely deliver products to customers. Human albumin is the only plasma-based pharmaceutical category currently allowed for importation and sale in China. If the relevant laws and regulations on imported plasma-based pharmaceuticals are further tightened, Human Albumin Solution may not be able to meet the standards or may be banned in China. There is no guarantee that the Chinese authorities will relax any existing restrictions on the importation and sale of other plasma-based pharmaceuticals, and we may not be able to expand our portfolio to include more plasma-based pharmaceuticals. If these restrictions continue to be effective or are strengthened, our business or prospects may be materially and adversely affected.

If the Insurance Catalogues or Catalogues of Essential Pharmaceuticals are amended to exclude the products currently in our portfolio, or if products we add to our portfolio in the future are not included in the Insurance Catalogues or Catalogues of Essential Pharmaceuticals, our business, financial condition, results of operations and prospects could be materially and adversely affected.

All of the products in our portfolio are listed in the Insurance Catalogues, except for Xinneng Q_{10}. Axetine is currently listed in Part A of the National Insurance Catalogue, and Human Albumin Solution, TAD and Esafosfina are included in Provincial Insurance Catalogue of every province. Medocef and Taurolite are also included in eight and ten Provincial Insurance Catalogues, respectively. Insurance Catalogues are a compilation of lists of pharmaceutical products issued at the national and provincial level for which patients may seek partial or complete reimbursement under the government's various insurance programmes, and Provincial Insurance Catalogues include provincial adjustments to the National Insurance Catalogue. For this reason, patients usually favour pharmaceuticals contained in the Insurance Catalogues over other pharmaceuticals. Thus, inclusion in the Insurance Catalogues is critical to the success of the products in our portfolio, and any exclusion from the Insurance Catalogues of any of the products in our portfolio would materially and adversely affect their sales volumes.

All of our products are included in the Catalogues of Essential Pharmaceuticals except for Taurolite and Xinneng Q_{10}. The Catalogues of Essential Pharmaceuticals list those pharmaceuticals which hospitals and healthcare institutions must keep in inventory. Hospitals and medical institutions must keep in their inventory supplies all pharmaceutical products listed in both the National Catalogue of Essential Pharmaceuticals as well as the Provincial Catalogue of Essential Pharmaceuticals of the province in which they are located. The products in our portfolio are sold in more than 3,000 hospitals and medical institutions across 31 provinces, municipalities and autonomous regions across China. The various Catalogues of Essential Pharmaceuticals used in such areas must continue to list our products or we may lose our revenue from sales to hospitals and medical institutions in such areas. For example, Human Albumin Solution is currently included in the Provincial Catalogues of Essential Pharmaceuticals of Anhui and Guangdong Provinces, and its removal from any of those catalogues, or its failure to be added to new catalogues as our business grows, may have an adverse effect on our business prospects and financial condition.

Our business is a low-margin business and our profit margins may be sensitive to cost increases and competition.

We recorded gross profit margins of 12.4%, 11.5%, 13.7% and 13.3% and net profit margins of 1.0%, 8.1%, 8.4% and 6.0% for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015, respectively. We are sensitive to cost increases and competition as we are operating a low-margin business. Our gross profit margin is lower than the average gross profit margin of the relevant business segment of our peers mainly because (i) we conduct part of our marketing and promotion activities through our distributors and typically demand full prepayments from our distributors before delivery, and (ii) Human Albumin Solution and the antibiotics products serviced by us, each of

which has a relatively low gross profit margin, accounted for a majority of our revenue during the Track Record Period. Our costs may increase due to factors beyond our control, such as changes in exchange rates, increases in purchase prices that increase our cost of sales, or regulatory changes that increase our compliance costs. In addition, we operate in a growing and competitive industry, which may require us to make investments related to, for example, servicing our products, acquiring rights to new products or pursuing new projects in order to maintain our market share or respond to competitors. Unless we are able to pass increased costs on to our customers, increased costs may result in our net profit margin being significantly lower than our gross profit margin or even negative, which could have a material adverse effect on our financial condition and business prospects.

We recorded net current liabilities during the Track Record Period, and such positions may continue or recur after the Listing.

We recorded net current liabilities of RMB4.8 million, RMB55.3 million, RMB29.6 million and RMB69.2 million and RMB53.8 million as of 31 December 2012, 2013, 2014, 31 October 2015 and 31 December 2015, respectively. We attribute our net current liabilities during the Track Record Period primarily to capital expenditures with respect to the purchase of property, plant and equipment and intangible assets, which increased our long-term assets but lowered our current assets, as well as significant amounts of advances from customers. Our net current liabilities expose us to liquidity risk. Payment of trade and other payables, our capital expenditure plans and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. In addition, if we encounter any liquidity issues in the future, we may curtail or defer our business expansion plans based on the availability of sufficient funds. For more information, please refer to the relevant disclosure set out in note 3.2 in the Accountants' Report included in Appendix I to this prospectus. We may continue to have net current liabilities in the future, which may limit our working capital for operations or business expansion plans and materially and adversely affect our business, financial condition and results of operations.

Pharmaceutical products, and plasma-based pharmaceuticals in particular, require strict storage conditions.

The products for which we provide channel management services are sensitive to their environment and must be transported, stored and warehoused under highly controlled conditions to prevent damage due to infection, adulteration and spoilage. Plasma-based pharmaceuticals are inherently more susceptible to such risks due to their biological nature. Such damage could render our inventories defective and not saleable, or, if left undetected, could expose us to product liability claims, legal penalties, and severely damage our business and reputation.

We rely on quality control and environmental control systems in our storage facility and any failure in these systems might expose us to risks associated with the sale of expired or damaged products. Although no material losses to our inventories caused by defects in storage conditions have occurred during the Track Record Period and up to the Latest Practicable Date, such losses could occur in the future and could be severe. Warranties and indemnities from third parties responsible for defects in storage conditions have financial limits, and indemnification will not be available should losses occur at facilities that we own and operate ourselves, such as our cold chain facility currently under construction. If the controlled environmental condition of the warehouse we currently utilise is compromised, we cannot guarantee that the damage caused by such a compromise will be isolated, or that such an event would not lead to sizeable losses of inventory which could materially and adversely affect our financial performance and results of operations.

We currently do not own the warehouse facility or delivery vehicles that we currently utilise. So long as we use third-party facilities or services, we will incur additional the risks and costs of ensuring

that the actions and omissions of these third parties do not undermine or compromise the quality control and environmental control systems of these facilities. Likewise, we are exposed to the risk that the actions of our distributors or other third parties handling the products in our portfolio prior to delivery to the end user may damage the products. If we are unable to manage the costs of dealing in inherently sensitive products or if we are unable to effectively monitor the actions of third parties who also handle the products in our portfolio, such sensitive products may become damaged and our business and results of operations may be materially and adversely affected.

We may experience prolonged delays or significant disruptions to the supply of the products in our portfolio, or an increase in the purchase prices of such products, which may adversely affect our business, financial condition and results of operations.

Most of the products in our portfolio are currently supplied by our overseas suppliers, which exposes us to risks associated with their geographic location, country of domicile, environment, and political and economic circumstance, as well as disruptions in the logistics and supply chain underlying the manufacture, provision, transport and delivery of their products into our possession. We may experience unexpected interruptions in product supply for a number of reasons beyond our control, such as disruptions in logistics and deliveries, delays due to customs or trade regulation, scarcity in raw materials, labour difficulties, regulatory changes, a supplier's loss of local certifications or licences, a supplier's loss of Chinese certifications, registrations and licences, a supplier's bankruptcy or closure, natural disasters, acts of terror or other third-party interference, or significant deteriorations of China's diplomatic relationships with a suppliers' or agent's home country. Any of the aforementioned factors might also result in an increase in the sourcing price of the products, which would adversely affect our margins and thus have a material adverse effect on our business, financial condition and results of operations.

In addition, because the majority of the products we sold throughout the Track Record Period were purchased from Octapharma, a company located in Switzerland which has discretion over the quantity of supply provided to us, and Medochemie, a company resident in Cyprus with which we determine our supply quantity every quarter, we are particularly sensitive to deleterious economic, environmental, logistical, political or other events that affect Switzerland, Cyprus and the European region generally. Any such events could significantly affect the rate of manufacture of the products, the occurrence of which may materially and adversely affect our business, financial condition and results of operations.

We rely on third-party companies to provide us with warehousing and delivery services.

Currently, only one of the independent third-party logistics companies contracted by us possesses cold chain capabilities required for the safe transportation of Human Albumin Solution. Any sudden or unexpected disruption in the services provided by this company for any reason could significantly disrupt our business, and if we encounter problems with this company, we may not be able to identify a substitute provider in a timely manner and/or on the same or comparable commercial terms.

In addition to our cold chain delivery services provider, we also contract with one independent third-party warehouse facility with cold chain capabilities to provide warehousing services and two independent third-party delivery companies to provide logistics services for our other product offerings. There is no assurance that business interruptions will not occur as a result of any failure by these companies to perform as expected or meet the needs of our business. Further, if we are unable to properly communicate our business needs to any of these companies, including any failure to accurately forecast our requirements, our business and results of operations may be adversely affected. We cannot ensure that our warehouse and logistics providers will continue to provide services to our satisfaction or to the satisfaction of our suppliers and our customers, or on commercially reasonable terms. If we lose access to the services of our logistics and warehouse providers, or if they do not effectively fulfill their obligations to us, our business could suffer significant disruption and our financial condition and results of operations would be adversely affected.

The manufacture of Human Albumin Solution, on which we depend for the majority of our revenue, relies on the availability of quality plasma, a biological raw material that cannot be industrially fabricated.

The production of plasma-based pharmaceuticals relies on the supply of plasma of suitable quality, but securing and maintaining such supply is challenging. The only viable source of plasma raw materials for the production of Human Albumin Solution is human source blood plasma. There is no suitable artificial substitute for human source blood plasma and, unlike other products whose raw materials can be purchased in the market or procured through industrial means, the supply of plasma is finite by nature and susceptible to fluctuation and scarcity. Octapharma and we are therefore susceptible to shortages, fluctuations and shocks in the supply of plasma. Our supply from Octapharma is pegged to forecasts made at the beginning of each year, so we may not be able to increase or decrease our purchases sufficiently in response to unanticipated changes in market demand.

The supply and market prices of plasma may be adversely affected by factors such as heightened or new regulatory restrictions, strict storage requirements and outbreaks of diseases, any of which would impact the costs of production of our suppliers. Any shortages, fluctuations or shocks in the supply of blood plasma raw materials may affect our financial performance and results of operations.

Human Albumin Solution may cease to be well received and recognised in the PRC because of the availability of alternative products.

The success of Human Albumin Solution is largely due to the therapeutic properties of human albumin products compared with those of currently available alternative products, namely fresh frozen plasma, synthetic colloids and crystalloids, according to the Frost & Sullivan Report. Although human albumin is currently a priority choice for fluid resuscitation in many medical conditions, other available alternative products, in particular crystalloids, are significantly cheaper than human albumin, according to the Frost & Sullivan Report. In addition, according to the Frost & Sullivan Report, a research paper, namely "Human albumin solution for resuscitation and volume expansion in critically ill patients. Roberts, I., Blackhall, K., Alderson, P., Bunn, F., Schierhout, G. Cochrane Database of Systematic Reviews. 2011, Issue 11", claims that there is no evidence that (i) human albumin reduces mortality rates when compared with cheaper alternatives such as crystalloids in patients with hypovolaemia, and (ii) human albumin reduces mortality rates in critically ill patients with burns and hypoalbuminaemia. For more information, please see the section headed "Industry Overview — Pharmaceutical Market in China — Plasma-based Pharmaceuticals Market in China — Human Albumin". We cannot assure you that other alternative products with therapeutic qualities comparable or even superior to those of human albumin products will not become available in the future, or that patients or physicians will not switch their usage or prescription from human albumin products to other alternative products due to their lower prices or other reasons, or that any governmental medical authority will not approve hypoalbuminemia or any other medical indication of human albumin as a medical indication of crystalloids. If any of the aforementioned events happens, Human Albumin Solution may cease to be well received and recognised and our business, prospects, results of operations and financial condition may be materially and adversely affected.

Any contamination, infection, adulteration, or other harmful impurity or adverse side effect discovered in the plasma-based product in our product portfolio may subject us to civil and criminal liabilities, and would materially and adversely affect our business, financial condition and results of operations.

The principal raw material for Human Albumin Solution is human plasma, which, as a biological product, is subject to risks associated with infection, disease, and other biological hazards. The use of this raw material in the production of pharmaceuticals thus requires implementation and maintenance of strict health, safety, and control standards in order to prevent contamination, infection, and adulteration. If Octapharma cannot effectively implement and maintain such systems, or if poor health, pandemic,

epidemic or other factors render the plasma accepted from donors to be unusable, then Octapharma, and any other supplier from which we may seek product, will lack the raw materials to produce sufficient supplies of the products for which we provide MPCM services, and our growth prospects, business and financial performance would be adversely affected. During the Track Record Period and up to the Latest Practicable Date, we did not experience any shortage of product supply from Octapharma due to the lack of plasma raw materials.

Octapharma's human plasma supply may become tainted if it accepts human plasma from donors whose blood show any irregular findings, including HIV, Hepatitis C, liver disease or other plasma-borne diseases or impurities. If Octapharma fails to effectively screen its supply of plasma raw materials, or if during the process of manufacturing their products the plasma becomes tainted, there is a risk that the products sold by us would be defective or contaminated, and we could be subject to civil liability from claims brought by consumers and to criminal liability and loss of our registration if we are found by the government to have been criminally negligent.

As with most pharmaceutical products, the products in our product portfolio could become associated with adverse side effects which can vary in severity and frequency. If severe side effects were reported or observed in connection with the use of any of our product offerings, we could be required to suspend our marketing and sale of the products, or conduct additional safety tests and clinical trials. In addition, we face the potential for product liability claims from patients who experience adverse side effects, whether or not any action is taken by a regulatory authority.

We cannot guarantee our screening processes can detect or discover all possible plasma contaminations, infections, adulterations or adverse side effects which may have rendered plasma-based pharmaceuticals harmful or ineffective. Thus, we are subject to risks arising from the negligent or wilful misbehaviour of our suppliers, which is beyond our control. Moreover, warranties and indemnities from our suppliers have financial limits, and in any case could not mitigate the reputational harm that we would suffer should our brand be associated with tainted plasma pharmaceuticals. Should undetected infections, disease, adulterations or other impurities affect the supply or quality of the raw materials used to create the plasma-based pharmaceuticals in our product portfolio, our business, prospects, results of operations and financial condition will be materially and adversely affected.

Our employees and distributors could act contrary to our interest and instructions, independently engage in corrupt or other improper marketing practices or otherwise harm our reputation, sales and business prospects.

We had 67 employees directly involved in marketing activities and 170 distributors selling and delivering the products in our product portfolio to public hospitals, pharmacies and medical institutions in 31 provinces, municipalities and autonomous regions across China, as of 31 October 2015. It is difficult to fully monitor the activities of each individual participating in such a broad and dispersed network, and our employees and distributors may fail to comply with certain business conduct requirements and authorisations, engage in illegal or improper behaviour, provide false or misleading information, or engage in other conduct for which we may be liable.

As an employer in the pharmaceutical product industry, we may assume civil or criminal liability for the behaviour of our employees under the anti-corruption and commercial bribery laws of the PRC. Despite our desire and extensive efforts to do so, including the anti-bribery policies, reimbursement policies in connection with sales activities and other internal control rules that we have implemented, we may ultimately be unable to successfully monitor our employees to comply fully with the commercial bribery and anti-corruption rules that govern marketing behaviour in our industry. Violations of these laws carry various civil and criminal punishments, including monetary fines and business licence revocation, as well as prohibitions on making sales to public hospitals and other medical institutions. We may also be unable to effectively prevent our employees from engaging in practices which are or are perceived as improper or wrongful under commercial norms. As a result, our employees may, knowingly

or unknowingly, engage in wrongful conduct that tarnishes our reputation or illegal activities for which we may be forced to assume legal liability, which would adversely affect our growth prospects, financial condition and commercial reputation.

Although we are not legally liable for our distributors' violations of anti-corruption and commercial bribery laws, such violations may tarnish our commercial reputation and adversely affect our relationship with our suppliers and the hospitals, pharmacies and medical institutions using our product offerings. Our Company policy has required that our distributors comply with anti-corruption and commercial bribery laws and we have employed a rigorous distributor selection process to identify improper practices during the Track Record Period, but only since 2015 have we required our distributors to make a signed statement explicitly obligating them to respect appropriate laws, to refrain from providing favours or bribes to hospitals or government officials, and to uphold proper business practices in promotional, sales and tendering activities. We also have limited means to thoroughly investigate the backgrounds of our distributors or monitor their conduct. Moreover, our distributors may engage sub-distributors to sell our products, with whom we have no contractual agreement and over which we lack oversight ability. We therefore are vulnerable to the improper behaviour of distributors and sub-distributors whose actions are beyond our control. If hospitals, pharmacies, medical institutions or suppliers associate our brand with companies who are investigated or prosecuted for violations of anti-corruption and commercial bribery laws, whether such violations occurred prior to or after when we started to contractually require our distributors to comply with anti-corruption and commercial bribery laws, they may seek to distance themselves from us, sever their relationships with us entirely or engage with our competitors, all of which may materially and adversely affect our reputation, financial condition and business prospects.

Our employees or distributors may also attempt to market our product offerings by providing false or misleading information about the products, such as by exaggerating their indications or effectiveness or understating their side effects. This may result in hospitals, physicians or patients wrongly prescribing, misunderstanding or misusing our product offerings, which may result in harm to patients and expose us to negative publicity, unfavourable consumer perceptions or legal liability under product liability and other laws.

The Chinese government authorities have recently increased their efforts to combat corrupt, illegal or improper business practices in the Chinese pharmaceutical industry. If our employees and distributors, either knowingly or unknowingly, engage in improper or illegal conduct to improve sales of the products in our portfolio, our brand and reputation and our sales activities could be materially and adversely affected. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any improper or illegal conduct committed by our employees and distributors.

We have a limited operating history.

We began our business in 2011 and have a limited operating history. We derived all of our revenue for the year ended 31 December 2011 from the sale of antibiotics. We derived all of our revenue for the year ended 31 December 2012 from servicing Axetine and Medocef. In 2013, we started to sell and distribute Human Albumin Solution and expanded our Axetine and Medocef service provision business. The sales of Human Albumin Solution, Axetine and Medocef accounted for all of our revenue for the year ended 31 December 2013, from which we experienced a 1,935.0% increase in our revenue compared to the year ended 31 December 2012. In 2014, our sales volumes of Human Albumin Solution, Axetine and Medocef increased and we started selling Taurolite, TAD and Esafosfina. We derived 98.5% of our total revenue from the provision of MPCM services for Axetine, Medocef and Human Albumin Solution for the year ended 31 December 2014 and experienced a 78.4% increase in revenue compared to the year ended 31 December 2013. In 2015, we obtained the right to act as the exclusive service provider for Taurolite, TAD and Esafosfina from Trendful, the exclusive sales agent of Bruschettini and Foscama in China, through Vast Surplus. However, we still derived 93.9% of our total revenue from the provision of MPCM services for Axetine, Medocef and Human Albumin Solution for the ten months ended 31 October 2015.

Despite our significant growth during the Track Record Period, our limited operating history, in particular period-to-period comparisons of our historical results of operations, may not be a reliable indicator of our future performance or serve as an adequate basis for evaluating our business prospects and financial performance. Our past success occurred partly because the products we serviced proved to be popular in the Chinese pharmaceutical market, and our results of operations, financial condition and future success depend, to a significant extent, on the continuing popularity of the existing products in our portfolio, our ability to identify new products for our portfolio and secure the rights to act as their service provider, and the success in the Chinese pharmaceutical market for such new products. We may not be able to expand our business at a profit or at all, maintain our competitive position, satisfy our contractual obligations, or sustain growth and profitability.

If we are unable to maintain stable relationships with our key distributor customers or experience a significant loss of our distributors, our ability to maintain or renew supply and service agreements with our suppliers and expand our product portfolio may be lessened, which may materially and adversely affect our business, financial condition and results of operations.

We rely on our distributor customers, including certain key distributors, to distribute the products to hospitals, pharmacies, medical institutions and patients, either directly or through sub-distributors. A distributor may leave our network for a number of reasons, which may be beyond our control. For example, if there are adverse changes in the market for our product offerings, if a competitor offers terms we cannot match, or if there are a large volume of complaints about product quality, distributors may choose to terminate their relationship with us.

We rely on key distributors, including Guangzhou Pharmaceuticals, Kelun Pharmaceuticals and Guangzhou Zirui Pharmaceutical Co., Ltd., for a significant amount of our sales, accounting for 34.8%, 50.9% and 47.7% of our revenue in 2013, 2014 and the first ten months of 2015, respectively. Guangzhou Pharmaceuticals is also our primary distributor for Taurolite, TAD and Esafosfina. We have entered into long-term strategic cooperation agreements with each of Guangzhou Pharmaceuticals, Kelun Pharmaceuticals and Guangzhou Zirui Pharmaceutical Co., Ltd., and each agreement has a term of five years until 2019. Under the agreements, we and our key distributor customers agree to maintain stable business relationships during the term of the agreements and to give priority consideration to each other in connection with business opportunities. There is no assurance that our key distributor customers will not breach these agreements. In case of serious breach by our key distributor customers, such as by distributing our competitor's product offerings, we may need to look for additional or alternative key distributors. Finding additional or alternative key distributors involves a significant investment of time and resources, and replacement distributors may not be able to purchase our product offerings at the same or similar volumes as our current key distributors. As a result, a loss of any of our existing key distributors would impair our ability to continue to earn revenue from providing MPCM services. Thus, our failure to maintain stable relationships with our key distributor customers may have a significant adverse effect on our revenues, financial condition and results of operations.

Besides our key distributor customers, our broad network of other distributors helps to drive sales of our product offerings throughout 31 provinces, municipalities and autonomous regions across China. Though some turnover in our distributor network is normal, a net loss of a significant number of network distributors may hinder our ability to expand into new and remote regions in China. In the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015, there were nil, 4, 47 and 84 distributors that dropped out of our distribution network, and the total number of our distributors was 11, 165, 186 and 170, respectively, for the same periods. We have not experienced any material adverse effect on our business and results of our operations resulting from the loss of these distributors who were terminated by us at our will, but if we otherwise experience a significant loss of our distributors, our business prospects, financial condition and results of operations may be materially and adversely affected.

Our growth relies on the expansion of our product portfolio. If we are unable to successfully add new products or fail to manage an expanding product portfolio, or if new additions to our product portfolio are not accepted by the market, our business and prospects may be adversely affected.

The continued growth of our business in part depends on our ability to diversify our portfolio. In addition to expanding our product portfolio to include more imported plasma-based products, we intend to focus on overseas pharmaceutical products in selected fast-growing therapeutic areas to achieve operational synergies. Thus, our product portfolio expansion strategy is driven by the continued demand for imported pharmaceutical products.

The expansion of our product portfolio is contingent on a number of other elements. We may not have the ability to identify suitable product candidates and obtain appropriate marketing, promotion and channel management rights from suppliers on acceptable terms. We may not have the ability to secure regulatory approvals for the use and sale of such products in China at a manageable investment of time and money, especially considering the evolving and complex nature of the Chinese regulatory system. The products we identify may not ultimately prove to be profitable. We also may not be able to manage a larger product portfolio, as new products may distract us from our current portfolio, or new products may strain our nation-wide marketing and distributor network. Should we fail to properly manage the addition of new products into our product portfolio, our business prospects and our ability to maintain and grow our revenue, profits and margins may be materially and adversely affected.

Our expansion into new product categories may expose us to new challenges and more risks.

We may enter into additional new product categories as we seek to expand our business and take advantage of new opportunities. For example, we started distributing a new dietary supplement product, Xinneng Q_{10}, which is the first non-pharmaceutical product serviced by us, in December 2015. Expansion into new product categories involves new risks and challenges. Our lack of familiarity with new product categories may make it more difficult for us to anticipate customer demand and preferences. We may misjudge customer demand, resulting in inventory buildup and possible inventory write-down. It may also be more difficult for us to inspect and control quality and ensure proper handling, storage and delivery. We may experience higher return rates on new products, receive more customer complaints about them and face costly product liability claims as a result of selling them, which would harm our brand and reputation as well as our financial performance. It may be difficult for us to achieve profitability in the new product categories and our profit margin, if any, may be lower than we anticipate, which would adversely affect our overall profitability and results of operations.

Our business, financial condition and results of operations could be materially and adversely affected if there are complaints, product liability claims or product recalls against the products in our portfolio, or against products comparable to them.

By engaging in the provision of services and sales for the products in our portfolio, we may be liable under PRC law for product liability resulting from any claims with respect to harms or damages caused by product defects. Such laws include the General Principals of the Civil Law of the PRC, the Product Quality Law of the PRC, the PRC Law on the Protection of the Rights and Interests of Consumers, and the Tort Liability Law of the PRC. Under these laws, we may be held civilly liable and required to pay significant amounts of civil damages, and we may also be held administrative or criminally liable for loss or harm to end-users of the products for which we provide MPCM services.

If the use of the products in our portfolio results in unanticipated health consequences, side effects or any other adverse effects, whether as a result of the design of these products, misuse due to improper advertising or labelling, mishandling by us or third parties (including those providing services in respect of the same products we provide services for) during the distribution or manufacturing process, faulty or contaminated raw materials, or illegal or unauthorised sales of such products, end-users may sustain injuries or suffer other harm or negative consequences. As a result, we may be subject to product liability

lawsuits or complaints, or other negative publicity. Such lawsuits, complaints or negative publicity would require us to take remedial measures, including, potentially, the need to order product recalls, which would subject us to considerable expense, distract our management, damage our reputation, and, as a result, materially and adversely affect our business, financial condition, and results of operations.

While we may seek compensation from our suppliers under PRC law for product defects, and our suppliers are contractually obligated to indemnify us against certain product liability claims, any recoverable amounts may be insufficient to cover any or all product liability claims made against us. We also do not maintain product liability insurance for any of the products in our portfolio. We are therefore exposed to potentially large and severe liabilities, penalties, and claims associated with product liability laws.

The reputational harm resulting from product liability issues could be damaging to our business. Even in the absence of a formal product liability claim, widespread or intense complaints may be enough to significantly damage our brand and could materially and adversely affect our business and growth prospects.

In the event that any of the products in our portfolio are alleged or proved to be harmful, demand for and sales of such products would decline significantly, and we may be required to recall such products from the market. In addition, if customers associate the products in our portfolio with product liability claims, product recalls or complaints against other products from our suppliers that are not part of our product portfolio, or against products that are similar or similarly perceived to the products in our portfolio, our business prospects and reputation may be adversely affected. Any such claims or recalls, with or without merit and regardless of whether the claims are made against us, our distributors, our suppliers or other third parties, could materially and adversely affect our business, results of operations and financial condition.

If we are not successful in winning bids in government-mandated tender processes to sell products to state-owned hospitals, our business, financial condition and results of operations could be materially and adversely affected.

We derive all of our revenue from the sale of products that are ultimately sold to public hospitals through distributors and sub-distributors in China. Under PRC law, selling pharmaceutical products to these public institutions is accomplished primarily through national or provincial public tenders, which are complex processes for which specialised knowledge and experience is required to submit successful bids. Even if there is a demand for products that we market and promote, we may be unable to develop and execute successful tendering strategies, which would decrease our sales and result in a material adverse effect on our business, financial condition and results of operations.

We have a specialised team dedicated to developing and executing bidding strategies for all the products in our portfolio. We may not be able to recoup related costs if we are not successful in the bids. The selection of a winning bidder under public tenders is based on a number of factors, including bid price, quality of the products offered in the bid, clinical effectiveness, reputation and service quality. See the section headed "Regulatory Framework — Regulatory Framework Applicable to the Industry — PRC Laws and Regulations in relation to Centralised Procurement and Tender Process" of this prospectus for more details about the tender process. As the price ceilings imposed on most pharmaceutical products were abolished in June 2015, there is uncertainty regarding how the new more market-based guiding pricing mechanism to be established will affect the retail prices of the pharmaceutical products we offer and our bidding strategies. From the abolishment of the price ceilings to the Latest Practicable Date, there has been no material fluctuation in the bidding price and retail selling price of our products. If our bidding strategies fail to adapt to the new guiding pricing mechanism and the market forces, we will not be successful in bidding in public tenders. If we fail to successfully bid in local or provincial public tenders, we will not be able to sell most of the products we offer in that location until we are successful in a subsequent bid, regardless of the investments we may have made in such a territory to drive demand

for the products in our portfolio. Any failure to successfully bid in public tenders for any one of the products in our product portfolio would materially and adversely affect our business, financial condition and results of operations.

Our business and the business of our suppliers and distributors require certain licences, permits and certifications. Failure to obtain these licences, permits and certifications may have a material adverse effect on our business, financial condition and results of operations.

Under PRC laws, we, our distributors, and the suppliers of the products in our portfolio must apply for and maintain certain licences, permits and certifications to do business in China and participate in the Chinese pharmaceutical industry. We and our distributors are each required to obtain and maintain a pharmaceutical supply permit and a good supply practise, or GSP, certificate. Our overseas suppliers must also obtain and maintain a PRC Imported Drug Licence in order to export to China. If we, our distributors, or our suppliers fail to properly obtain and maintain the relevant permits, licences and certificates as required under PRC law, we may not be able to provide any services for or earn any revenue from our product portfolio, which would adversely affect our business, financial condition and results of operations.

The licences, permits and certifications that we and our distributors have obtained will expire after certain validity periods, and thus may lapse without being renewed, which may subject us to business disruption and prevent us from conducting our business until such licences, permits and certifications are renewed. We may also experience adverse effects on our business and results of operations due to the failure by our suppliers to obtain first-time product registrations, a process that can take more than three years, or to renew such registrations, which would subject us to litigation, indemnity, or other risks. Failure or delay in achieving registration or renewal would also result in our not being able to recover the significant investment of time and resources expended in the process. We also recommend third-party agents to undertake certain administrative tasks in connection with registrations and renewals, and we have limited control over whether those registrations and renewals will occur in a timely manner.

We renewed the registrations of Human Albumin Solution, Axetine, Medocef, Taurolite, and Esafosfina during the Track Record Period. We are in the process of renewing the imported drug licenses for TAD, which had expired. While we have submitted the renewal application within the prescribed timeframe, CFDA decided to conduct specification validation and verification for TAD and notified us in writing on 25 November 2015 of its request for additional materials for the purpose of the specification validation and verification. See "Regulatory Framework — Regulatory Framework Applicable to the Industry — PRC Laws and Regulations relating to Pharmaceutical Products — Import of Pharmaceutical Products" for more details relating to the specification validation and verification process. Three quality specifications of TAD are subject to specification validation and verification: (i) improving the testing method of TAD's related compounds through analysing chromatography of impurities; (ii) establishing the testing method of bacterial endotoxin; and (iii) including the requirement of resolution in the system suitability test for TAD's content determination. There is no assurance that the specification validation and verification process will be satisfactorily completed in the near future or when we may resume sales of TAD.

Due to the delay in renewing TAD's imported drug licenses, Trendful is not able to import TAD into China and therefore may not be able to fulfil its obligations under the distribution agreement it has with us. In addition, as of the Latest Practicable Date, all of the TAD we purchased had been sold and we did not possess any inventory of TAD, which may impact our financial performance. We estimate that (i) the delay in renewing TAD's imported drug licences is expected to cause our estimated sales volume of TAD for the year ended 31 December 2015 to decrease from 2,500 thousand units to 1,369 thousand units, and (ii) the decrease in our gross profit for the year ended 31 December 2015 and the six months ending 30 June 2016 due to such delay is expected to be approximately RMB1.7 million and RMB2.2 million, respectively. In addition, if TAD's renewal application is not approved and our request for a refund of the

consideration for the exclusive distribution right of TAD is denied, our intangible assets will be impaired. As of 31 October 2015, we estimated that the maximum amount of such impairment approximately RMB3.7 million. Please see "Business — Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Bruschettini and Foscama" for more information.

Other than TAD, the quality specifications of the other pharmaceutical products currently serviced by us have not been updated in the relevant pharmacopoeias. However, if the quality specifications of any of our pharmaceutical products are updated in the future, such product will likely be subject to specification validation and verification during its renewal application, which may cause delay in renewing such product's drug license, therefore adversely affecting our business, financial condition and results of operation.

We may lose the right to service the products in our portfolio if we fail to complete registration or renewal for them within a specified timeframe, and we will not be able to import such products until their registrations or renewals are complete. Failure to obtain any renewals of these products' registrations on a timely basis could severely and adversely affect our business.

As we are currently constructing premises, including a cold chain facility and a research and development base, in Shuangliu District, Chengdu, Sichuan Province, we are required to or will be required to obtain the relevant licences and permits in connection with the construction and operation of such premises, including land use rights certificates, construction permits and building ownership certificates. However, as of the Latest Practicable Date, we had not obtained the land use rights certificate and relevant construction permits for such premises. We will not apply the proceeds from the Global Offering to the development of such premises or use such premises until we have obtained the required certificate and permits. See "Business — Non-Compliance Matters" for more details.

The government authorities responsible for handling applications may amend their standards of approval for the requisite registrations, renewals, licences, permits or certifications from time to time. We cannot predict how such standards will be amended in the future, and we may not be able to comply with the subsequent modifications or the amended interpretations of the compliance standards at manageable costs or at all. There can be no assurance that all registrations, licences, permits or certifications currently in place for the products in our portfolio can or will be renewed, or that new registrations, licences, permits or certifications will be received in a timely and cost-effective manner or at all. If we are not able to obtain or maintain requisite registrations, licences, permits or certifications, our business, financial condition and results of operations could be materially and adversely affected.

Our operations and growth strategies depend on the continued leadership of our senior management and directors as well as service of qualified and experienced marketing, promotion and channel management personnel with deep knowledge of the products in our portfolio, and our failure to retain, motivate and attract the same may adversely affect our business, financial condition and results of operations.

Our business and growth depends upon the continued dedicated service of our key executives, other senior managers and our directors. Our founder and Chairman of the Board, Mr. Huang, has led us since our inception in 2011 and has been critical in all stages of our development. If we lose the services of any member of our senior management or board of directors, we may be unable to locate a suitable or qualified replacement and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth. Furthermore, as we expect to continue expanding our operations and product portfolio, we will need to continue attracting and retaining experienced management personnel. Competition for experienced management personnel in the pharmaceutical services industry is intense, and the availability of suitable and qualified candidates in China is limited. As a result, we may need to offer higher compensation and other benefits in order to attract and retain them, which would increase our operating costs. We may be unable to attract or retain the personnel required to achieve our business objectives, and failure to do so could disrupt our business and growth.

In addition, we rely heavily on the skills of our 67 in-house marketing personnel. As part of our growth strategy, we plan to significantly expand our marketing, promotion and channel management team by recruiting additional personnel with knowledge of and experience in the industry, which may be costly. Competition for such individuals could require us to offer attractive compensation packages at higher costs, which may affect our financial condition and results of operations.

Our marketing team, in collaboration with our distributors, develops marketing and promotion plans to service the products in our portfolio. As we do not use promotional partners in our marketing operations, we must rely solely on the efforts of our own team to create and execute successful marketing strategies for these products, without which we would lose one of our key competitive strengths and a significant source of our revenue. If our marketing strength is weakened by a loss of qualified personnel, or by poor leadership or management, our business, financial condition, and results of operations would be adversely affected.

If we fail to effectively market and promote the products in our portfolio or our distributors fail to properly and efficiently distribute such products, our business, financial condition and results of operations could be materially and adversely affected.

As of 31 October 2015, we had 67 in-house marketing employees developing strategies and working closely with personnel from our 170 direct distributors to effectively market to more than 3,000 hospitals and medical institutions in 31 provinces, municipalities and autonomous regions across China. Such an extensive marketing operation concerning a technical subject matter like pharmaceuticals poses difficult management and technical challenges, such as ensuring the consistency of marketing messages, the accuracy of product descriptions, and compliance with applicable laws governing pharmaceutical product marketing. Our senior management sets forth key marketing strategies for our products before our marketing and sales team and our regional managers tailor the strategies based on local market conditions. Although our marketing and sales team communicates with distributors regularly on product information and marketing messages, we cannot guarantee that our marketing strategies will be delivered in a consistent manner by the distributors. As the size and scope of our marketing efforts and distribution network grow, we will need to devote increasingly more resources to marketing work, which could distract our management from other important aspects of our business, and also increase our overall management costs, which may adversely affect our business, financial condition, and results of operations.

If we fail to develop effective marketing strategies, or fail to execute such strategies in a consistent and effective manner between our in-house team and our distributor network, demand for the products in our product portfolio may disappear or not materialise, and our business, financial condition, and results of operations would be adversely affected.

If we experience delays in collecting trade receivables from our distributors and customers, or if there is a substantial deterioration in the financial condition of our distributors and customers, our cash flow, working capital, financial condition and results of operations could be adversely affected.

We typically ask for full prepayments from our distributors before delivery, including prepayments in the form of banks' acceptance bills and letters of credit. As of 31 December 2012, 2013, 2014 and 31 October 2015, we had outstanding trade and bills receivables of nil, RMB8.9 million, RMB36.9 million and RMB0.5 million, respectively. The increase in outstanding trade and bills receivables during the Track Record Period was due to the increase in sales to certain customers for which we accept banks' acceptance bills as payment. It is difficult for us to completely and accurately measure our distributors' cash flow, working capital, financial condition or results of operations prior to our engaging them, and should their financial condition deteriorate in any way, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Moreover, many of our distributors engage other sub-distributors to deliver pharmaceutical products to more than 3,000 hospitals and

medical institutions using the products that we service. These sub-distributors, with which we do not have any direct contractual relationship, might also delay payments that would affect the payment we are entitled to receive from our direct distributors. Any substantial defaults or delays may materially and adversely affect our cash flow, working capital, financial condition and results of operations.

Infringement of our and our suppliers' intellectual property or any intellectual property infringement claims against us or our suppliers may adversely affect our business and results of operations.

We market products under our suppliers' trademarks, based on which the products gain market recognition. Therefore, we are subject to the risk of infringement or misappropriation of these trademarks by third parties seeking to benefit from association with us or with the brands in our portfolio. As we do not take ownership of the trademarks of the products in our portfolio, it is ultimately our suppliers' responsibility to properly register their trademarks in China and take other actions to protect their intellectual property. Failure of our suppliers to maintain valid trademark registrations for their relevant products in China may limit their ability to successfully pursue legal action that may otherwise be brought against infringers, and our sales of their products may be materially affected as a result. In addition, we are in the process of registering our own trademark in the PRC, under which we provide MPCM services and conduct marketing activities and seminars. We cannot assure you that our trademark registration will be approved by the relevant PRC government authorities, which could materially and adversely affect our business. In addition, our trademark may be misappropriated by unauthorised third parties seeking to engage in similar activities. We cannot assure you that our intellectual property rights or those of our suppliers under PRC law are not being misappropriated or infringed or will not be misappropriated or infringed in the future, which could result in material and adverse effects on our business.

Third parties, including our competitors, may also make claims and initiate litigation against us alleging that we are misappropriating or infringing their trademarks or other intellectual property in order to establish their own rights to the same. The defence of such lawsuits would be a costly and distracting undertaking, and due to the current lack of transparency in the Chinese patent system, we may be unable to determine whether any of the products in our portfolio are an infringement or misappropriation of rights belonging to third parties. Moreover, the risk of being subject to intellectual property infringement claims will increase as we continue to expand our operations and diversify our product portfolio. Should we be found liable for infringement or misappropriation, we may be required to pay significant damages, or we may lose the rights to provide services or sell certain valuable products, which may have a material and adverse effect on our business, financial condition, and results of operations.

Our current programmes to independently research, develop, patent and commercialise proprietary pharmaceutical products or brands may not succeed, or such products or brands may fail to obtain the required regulatory approvals and permits for distribution and sale, which could adversely affect our business prospects and growth.

We have contracted with the Institute of Chinese Medical Sciences and have been sponsoring a team of more than ten researchers to develop "Sinco I," a realgar-based chemical medicine intended for the treatment of leukaemia. We aim to apply for Sinco I's new-drug certificate between 2022 and 2023. We intend to subcontract the manufacturing of Sinco I to third parties after meeting all requirements for production. Research and development of pharmaceutical products is a capital-, resource-, and time-intensive process, sometimes requiring years of investment in product development and marketing prior to the realisation of any financial returns. In 2012, 2013, 2014 and the first ten months of 2015, our research and development expenditures on this product amounted to nil, RMB0.8 million, RMB1.7 million and RMB2.0 million, respectively.

The process of research and development of a new pharmaceutical product is subject to many risks. Products that appear to be promising in the early phases of research and development may fail to live up

to expectations. Products successfully developed may ultimately become commercial failures, or may not be as competitive against existing or new products as expected. New pharmaceutical products may also fail to obtain the necessary regulatory approvals for their production and sale. Conducting research and testing on new products before obtaining a certificate of new medicine from the CFDA and subsequent procedures may take three to five years or longer. Even if such products could be successfully commercialised, there is no assurance that they will be accepted by the market as anticipated. In addition, we lack experience in developing, manufacturing and marketing proprietary products, which may magnify the risks, challenges and costs associated with our development of Sinco I. Should our plan to develop proprietary pharmaceuticals be unsuccessful, we would not recoup the significant expense of capital, time and attention we have invested, and our business and results of operations may be adversely affected.

The availability in the Chinese market of counterfeits of the products in our portfolio may damage such products' reputation, which could have a material adverse effect on our business, financial condition and results of operations.

Pharmaceutical products are lucrative and their authenticity is not easily discernible absent advanced equipment and expertise. This creates an incentive for counterfeiting pharmaceutical products, including those in our portfolio. The risk of counterfeiting in the Chinese market remains high relative to the rest of the world, and although China has strengthened enforcement of anti-counterfeiting laws in recent years, the counterfeit pharmaceutical product control and enforcement system in China may still be inadequate in eliminating the production and sale of counterfeits products. Counterfeits may or may not have the same chemical composition of the products in our portfolio and may cause harms or other affects that consumers wrongly associate with us. Consequently, such counterfeit sales would expose us to a number of risks, including a loss of sales and negative publicity and may even result in fines and other administrative penalties, as well as litigation against us, particularly where the use of such counterfeit products results in adverse side effects. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any reports of counterfeit sales of our products.

We may be unable to effectively manage our costs due to the rapid expansion of our product portfolio and sales force, which may materially and adversely affect our business prospects.

The addition of new products to our product portfolio involves significant new costs and management challenges. Our current portfolio consists of seven unique products, each of which requires tailored and specialised marketing, channel management and distribution strategies, and our intention to expand our product portfolio could put significant strains on our management, operations, and distributor network. Our revenue grew from RMB26.2 million in 2012 to RMB532.5 million in 2013 and to RMB950.1 million in 2014. Among other things, our current growth strategy involves continuing to penetrate the Chinese pharmaceutical market by increasing the size of our marketing, promotion and channel management team from 67 as of 31 October 2015 to approximately 120 employees, expanding our sales network and increasing our national medical institution coverage.

These strategies involve significant costs. We cannot assure you that our actual growth will meet our expectations or that we will be able to manage our growth efficiently. As we continue to grow, we may face challenges managing and monitoring an expanding network of distributors as well as our own growing in-house marketing team. Our business infrastructure, such as information management systems and warehouse facility, may also be strained. Unless we are able to manage the challenges of our rapid growth effectively, we may encounter unexpected high costs which could jeopardise our ability to grow continuously and thus materially and adversely affect our business prospects and financial condition.

We may not be able to realise the intended benefits of our cold chain facility and research and development base.

We are currently constructing premises, including a cold chain facility and a research and development base, in Shuangliu District, Chengdu, Sichuan Province. We completed the construction of

the first phase of the premises, including 15,000 square metres of cold chain storage, in December 2015, coinciding with our expected receipt of Good Supply Practice certification, or GSP certification, from the CFDA, showing we are in compliance with national pharmaceutical storage and distribution standards. The second phase of the premises, which will include 25,000 square metres of cold chain storage and a 47,000 square metre research and development base, is expected to be complete by the end of 2018, and will be sufficiently large for us to consider partially leasing out cold chain storage to third parties. We estimate that we invested approximately RMB76.3 million into the first phase of the premises. We expect to invest RMB80.0 million into the second phase.

We may not successfully complete this project, which would result in a significant loss of investment and deprive us of a potential competitive advantage over our peers. We may also be unable to realise the intended results of the premises. Successful completion of the premises will expose us to the licencing and compliance obligations arising from the construction and environmental impact of, and pharmaceutical storage in, the premises. For example, we currently do not have the land use rights certificate and other permits required for the construction of the premises, which may result in our having to pay fines of RMB5.0 million in total or to relocate the premises. See the section headed "Business — Non-Compliance Matters" for further details on our lack of a land use rights certificate for the premises. In addition, leasing space in our cold chain facility to third parties will expose us to liability for inventory damage or product liability claims associated with defects in our cold chain facility.

Investments in new projects will increase our overall depreciation and amortisation charges, which could have a materially adverse effect on our financial condition and results of operations.

Investments in new projects, such as our cold chain facility, our research and development base and our proprietary drug Sinco I, generally involve substantial capital expenditures. For example, we plan to further invest RMB21.6 million, RMB48.9 million, RMB21.0 million and RMB21.0 million in 2015, 2016, 2017 and 2018, respectively, for our cold chain facility and research and development base, and the effects of the resulting depreciation charges are expected to be RMB1.5 million, RMB1.9 million, RMB1.9 million and RMB3.9 million in 2016, 2017, 2018 and 2019, respectively. We expect to invest a total of RMB38.6 million to complete the development of Sinco I, RMB30.6 million of which is expected to be capitalised and RMB8.0 million of which is expected to be recognised as expenses. These investments may require long periods of time to generate necessary returns and will lead to increased depreciation expenses in the future, which could have a material adverse effect on our financial condition and results of operations. Moreover, any failure to generate returns on these investments could have a material adverse effect on our business, financial condition and results of operation.

We may be unable to properly manage our product inventory, which could materially and adversely affect our business, results of operations and financial condition.

We face the risk that, as we increase the number of products in our product portfolio and broaden our distributor network, we may not be able to manage the increased complexities of inventory management, or we may not be able to continue to manage our inventory as effectively as we have in the past. We had inventory balances amounting to nil, RMB149.1 million, RMB100.7 million and RMB81.6 million as of 31 December 2012, 2013, 2014 and 31 October 2015, respectively, and our inventory turnover days were 58 days, 56 days and 37 days for 2013, 2014 and the first ten months of 2015, respectively.

In order to avoid costs and liabilities associated with the marketing, distribution and sale of damaged products, our management must closely monitor product shelf life, carefully assess market demand and future orders, and actively manage contractual arrangements with our suppliers to account for overage and underage in deliveries and defective products. Our ability to provide superior channel management services depends on our ability to maintain proper inventories of products with the appropriate remaining shelf life to meet demand. Misjudgement of market demand or future supply

receivables could lead to shortages or overstocking of inventory, which would put strains on our ability to continue to provide our services and may disappoint our existing suppliers and distributors. We cannot guarantee that we will not encounter difficulties in inventory management in the future, particularly in light of our intention to increase the scope of both our product portfolio and our distribution network. If we experience inventory shortages, our sales volume and relationships with distributors could be materially and adversely affected. If our inventory levels are too high, we may have to write-down inventories, products may be held past expiration dates and need to be disposed of and our storage costs could increase. Either inventory shortages or excessive inventories could materially and adversely affect our business, results of operations and financial condition.

Any failure or deficiencies in the information management systems that assist us in managing our operations may have an adverse effect on our business, financial condition and results of operations.

Our management monitors our regular business operations through the use of computerised information management systems that provide current data regarding our inventories, finances, and operational activities. These data management systems have become a critical part of our business operations, and thus any technical errors in their operation or their partial or complete failure would result in damage to several aspects of our business, including our inventory, procurement, sales and financial management. We intend to use a portion of our working capital to upgrade the efficiency and reliability of these systems, but we cannot guarantee that they will not be susceptible to error, malicious attack or failure in the future, or that we can develop and maintain systems that are sufficiently advanced to keep pace with our increasingly complex operations and continue to attract suppliers and distributors to use our services.

We cannot assure you that we will be able to handle a failure of our information systems or that we will be able to restore our operational capacity within a short time frame after any such failure and avoid disruptions to our business. Any system failure could have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to hazards and natural disasters, including the outbreak of severe communicable diseases, which may affect our operations and may not be fully covered by our insurance policies.

We, as well as our suppliers, distributors, and warehousing and logistics providers, face a risk of operational breakdowns and interruptions resulting from external factors that are outside of our or their control, such as natural disasters (including but not limited to outbreaks of severe epidemic or communicable diseases, flooding, typhoons, earthquakes, blizzards and snow storms), acts of terror and other third-party interference. We do not carry business interruption insurance or third-party liability insurance for personal injury or environmental damage arising from accidents at our facilities. Should an accident, natural disaster or terrorist act occur, or should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial loss and damage to our reputation and could lose all or a portion of future revenue anticipated to be derived from the relevant facilities.

The Chinese tax authorities may change tax laws or its implementation applicable to us, or amend, review or cancel certain preferential tax treatments that we currently enjoy, which could materially and adversely affect our financial condition and results of operations.

The Chinese EIT Law and its implementation regulations issued by the State Council defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises." Under the EIT Law, an enterprise outside of China whose "de facto management bodies" are located in China is considered a "resident enterprise" and will be subject to a uniform 25% enterprise income tax rate on its global income. In April 2009, the State Administration of Taxation further specified certain criteria for

the determination of what constitutes "de facto management bodies" for foreign enterprises which are controlled by Chinese enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a Chinese enterprise will be deemed to have its "de facto management bodies" located in China and therefore be considered a Chinese resident enterprise. These criteria include whether: (i) the enterprise's day-to-day operational management is primarily exercised in China, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in China, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China.

However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises which are not controlled by Chinese enterprises (including companies like ourselves). As the EIT Law has only been implemented for a few years, PRC tax authorities in different districts may have different approaches in classifying resident enterprises and non-resident enterprises. We are currently not treated as a Chinese resident enterprise by the relevant tax authorities. Since substantially all of our management is currently based in China and is expected to remain in China in the future, we cannot assure that we will not be considered a "resident enterprise" under the new EIT Law and not be subject to the enterprise income tax rate of 25% on our global income. Once subject to the 25% tax rate on our worldwide income, we may experience material adverse effect on our financial condition and results of operations.

In addition to the probable imposition of 25% tax rate on our global income, we may also face termination or revocation of our preferential tax treatment in China. Sichuan Sinco Pharmaceuticals, through which we primarily conduct our business, was entitled to a preferential EIT rate of 15% for the years ended 31 December 2013, 2014 and 2015 for being engaged in an industry listed on the catalogue of encouraged industries in the western region of China. In March 2015, we entered into a share transfer agreement with Beijing Ziguang to acquire Chengdu Hengsheng and its wholly-owned subsidiary Linzhi Ziguang, a company located in Linzhi, Tibet, with a pre-condition that biological products are included in the business scope of Linzhi Ziguang. We plan to primarily conduct our business operations through Linzhi Ziguang in order to improve our tax structure. Further to this plan, we began to enter into inter-company sale and purchase agreements with Linzhi Ziguang in June 2015 pursuant to which Linzhi Ziguang procures pharmaceutical products indirectly from our suppliers by purchasing products from Sichuan Sinco Pharmaceuticals, and we have caused Linzhi Ziguang, in turn, to enter into sales contracts with our distributors for the sale of such products. Enterprises of the Tibetan Autonomous Region, including Linzhi Ziguang, are subject to a reduced 9% enterprise income tax rate due to an exemption from local EIT taxes granted by the Tibetan government. This exemption is currently scheduled to expire on 31 December 2017, after which time it is unclear whether any exemptions or other preferential tax treatment will be available for Tibetan enterprises such as Linzhi Ziguang. Moreover, if the relevant tax authorities decide to amend the current tax scheme or revoke the preferential tax treatment that we enjoy, our financial condition and results of operations could be materially and adversely affected.

In addition, the tax authorities in Sichuan Province may review and challenge the related-party transfer pricing policies of the sale and purchase agreements between Sichuan Sinco Pharmaceuticals and Linzhi Ziguang. Transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgment and interpretation by the tax authority which we have no control of, and there are no guidance letters or precedents available to the public for reference. For the ten months ended 31 October 2015, Linzhi Ziguang purchased antibiotics amounting to RMB24.1 million from Sichuan Sinco Pharmaceuticals and generated revenue of RMB22.8 million from independent third party customers. If any tax authority is successful in challenging our transfer pricing policies, although no tax penalties would ocurr as a result, we may be unable to realize the tax benefit associated with these sale and purchase agreements. As a result, our income tax expense may be adversely affected, and we could also be liable for payment of taxes in arrears (being RMB47,453 as of 31 October 2015) and any resulting interest charges.

We may be unable to manage our future growth efficiently or cost effectively, which may materially and adversely affect our business prospects.

We are a young company and expect significant growth after this offering, which will require substantial investments of resources and capital. In addition to strengthening and expanding our marketing and distribution capability, our growth strategy also involves development of a cold chain facility and a research and development base, continuous upgrades in our information management systems, expansion of our product portfolio and the research and development of new pharmaceuticals, for which we expect to incur significant expenses. We do not have experience in some of these new ventures, and we may experience increased costs associated with our learning to operate these new businesses. We may not be successful in controlling the costs of these ventures, and the challenges of operating a significantly larger company than we are now may prove too great for our existing management. We may not be successful in efficiently managing the new, larger company that we expect to become, which may adversely affect our business, financial condition, and results of operations.

Aside from increased difficulties in the management of human resources, we may encounter working capital issues, as we need increased liquidity to finance our expansion. For effective growth management, we will be required to continue improving our operational, management and financial systems and control. Our failure to manage growth effectively may lead to operational and financial inefficiencies that will have a negative effect on our profitability, and result in a material and adverse effect on our business prospects and financial condition.

We may not be able to successfully identify acquisition targets, complete acquisitions or integrate the acquired businesses.

We may undertake acquisitions of independent pharmaceutical or other types of companies. We acquired Chengdu Hengsheng and its wholly-owned subsidiary Linzhi Ziguang, a company located in Linzhi, Tibet, as an entity through which to conduct our business operations in March 2015, but otherwise do not have the experience in acquiring and integrating target companies into our Group.

Acquisitions in general involve numerous risks and uncertainties, including but not limited to:

- the suitability of the acquisition targets;
- our ability to complete acquisitions on commercially reasonable terms;
- the availability, terms and costs of financing required to complete an acquisition;
- delays in securing or inability to secure necessary government approvals, third-party consents and land use rights;
- potential unforeseen or hidden legal disputes or financial liabilities or obligations of the acquisition targets;
- our failure to deliver the expected synergies, to achieve the intended objectives or benefits, or to generate sufficient revenue to recover the costs and expenses of an acquisition;
- potential impairment of acquired goodwill or other intangible assets; and
- potential dilution of our earnings per share or decreases in our margins due to the lower profitability of acquired businesses.

In addition, we may experience difficulties in integrating the acquired businesses and personnel with ours due to differences in business models and cultures. Our management's time and attention may be diverted from other business concerns and we may experience difficulties in retaining customers or key employees of the acquired business and their expertise. Furthermore, we may incur higher capital expenditure and integration costs than we initially anticipated. We cannot assure you that we will be successful in realising all of the anticipated benefits in the acquisitions that we make, including the

anticipated benefits of our acquisition and use of Linzhi Ziguang as an entity through which to conduct our business operations. The occurrence of any of the above may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

The marketing, promotion, and sale in China of imported pharmaceutical products, and plasma-based pharmaceuticals in particular, are subject to a variety of regulations and enforcement trends, which may be subject to unforeseeable changes. If we are not able to respond promptly to such changes, our business may be affected.

We are subject to strict local, regional and national laws and regulations that govern the Chinese medical and pharmaceutical industry and provide for various civil and criminal penalties for noncompliance. During the Track Record Period and up to the Latest Practicable Date, we did not incur any fines, nor were we subject to any penalty in connection with the violation of these laws and regulations. However, the requirements of this regime are likely to evolve along with the development of the Chinese medical and pharmaceutical industry, and, as advised by our PRC legal adviser, Zhong Lun Law Firm, the trend in Chinese regulatory development is towards increasing complexity. Compliance with these laws is costly, and we cannot predict how these laws and regulations may change in the future. For example, regarding the first-time registration of pharmaceutical products, one of the services we intend to provide to our suppliers, the CFDA issued a revised notice in November 2013 stating that drug importers should conduct more clinical trials, making it more costly to import drugs from overseas. Although the revised notice has not yet been officially executed, we cannot ensure that we will be successful in responding to regulatory changes in the future, that we will not incur penalties for noncompliance, or that our compliance costs in the future will not increase so as to adversely affect our business, financial condition and results of operations.

All enterprises that engage in the sale of pharmaceutical products in China are required to obtain registrations, permits, licences and certifications from various government authorities, including GSP certifications for wholesale or retail operations. We or our distributors, as applicable, have obtained all of the permits and licences required for our operations, including the GSP certifications. See the section headed "Business — Licences and Permits" of this prospectus for a list of our key permits and licences required for our operations. However, these permits and licences are only valid for a limited time, and are subject to periodic renewal and reassessment by the relevant Chinese government authorities under standards which may change from time to time. We are also subject to regular inspections, examinations, inquiries and assessments by regulatory authorities as part of the process of maintaining or renewing the permits, licences and certifications required for the MPCM services and sale of pharmaceutical products.

Any inability to maintain or renew any of the permits, licences and certifications that we are required to hold could severely disrupt our operations and prevent us from continuing to carry on our business. Any changes in the standards promulgated by government authorities in considering whether to renew or reassess our business licences, permits and certifications, as well as any enactment of new regulations that may restrict our business operations, may also decrease our revenue or increase our costs, and materially reduce our profitability and prospects. Moreover, if the interpretation or implementation of existing laws and regulations changes, or if new regulations come into effect that require us to obtain additional permits, licences or certifications to operate our existing businesses, we cannot ensure that we will be able to obtain such permits, licences or certifications in a timely manner or at all. Any failure by us to obtain, maintain or renew these licences, permits and certifications, or failure to pass periodic inspections and examinations, could have a material adverse effect on our business, financial condition and results of operations.

Our growth relies in part on the development of the Chinese pharmaceutical industry. If the recently announced healthcare reform fails to produce growth as anticipated, our business prospects may be adversely affected.

The continued growth of the Chinese pharmaceutical industry has helped to drive our own growth, and if Chinese healthcare industry growth slows, or reverses, we may not be able to maintain our current

growth rates. The Chinese pharmaceutical industry has undergone vast changes associated with the more than 30 years of China's "reform and opening" era, and the government from time to time announces policies designed to encourage growth in our industry. These growth policies factor into our business planning, and should such policies fail to deliver the industry growth as expected, our business prospects may be adversely affected.

The Chinese MPCM services industry is competitive, and our competitors may sell, import or manufacture products substantially similar to the ones in our portfolio, which could materially and adversely affect our sales, financial condition and results of operations.

We face intense competition on multiple fronts from other MPCM services providers. Key distributors, suppliers, hospitals, and other industry players may choose to work with our competitors instead of us for a number of reasons, including our inability to keep pace or outperform our peers in terms of the quality, sophistication, breadth, price, and many other facets of our service.

We also face competition from companies which have product offerings which compete with the products we service, and thus depress the demand for our services or the products in our product portfolio. We also compete directly with foreign or domestic pharmaceutical suppliers whose products may be perceived as superior to, or substitutes for, those appearing in our product portfolio. In fact, none of the products in our portfolio are patented in China, and may be chemically identical to generics that are offered by our competitors.

Moreover, the rights granted to us from time to time to act as service provider for the products in our portfolio cannot protect us from our competitors offering the same, similar or substitute products. These rights may also be limited or revoked, or expire pursuant to the respective agreements, which would materially and adversely affect our competitiveness.

Our competitors' financial resources, distribution networks, supplier relationships, brand, service offerings and industry knowledge may be greater than ours. They may be able to commit greater resources to the provision of MPCM services and adapt to a changing market or regulatory landscape faster than we can.

Although Frost & Sullivan's latest projections rank us among the top five largest providers of MPCM services, which places us among the most competitive cohort of industry peers, our competition is likely to intensify if:

- industry regulations or technologies lessen barriers to entry for competitors;
- new products become available which have comparable medicinal applications or therapeutic effects that may be used as direct substitutes for the products in our portfolio, particularly if made available at prices that are comparable or lower, or are included in the Insurance Catalogues, thus dampening demand for the products which we offer;
- competitors significantly reduce prices due to oversupply of products; or
- our exclusivity rights over certain products expire or are revoked or limited.

Our business and prospects depend on our ability to maintain or increase the market share of the products in our portfolio. Our failure to compete in terms of service, product offerings, or any other facet of our industry in the future would result in a material adverse effect on our business, financial condition and results of operations.

Rapid changes in the pharmaceutical industry and technological enhancements of know-how may render our current product offerings obsolete.

The overseas pharmaceutical industry is in a period of robust innovation. New products are frequently being introduced, and new processes for the production, deployment and application of

existing products are being developed. It is possible that such innovations will render obsolete the products for which we currently provide services, which may affect our viability and competitiveness.

Our business has benefitted from the fact that the domestic Chinese plasma-based pharmaceutical product market is emerging and domestic offerings are at a less advanced stage. Should the market develop rapidly in the future and domestic suppliers catch up their overseas counterparts in terms of product quality, the demand for imported plasma-based pharmaceuticals may be dampened, which may adversely affect our business. In addition, if certain suppliers other than Octapharma are able to grasp certain advanced know-how as a result of a particular research or other technological breakthrough, they may usher in a period of rapid advancement in the Chinese market to which we may be unable to adjust.

If new technologies are introduced in the market, we will be required to invest additional capital, time and other resources in keeping pace with market innovation, which may adversely affect our financial condition and results of operations. If we fail to respond to emerging diseases or illnesses and frequent technological advances by identifying and marketing new products in a timely fashion, or if these products do not achieve a desirable level of efficacy or market acceptance, our business, financial condition and results of operations may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Changes in political or economic policies of the Chinese government, and a slowdown in China's economy may have an adverse impact on our business, results of operations and financial condition.

During the Track Record Period, we derived all of our revenue from our operations in China. Accordingly, our business, results of operations and financial condition are significantly affected by the political and economic conditions in China.

The Chinese economy differs from the economies of developed countries in a number respects, including the degree of government involvement, control of capital investment and the overall level of development. Before its adoption of "reform and opening" policies in 1978, China's economy was centrally planned. Since then, the Chinese government has been reforming the country's economic system and government structure. These reforms have resulted in significant economic growth and social progress. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions. As a result, we may not continue to benefit from any of these measures.

We anticipate that China will continue to be the source of all of our revenue. Any changes in China's political, economic and social conditions, laws, regulations and policies or any significant decline in the condition of the Chinese economy could adversely affect consumer buying power, result in a decrease in the growth rate of healthcare spending in China, and reduce demand for the products in our portfolio, which in turn would have a material adverse effect on our business, results of operations and financial condition.

The legal system in China is not fully developed and has inherent uncertainties that could limit the legal protections available to our Shareholders.

Our business and operations are primarily conducted in China and are governed by PRC laws, rules and regulations. Our Chinese subsidiaries are generally subject to laws, rules and regulations applicable to foreign investments in China. The Chinese legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited weight as precedents. Since the late 1970s, the Chinese government has significantly enhanced Chinese legislation and regulations to provide protection to various forms of foreign investments in China. However, China has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the

interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the Chinese legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgements obtained from foreign courts.

Most of our operating subsidiaries are incorporated in China. Some of our management reside in China from time to time. Almost all of our assets and some of the assets of our management are located in China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "Arrangement"), pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China. Similarly, a party with a final judgement rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgements in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgements awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in China of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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

Any capital contributions or loans that we, as an offshore entity, make to our Chinese subsidiaries, including from the proceeds of the Global Offering, are subject to Chinese regulations. For example, any of our loans to our Chinese subsidiaries cannot exceed the difference between the total amount of investment each of our Chinese subsidiaries is approved to make under relevant PRC laws and the registered capital of each of our Chinese subsidiaries, and such loans must be registered with the local branch of the State Administration of Foreign Exchange. In addition, our capital contributions to each of our Chinese subsidiaries must be approved by the Ministry of Commerce or its local counterpart. We cannot give any assurance that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals or make such payments, our ability to make equity contributions or provide loans to our Chinese subsidiaries or to fund their operations may be negatively affected, which may materially and adversely affect our Chinese subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

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

Under the EIT Law and implementation regulations issued by the State Council, unless otherwise provided in a treaty, Chinese income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (meaning, enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within China. Similarly, any gain realised on the transfer of Shares by such investors is also subject to 10% Chinese income tax if such gain is regarded as income derived from sources within China unless otherwise provided in a treaty. In addition, if we are considered a PRC resident enterprise for tax purpose, then capital gains realised from sales of the Offer Shares by, and dividends on the Offer Shares payable to, individual shareholders who are not PRC residents, may be regarded as income from "sources within the PRC" and therefore become subject to a 20% withholding tax, except as otherwise provided in applicable tax treaties. Furthermore, capital gains realised from sales of the Offer Shares by, and dividends on the Offer Shares payable to, shareholders that are non-resident enterprises and have no establishment or place of business in the PRC connected to the capital gain or dividend income, may be regarded as income from "sources within the PRC" and therefore become subject to a 10% withholding tax, except as otherwise provided in applicable tax treaties. If we are required under the EIT Law to withhold Chinese income tax on our dividends payable to our foreign shareholders who are not within China, or if you are required to pay Chinese income tax on the transfer of your Shares, the value of your investment in your Shares may be materially and adversely affected.

We face uncertainty relating to SAT Circular 7.

On 3 February 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**Circular 7**"), which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on on-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) ("**Circular 698**"), which was previously issued by the State Administration of Taxation on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order

to meet the local legal requirements in relation to organisation forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organisation forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such Chinese taxable property.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

After the Listing, according to our PRC legal advisers, the income obtained by non-resident enterprises from the indirect transfer of Chinese taxable properties is not subject to PRC enterprise income tax if the purchase and sale of the equities of the same overseas listed company is conducted on the open market, and is subject to PRC enterprise income tax if the purchase and sale of the equities of the same overseas listed company is conducted off the open market. Circular 7 does not contain a clear definition of "open market." According to the interpretation of the Office of the PRC State Administration of Taxation, the determination of whether or not an offshore market is an open market is primarily based on the factors including the number of independent persons or entities that are allowed to participate in bidding and the process of bidding. According to the PRC State Administration of Taxation's Announcement on Several Issues Concerning Management of Enterprise Income Tax on on-Resident Enterprises (The PRC State Administration of Taxation 2011 Announcement No. 24) (《國家税務總局關於非居民企業所得税管理若干問題的公告》(國家税務總局公告2011年第24號)), to qualify as the purchase and sale of the equities in an open market, the transaction shall be conducted according to the common transaction rules in a public securities market and the identities of seller and buyer, the amount of shares and the price of shares are not pre-determined.

After the Listing, since the purchase and sale of our Shares by our non-resident enterprise Shareholders will be conducted on the Hong Kong Stock Exchange pursuant to its common transaction rules and the identities of seller and buyer, the amount of Shares and the price of Shares are not pre-determined, according to our PRC legal advisers, our non-resident enterprise Shareholders will be exempted from the reporting obligations and tax liabilities under Circular 7. Circular 7 does not apply to individual Shareholders whether the relevant transactions are conducted on or off the open market.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

Our Company is a holding company incorporated in the Cayman Islands, and our business operations are primarily conducted through our Chinese subsidiaries. We rely on dividends and other distributions paid by our Chinese subsidiaries for our future cash needs which may not be provided for by equity issuances or borrowings outside of China, including the funds necessary to pay dividends to our shareholders, to service any debt we may incur and to pay our operating expenses.

As entities established in China, our Chinese subsidiaries are subject to limitations with respect to dividend payments. Regulations in China currently permit payment of dividends by Chinese subsidiaries

only out of accumulated profits as determined in accordance with the Chinese generally accepted accounting principles. According to applicable PRC laws and regulations, some of our Chinese subsidiaries are required to maintain a general reserve fund, a staff welfare fund and a bonus fund. Each of our Chinese subsidiaries is also required to set aside at least 10% of its after-tax profit, based on Chinese generally accepted accounting principles, each year for general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from each of our Chinese subsidiaries' net profit after taxation. In addition, if any of our Chinese subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our Chinese subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends. If our Chinese subsidiaries cannot pay dividends due to government policies or regulations, or because they cannot generate sufficient cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There has been no prior public market for our Shares, and an active trading market may not develop.

No public market currently exists for our Shares, and the Offer Price may differ from the market price of our Shares following the Global Offering. The initial offer price range to the public for our Shares is the result of negotiations between us and the Sole Global Coordinator (on behalf of the Underwriters). An active trading market for our Shares may not develop following the Global Offering, or the market for our Shares may be unsustainable, or, regardless of the condition of any market that does develop for our Shares, it is possible that the market price of our Shares will decline below the Offer Price.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering.

Stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded, however, factors such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors could cause the market price and trading volume of our Shares to change substantially and unexpectedly. In addition, such volatility, as well as general economic conditions, may materially and adversely affect the prices of our Shares, and as a result investors in our Shares may incur substantial losses.

Future sale or perceived sale or major divestment of Shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" of this prospectus. However, we cannot give any assurance that after the restrictions of the lock-up periods expire our Controlling Shareholders will not dispose of any Shares. Sales of substantial amounts of our Shares in the public market, or the perception that such sales may occur, may materially and adversely affect the prevailing market price of our Shares.

Certain statistical and other information in this prospectus relating to China, including its economy and relevant industries, are derived from various sources and may not be reliable.

Certain facts, forecasts and statistics in this prospectus related to China, the Chinese economy and the industries in which we operate within China are derived from various official government

publications and other publications and from the Frost and Sullivan report, a third-party report commissioned by us. We did not develop this information ourselves and we cannot guarantee its quality and reliability. These facts and statistics have not been independently verified by us, the Sole Sponsor, Sole Global Coordinator, the Sole Bookrunner, the Underwriters or any of our or their respective directors, affiliates or advisers, and 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 China and may not be complete or up-to-date. Many factors may influence the accuracy of information obtained from such sources, including flawed or ineffective collection methods or misrepresentation of market practise and other problems. Comparisons in the statistics obtained from such sources may not be accurate or properly drawn, or comparable to other economies or industries. Further, we cannot give any assurance that they are stated with the same degree of accuracy as other sources. In all cases, investors should give careful consideration as to how much weight or importance they place on all such information.

We may not be able to pay any dividends on our Shares.

We cannot assure you when, if ever, we will pay a dividend on our Shares following the Global Offering. Moreover, we cannot predict the form or circumstances of any future dividends. A declaration of dividends must be approved by the Board and is based on, and limited by, various factors, including, without limitation, our business and investment strategy, financial condition and performance, capital and regulatory requirements and general business conditions. Even if our financial statements indicate that our operations have been profitable, we may not have sufficient or any profits, cash or other assets to enable us to issue a dividend to our Shareholders in the future, or if we do, we may determine that such profits, cash or other assets are better put towards other uses.

Our Controlling Shareholders have significant influence over our management, and the interests of our Controlling Shareholders may not be aligned with our interests or the interests of other Shareholders.

After the Global Offering, the interests of our Controlling Shareholders may conflict with the interests of our other Shareholders. Upon completion of the Global Offering and assuming the Over-allotment Option is not exercised, approximately 65.625% of our issued Shares will be held by our Controlling Shareholders, and thus our Controlling Shareholders will continue to have significant influence over us, including on matters relating to potential mergers, consolidations, the sale of all or substantially all of our assets, the election of Directors and other significant corporate actions, and these actions may be taken even if they are opposed by our other Shareholders, including those who subscribe for our Shares in the Global Offering. Moreover, a change in control of us may be delayed, discouraged, or prevented by actions of our Controlling Shareholders, which may have the effect of depressing the value of our Shares and deprive our Shareholders of the opportunity to receive a premium for their shares as part of a sale of our stock or assets pursuant to a change in control.

Purchasers of our Shares in the Global Offering will incur immediate dilution to their attributable net tangible asset book value per Share.

The Offer Price of our Shares is higher than our net tangible asset book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset book value of HK$0.27 per Share assuming an Offer Price of HK$0.96, which is the mid-point of our indicative offer price range, and our existing Shareholders will experience an increase in the pro forma adjusted net tangible asset value per Share of their Shares. In addition, if we make additional equity offerings after the Global Offering, our Shares may be diluted further.

Due to a gap between pricing and trading of the Shares and the fact that our Shares will not commence trading on the Hong Kong Stock Exchange until the Listing Date, the initial trading price of the Shares could be lower than the Offer Price.

After the Price Determination Date but prior to the Listing Date, our Shareholders may not be able to sell or otherwise deal in our Shares. Shareholders will not be able to take any actions vis-à-vis the Shares they purchase until such Shares officially commence trading on the Hong Kong Stock Exchange. Thus, our Shareholders are subject to the risk that the prices of our Shares could fall before trading begins, due to adverse market conditions or other adverse developments that could occur between the Price Determination Date and the day that trading begins.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed by the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around 3 March 2016 and, in any event, not later than 8 March 2016 (unless otherwise determined by the Sole Global Coordinator (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company on or before 8 March 2016, the Global Offering will not become unconditional and will lapse immediately.

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

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the 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 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 authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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 the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the exercise of any options that may be granted under our Share Option Scheme.

No part of our Shares is listed on or dealt in on any other stock exchange other than Hong Kong Stock Exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and Stabilisation are set out in the section headed "Structure of the Global Offering" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the 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.

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

SHARE REGISTER AND STAMP DUTY

Our register of members in Hong Kong will be maintained by Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated.

EXCHANGE RATES

Solely for convenience purposes, this prospectus includes translations of certain currencies at specific rates for foreign exchange transactions. Unless otherwise specified, translations of RMB into HK$ in this prospectus are based on the rate of RMB1.00: HK$1.1933 published by the PBOC on 19 February 2016. Translations of US$ into HK$ in this prospectus are based on the rate of US$1.00: HK$7.7720 published by the Federal Reserve Board on 19 February 2016.

No representation is made that any amounts in HK$ and RMB can be or could have been converted at the relevant dates at the above rates or any other rates at all.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our Company's headquarters and our major business operations are based in the PRC and all of our executive Directors have been, are and are expected to be based in the PRC. We believe it would be more effective and efficient for most of our executive Directors to be based in a location where we have significant operations. As such, we will not be able to comply with the requirements of Rule 8.12 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorised representatives are Mr. Huang and Ms. Wong Sau Ping. They will be able to meet with the Hong Kong Stock Exchange on reasonable notice upon the request of the Hong Kong Stock Exchange and be readily contactable by telephone, facsimile and email by the Hong Kong Stock Exchange;

(b) each of the authorised representatives will have all necessary means to contact all the Directors promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;

(c) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange within a reasonable notice if required;

(d) we have, in compliance with Rule 3A.19 of the Listing Rules, engaged Guotai Junan Capital Limited, as our compliance adviser, who will act as an additional channel of communication with the Hong Kong Stock Exchange;

(e) we will retain Hong Kong legal advisers to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after the Listing; and

(f) to enhance communications among the Hong Kong Stock Exchange, the Directors will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and fax numbers to the authorised representatives as well as the Hong Kong Stock Exchange, and 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 to the authorised representatives.

WAIVER IN RELATION TO COMPANY SECRETARY

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules, which stated that a company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experiences, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. Below are the academic or professional qualifications as set out in Note 1 to Rule 3.28 of the Listing Rules, where the Hong Kong Stock Exchange considers acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

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

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

Pursuant to Note (2) to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Hong Kong Stock Exchange will consider the individual's:

(a) length of employment with the listing applicant and other issuers and the roles he / she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance and the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**");

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Ko Wing Yu as a joint company secretary. Ms. Ko Wing Yu is experienced in business management and has a thorough understanding of our operations. Given that Ms. Ko Wing Yu is neither a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister nor a professional accountant, as required under Note (1) of Rule 3.28 of the Listing Rules, her appointment as a joint company secretary does not strictly comply with Rules 3.28 and 8.17 of the Listing Rules. We have appointed Ms. Wong Sau Ping to act as another joint company secretary. Ms. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Accordingly, Ms. Wong fully complies with the requirements as stipulated under Rules 3.28 and 8.17 of the Listing Rules. We have engaged Ms. Wong as joint company secretary for a minimum period of three years commencing from the Listing Date, during which she will assist and guide Ms. Ko Wing Yu to enable her to acquire the "relevant experience" under Note (2) to Rule 3.28 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and obtained, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on the condition that we engage Ms. Wong, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Ms. Ko Wing Yu in her discharge of duties as a joint company secretary and in gaining the "relevant experience" as required under Note (2) to Rule 3.28 of the Listing Rules. If Ms. Wong ceases to render assistance to Ms. Ko Wing Yu during this period, the waiver will be immediately withdrawn. Upon expiry of the three-year period, a further evaluation of the qualifications and experience of Ms. Ko Wing Yu and the need for on-going assistance would be made. Please refer to the section headed "Directors and Senior Management — Company Secretary" in this prospectus for further details of Ms. Ko Wing Yu's biography.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The Accountants' Report set out in Appendix I to this prospectus includes audited financial information for our Group for the years ended 31 December 2012, 2013 and 2014 and for the ten months ended 31 October 2015.

Rule 4.04(1) of the Listing Rules requires a listing applicant to include in the prospectus the consolidated results of the listing group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Hong Kong Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that, subject to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, it shall not be lawful for any person to issue, circulate or distribute in Hong Kong any prospectus offering for subscription or purchase shares in a company incorporated outside Hong Kong unless, among other things, the prospectus states the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and sets out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires us to include in this prospectus a statement as to, *inter alia*, our gross trading income or sales turnover (as may be appropriate) during each of the three financial years immediately preceding the issue of this prospectus, including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires us to include in this prospectus a report by our auditors with respect to, *inter alia*, the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules subject to the following conditions:

(a) our Company must list on the Hong Kong Stock Exchange on or before 31 March 2016;

(b) we have obtained a certificate of exemption from the SFC on strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the "**Ordinance Requirements**");

(c) a profit estimate for the year ended 31 December 2015 (which must comply with Rules 11.17 to 11.19 of the Listing Rules) is included in the prospectus; and

(d) a Directors' statement is included in the prospectus that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

We have also applied for, and the SFC has granted us, a certificate of exemption from strict compliance with the Ordinance Requirements on the conditions that particulars of the exemption are set out in this prospectus and the prospectus would be issued on or before 29 February 2016. Strict compliance with the Ordinance Requirements would be unduly burdensome for us as there would not be

sufficient time for us to prepare the full year financial statements for the year ended 31 December 2015 and for our Reporting Accountants to complete the audit thereon prior to the issue of this prospectus.

We have also included a profit estimate (which complies with Rules 11.17 to 11.19 of the Listing Rules) for the financial year ended 31 December 2015 in the prospectus.

We have also included in Appendix II to this prospectus the unaudited pro forma financial information.

Our Directors confirmed that all information necessary for the public to make an informed assessment of our activities, assets and liabilities, financial position, management and prospects has been included in this prospectus and that, as such, the waiver granted by the Hong Kong Stock Exchange and the exemption granted by the SFC from strict compliance with Rule 4.04(1) of the Listing Rules and the Ordinance Requirements, respectively, will not prejudice the interests of the investing public.

Our Directors and the Sole Sponsor confirmed that after performing all due diligence work, up to the date of this prospectus, there has been no material adverse change in our financial position or prospects since 31 October 2015 and there is no event since 31 October 2015 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

We will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended 31 December 2015.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Huang Xiangbin (黃祥彬)	No. 5, Unit 5 Block 3 17 Jiayuan Road Qingyang District Chengdu Sichuan PRC	Republic of Vanuatu
Ms. Zhang Zhijie (張志傑)	No. 1103, 10/F Bolinsi West Dongcheng District Beijing PRC	PRC
Independent Non-executive Directors		
Mr. Chow Siu Lui (鄒小磊)	Flat B, 20/F Serene Court 8 Kotewall Road Mid-Levels Hong Kong	Hong Kong
Mr. Wang Qing (汪晴)	No.44 Shu Xiang Yuan Shahekou District Dalian City Liaoning PRC	PRC
Mr. Liu Wenfang (劉文芳)	No. 3, 2/F, Unit 1 Block 6 3 Xiaojiacun Third Alley Jinniu District Chengdu Sichuan PRC	PRC

See the section headed "Directors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central, Hong Kong A licenced corporation under the SFO permitted to engage in type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined under SFO)
Legal Advisers to Our Company	**As to Hong Kong and U.S. laws:** Shearman & Sterling 12/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong **As to PRC law:** Zhong Lun Law Firm 36/F & 37/F, SK Tower 6A Jianguomenwai Avenue Beijing **As to Cayman Islands law:** Maples and Calder 53/F, The Centre 99 Queen's Road Central Hong Kong
Legal advisers to the Sole Global Coordinator and the Underwriters	**As to Hong Kong and U.S. laws:** Skadden, Arps, Slate, Meagher & Flom and Affiliates 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong **As to PRC law:** Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing, 100025 China

Reporting Accountants and Independent Auditors	Ernst & Young Certified Public Accountants 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	Frost & Sullivan Suite 2802-2803, Tower A, Dawning Center 500 Hongbaoshi Road Shanghai PRC
Property Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Compliance Adviser	Guotai Junan Capital Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Receiving Banker	Wing Lung Bank Limited 16/F, Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

Registered office in Cayman Islands	PO Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters in the PRC	E5-1805, Global Centre No.1700, North Section of Tianfu Avenue High-Tech Zone, Chengdu Sichuan PRC
Principal place of business in Hong Kong	Unit 4408A, 44/F, Cosco Tower 183 Queen's Road Central Hong Kong
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 4408A, 44/F, Cosco Tower 183 Queen's Road Central Hong Kong
Company's Website	**www.sinco-pharm.com** *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Ms. Ko Wing Yu Unit 4408A, 44/F, Cosco Tower 183 Queen's Road Central Hong Kong Ms. Wong Sau Ping (ACIS, ACS) 36/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised Representatives	Mr. Huang Xiangbin E5-1805, Global Centre No.1700, North Section of Tianfu Avenue High-Tech Zone, Chengdu Sichuan PRC Ms. Wong Sau Ping 36/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

Audit Committee	Mr. Chow Siu Lui *(Chairman)* Mr. Liu Wenfang Mr. Wang Qing
Remuneration Committee	Mr. Wang Qing *(Chairman)* Ms. Zhang Zhijie Mr. Liu Wenfang
Nomination Committee	Mr. Huang Xiangbin*(Chairman)* Mr. Liu Wenfang Mr. Chow Siu Lui
Internal Control and Corporate Governance Committee	Mr. Chow Siu Lui *(Chairman)* Mr. Liu Wenfang Mr. Wang Qing
Cayman Islands Principal Share Registrar and Transfer Agent	Maples Fund Services (Cayman) Limited P.O. Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East Wan Chai Hong Kong
Principal Bankers	China Merchants Bank Hongzhaobi Branch 27 Hongzhaobi Street Chengdu Sichuan PRC China Construction Bank (Xinhua Branch) No. 2, Changshun Upper Street Chengdu Sichuan PRC Bank of China Huangjinlu Branch 256-266 Huangjinlu, Jinniu District Chengdu Sichuan PRC Bank of Chengdu Xipu Branch 38 Chengguandong Street Chengdu Sichuan PRC

HISTORY AND DEVELOPMENT

Corporate History

Mr. Huang, our founder, Chairman, executive Director and controlling shareholder, established Sichuan Sinco Pharmaceuticals as a limited liability company in the PRC in 2011. Since our establishment, we have been focusing on the pharmaceutical market in China. We are the third largest MPCM services provider in the PRC pharmaceutical industry with a market share of 6.4% based on revenue in 2014, according to the Frost & Sullivan Report. According to the same report, we are the only MPCM services provider in China for plasma-based pharmaceuticals. We have also established good and long-term relationships with our suppliers including Octapharma, one of the world's leading manufacturers of plasma-based pharmaceuticals based on global sales revenue, according to the Frost & Sullivan Report. Mr. Huang funded the establishment of Sichuan Sinco Pharmaceuticals through his personal savings accumulated prior to the establishment of our Group. For the industry experience of Mr. Huang, see his biographical details in the section headed "Directors and Senior Management" in this prospectus.

OUR MILESTONES

Set out below are the key milestones in our Group's development:

April 2011	Mr. Huang established Sichuan Sinco Pharmaceuticals, our principal operating subsidiary in the PRC.
April 2011	We established a long-term partnership with Medochemie through signing an exclusive distribution agreement with Deutsche Sinomed, Medochemie's agent and an Independent Third Party, pursuant to which we became the exclusive MPCM services provider in China for Axetine and Medocef manufactured by Medochemie.
November 2011	We entered into the first sales contract with Suzhou Zhongxin Pharmaceuticals Company Limited (宿州中信藥業有限公司) for the distribution of Axetine and Medocef, and formulated the marketing and promotional strategies to facilitate the sales.
November 2012	We established a long-term partnership with Octapharma through signing a long-term distribution agreement, pursuant to which (1) we became a MPCM services provider in China for Octapharma in 24 provinces, municipalities and autonomous regions, and (2) Octapharma provides us with Human Albumin Solution of first class commercial quality with a minimum remaining shelf life of 24 months at the time of product delivery. In August 2015, Octapharma confirmed our exclusive right to service Human Albumin Solution in these provinces, municipalities and autonomous regions.
November 2013	Sinco Biotechnology was established by Sichuan Sinco Pharmaceuticals (70%) and Kang Tai Yun Dao (30%), with a primary focus on research and development.

February 2014	Chengdu Sinco Pharmaceuticals, located in Sichuan Shuangliu Bonded Area (四川雙流保税區), was established by Sinco Biotechnology, with a primary focus on the design, operation and management of a cold chain facility and aims to be one of the largest cold chain centres in Southwest China.
January 2015	Hong Kong Prosperous established cooperation with Trendful, the exclusive sales agent for Bruschettini and Foscama, through a distribution authorisation agreement with Vast Surplus. See the section headed "— Distribution Transfer Agreements between Vast Surplus and Hong Kong Prosperous" below for further details of the arrangement between Trendful, Vast Surplus and Hong Kong Prosperous.
September 2015	We have entered into a collaboration agreement with Liaoning Wanjia to become the exclusive service provider for Xinneng Q_{10}, a dietary supplement registered with the CFDA, in China.

CORPORATE STRUCTURE

As at the Latest Practicable Date, our Group comprises our Company, Starwell Group, Hong Kong Prosperous, Sichuan Sinco Pharmaceuticals, Sinco Biotechnology, Chengdu Sinco Pharmaceuticals, Chengdu Hengsheng and Linzhi Ziguang. Set out below is the brief history of each member of our Group.

Offshore Entities

Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 16 March 2015, with an authorised share capital of HK$380,000 divided into 3,800,000,000 Shares of HK$0.0001 each, of which one Share was issued and allotted as fully paid to the initial subscriber at par and was transferred to Risun which is wholly owned by Mr. Huang on 16 March 2015.

On 8 April 2015, our Company allotted and issued at par 1,039,049,999 Shares, 59,950,000 Shares and 90,000,000 Shares to Risun, Brightsome, and Wisen, respectively. Subsequent to the issuance and allotments, our Company was owned as to 87.39%, 5.04% and 7.57% by Risun, Brightsome and Wisen, respectively.

On 28 May 2015, as part of our Reorganisation, our Company (i) issued and allotted 950,000 Shares to Risun in exchange for the transfer to our Company of 47,500 shares in Starwell Group from Mr. Huang; (ii) issued and allotted 50,000 Shares to Brightsome in exchange for the transfer to our Company of 2,500 shares in Starwell Group from Lumine Holdings; and (iii) issued and allotted 10,000,000 Shares to Risun, for the purpose of capitalization of loan due from Hong Kong Prosperous to Mr. Huang. Upon completion of such issuances and allotments, our Company was owned as to 87.5%, 5.0% and 7.5% by Risun, Brightsome and Wisen, respectively.

Pursuant to the Reorganisation, our Company became the holding company of our Group.

Starwell Group

On 26 November 2013, Starwell Group was incorporated as an investment holding company in the BVI. The number of authorised shares of Starwell Group is 50,000 shares of US$1.00 each. On 26 November 2013, 50,000 shares in Starwell Group were issued and allotted to Mr. Huang. On 28 May 2015, Mr. Huang (i) transferred 2,500 shares of Starwell Group to Lumine Holdings and in exchange, our

Company issued and allotted 50,000 Shares to Brightsome, which is wholly owned by Lumine Holdings; and (ii) transferred 47,500 shares in Starwell Group to our Company, and in exchange, our Company further allotted 950,000 Shares to Risun, which is wholly owned by Mr. Huang. On the same day, Lumine Holdings transferred its entire equity interest in Starwell Group to our Company. As a result, Starwell Group was owned as to 100% by our Company.

Hong Kong Prosperous

Hong Kong Prosperous was incorporated in Hong Kong on 20 December 2013. The principal business of Hong Kong Prosperous is to service Taurolite, TAD and Esafosfina. See "— Distribution Transfer Agreements between Vast Surplus and Hong Kong Prosperous" for details of the distribution agreements. See " — Reorganisation — Incorporation of Hong Kong Prosperous and subsequent changes in shareholding structure" below for further details of Hong Kong Prosperous.

Onshore Entities

Sichuan Sinco Pharmaceuticals

As the principal operating subsidiary of our Group, Sichuan Sinco Pharmaceuticals was established as a limited liability company in the PRC on 1 April 2011 by Mr. Huang and Mr. Chen Baixu, an Independent Third Party. The initial registered capital of Sichuan Sinco Pharmaceuticals was RMB5,000,000 and the capital contribution subscribed by Mr. Huang and Mr. Chen Baixu was RMB2,950,000 and RMB2,050,000, respectively. Upon its establishment, Sichuan Sinco Pharmaceuticals was held as to 59% by Mr. Huang and 41% by Mr. Chen Baixu. Mr. Chen Baixu did not make any actual capital contribution and the registered capital in the amount of RMB5,000,000 was fully settled by Mr. Huang on 17 July 2012. Our PRC legal adviser confirmed that the settlement of the registered capital is legal and in compliance with the PRC law. Furthermore, Mr. Huang had put in place various nominee arrangements with certain members of the management team referred to below, primarily because he wished to maintain (i) a lower profile as his pharmaceutical product distribution business expanded, and (ii) flexibility to make future investments by way of "one-man limited company" because as advised by our PRC legal adviser, a natural person can only establish one "one-man limited company" 100% owned by that natural person pursuant to the PRC law. Our PRC legal adviser confirmed that all the nominee arrangements are legal and valid under PRC laws and regulations.

Sichuan Sinco Pharmaceuticals is engaged in the distribution of pharmaceutical products. Over the years, Mr. Huang, together with other members of our management team, has successfully expanded our distribution network to cover many provinces, municipalities and autonomous regions in China. The historical transfers in the equity interests in Sichuan Sinco Pharmaceuticals before our Reorganisation are set out below:

- On 10 January 2012, Mr. Chen Baixu transferred a 33% equity interest in Sichuan Sinco Pharmaceuticals to Mr. Huang without consideration (as Mr. Chen Baixu had not yet paid the share capital at the time of transfer). After such equity interest transfer, Sichuan Sinco Pharmaceuticals was held by Mr. Huang as to 92% and Mr. Chen Baixu as to 8%, respectively.
- On 26 June 2012, Mr. Chen Baixu transferred his remaining 8% equity interest in Sichuan Sinco Pharmaceuticals to Mr. Huang without consideration (as Mr. Chen Baixu had not yet paid the share capital at the time of transfer). After such equity interest transfer, Sichuan Sinco Pharmaceuticals was 100% held by Mr. Huang.
- On 1 August 2012, Mr. Huang and Mr. Li Jieshi (who was a supervisor, a director and a manager of Sichuan Sinco Pharmaceuticals) entered into a shareholding entrustment agreement pursuant to which Mr. Li Jieshi agreed to hold a 48% equity interest in Sichuan Sinco Pharmaceuticals as a nominee for Mr. Huang who retained all shareholder's rights over the entrusted interests. On the same day, Mr. Huang transferred the 48% equity interest in

Sichuan Sinco Pharmaceuticals to Mr. Li Jieshi. Following the above-mentioned transfer, 52% and 48% of the equity interest in Sichuan Sinco Pharmaceuticals was registered in the name of Mr. Huang and Mr. Li Jieshi, respectively. Taking into account the nominee arrangement, Sichuan Sinco Pharmaceuticals was beneficially wholly-owned by Mr. Huang. Our PRC legal adviser has advised that the shareholding entrustment agreement was legal and binding on both parties.

- On 3 November 2012, Mr. Huang instructed Mr. Li Jieshi to transfer 25% out of the 48% equity interest in Sichuan Sinco Pharmaceuticals (which Mr. Li Jieshi was holding as a nominee for Mr. Huang) back to himself (while Mr. Huang's 52% equity interest in Sichuan Sinco Pharmaceuticals which he held as legal and beneficial owner remained unchanged). Upon transfer of such 25% equity interest, Mr. Huang took the following two steps on 3 and 12 November 2012, respectively: (i) Mr. Huang, pursuant to a shareholding entrustment agreement dated 3 November 2012 (the "**Gui Guoping Entrustment Agreement**") entered into between himself and Mr. Gui Guoping (who was a director and vice chairman of Sichuan Sinco Pharmaceuticals), transferred a 10% equity interest in Sichuan Sinco Pharmaceuticals to Mr. Gui at nil consideration; and (ii) Mr. Huang entered into a share transfer agreement with Kelun Pharmaceuticals on 12 November 2012 (the "**Kelun Share Transfer Agreement**") whereby he agreed to transfer a 15% equity interest in Sichuan Sinco Pharmaceuticals to Kelun Pharmaceuticals for a consideration of RMB750,000.

  Pursuant to the Gui Guoping Entrustment Agreement, Mr. Gui Guoping held a 10% equity interest in Sichuan Sinco Pharmaceuticals as a nominee for Mr. Huang.

  The consideration of RMB750,000 under the Kelun Share Transfer Agreement was determined based on arm's length negotiations between the parties with reference to the registered capital of Sichuan Sinco Pharmaceuticals as at the date of transfer. The consideration was fully settled on 19 November 2012. Having Kelun Pharmaceuticals as a financial investor in Sichuan Sinco Pharmaceuticals allowed us to leverage Kelun Pharmaceuticals' well established goodwill and relationships to further develop our Group's business and distribution network.

- On 12 November 2012, pursuant to a share transfer and shareholding entrustment agreement, it was agreed between Mr. Huang and Mr. He Ji that Mr. Huang would transfer a 5% equity interest in Sichuan Sinco Pharmaceuticals to Mr. He Ji and Mr. Huang would act as a nominee for Mr. He Ji for such interest. As such, Mr. Huang transferred a 5% beneficial interest in Sichuan Sinco Pharmaceuticals to Mr. He Ji, for a consideration of RMB250,000, determined based on arm's length negotiations between the parties with reference to the registered capital of Sichuan Sinco Pharmaceuticals as at the date of such transfer. The consideration was fully settled on 15 November 2012. Mr. He Ji has extensive experience in finance, and Mr. Huang believes that Mr. He Ji's experience and background would contribute to the development and growth of Sichuan Sinco Pharmaceuticals. Pursuant to the agreement, Mr. Huang acted as the nominee and Mr. He Ji was the beneficial owner of the 5% equity interest in Sichuan Sinco

[1] Kelun Pharmaceuticals was established in the PRC on 26 November 1998, which, as at the Latest Practicable Date, is jointly owned as to 0.2% by Mr. Liu Sichuan (劉思川) (for further details of Mr. Liu Sichuan, please refer to the section headed "History, Reorganisation and Corporate Structure — Reorganisation"), 1.8% by Mr. Cheng Zhipeng (程志鵬), 29.8% by Sichuan Kelun Industrial Group Co., Ltd. (四川科倫實業集團有限公司) ("**Kelun Industrial**") and 68.2% by Sichuan Huifeng Investment Development Co., Ltd. (四川惠豐投資發展有限責任公司) ("**Sichuan Huifeng**"), respectively. Mr. Liu Sichuan will be interested in 5.625% in the issued share capital of the Company following completion of the Global Offering (assuming the Over-allotment Option is not exercised). Mr. Cheng Zhipeng, a shareholder in Kelun Industrial as to 12.8%, is also a director of Kelun Industrial. Kelun Industrial is owned by a number of individuals and is controlled by Mr. Liu Sichuan's associates. Sichuan Huifeng is owned and controlled by the employees of Kelun Industrial and Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司) ("**Sichuan Kelun**"), a company listed on the Shenzhen Stock Exchange (stock code: SZ002422).

Pharmaceuticals, while Mr. He Ji retained all shareholder's rights over the entrusted interests. The nominee arrangement for Mr. He Ji was set up for administrative expediency purposes to allow Mr. He to hold a beneficial interest in Sichuan Sinco Pharmaceuticals without going through the relevant PRC approval process. Our PRC legal adviser has advised that the share transfer and shareholding entrustment agreement was legal and binding on both parties.

Taking into account the nominee arrangements, the respective beneficial interest of Mr. Huang and Mr. He Ji in the registered capital of Sichuan Sinco Pharmaceuticals was 95% and 5%, respectively, while 52% and 48% of the registered capital of Sichuan Sinco Pharmaceuticals remained registered in the name of Mr. Huang and Mr. Li Jieshi, respectively.

- On 12 November 2012, as part of a family arrangement, Mr. Huang and Ms. Qian Wenhua (who is Mr. Huang's mother) entered into a share transfer agreement whereby Mr. Huang agreed to transfer 27% equity interest in Sichuan Sinco Pharmaceuticals to Ms. Qian Wenhua for a consideration of RMB1,350,000, determined with reference to the registered capital of Sichuan Sinco Pharmaceuticals as at the date of transfer. The consideration was fully settled on 16 November 2012.

  Following the above-mentioned transfers which all took place on 12 November 2012, 25%, 23%, 27%, 15% and 10% of the equity interest in Sichuan Sinco Pharmaceuticals was registered in the name of Mr. Huang, Mr. Li Jieshi, Ms. Qian Wenhua, Kelun Pharmaceuticals and Mr. Gui Guoping, respectively. Taking into account the relevant nominee arrangements, under which (i) Mr. Huang held 5% equity interest as a nominee for Mr. He Ji; (ii) Mr. Li Jieshi held 23% equity interest as a nominee for Mr. Huang; and (iii) Mr. Gui Guoping held 10% equity interest as a nominee for Mr. Huang, the beneficial interest of Mr. Huang, Ms. Qian Wenhua, Kelun Pharmaceuticals and Mr. He Ji in the registered capital of Sichuan Sinco Pharmaceuticals was 53%, 27%, 15% and 5%, respectively.

  Since Ms. Qian Wenhua and Kelun Pharmaceuticals intended to be passive investors and not be involved in exercising their voting rights in Sichuan Sinco Pharmaceuticals, on 12 November 2012, Ms. Qian Wenhua and Kelun Pharmaceuticals (the "**Grantors**") entrusted Mr. Huang with management power and control over Sichuan Sinco Pharmaceuticals by separately entering into power of attorney agreements with Mr. Huang (the "**Power of Attorney Agreements**"). Pursuant to the Power of Attorney Agreements, the Grantors appointed Mr. Huang to be the lawful attorney, with full power to act solely and in his own name, to exercise all power and rights as a shareholder of Sichuan Sinco Pharmaceuticals.

- In order to convert Sichuan Sinco Pharmaceuticals from a PRC domestic company into a Sino-foreign joint venture company (中外合資企業), on 10 March 2014, Mr. Huang, Mr. Li Jieshi (as a nominee for Mr. Huang) and Ms. Qian Wenhua entered into an equity interest transfer agreement with Hong Kong Prosperous, pursuant to which Mr. Huang, Mr. Li Jieshi (as a nominee for Mr. Huang) and Ms. Qian Wenhua transferred 25%, 23% and 27% equity interest in Sichuan Sinco Pharmaceuticals to Hong Kong Prosperous, respectively, for a consideration of RMB1,250,000, RMB1,150,000 and RMB1,350,000, respectively, determined with reference to the registered capital of Sichuan Sinco Pharmaceuticals as at the date of transfer. The consideration for these transfers was fully settled on 3 September 2014. The 25% equity interest in Sichuan Sinco Pharmaceuticals transferred by Mr. Huang to Hong Kong Prosperous included the 5% beneficial interest Mr. Huang held as nominee for Mr. He Ji. Mr. He Ji approved the transfer of his 5% beneficial interest in Sichuan Sinco Pharmaceuticals on the understanding that new shares in Hong Kong Prosperous will be issued to a wholly-owned investment holding company that he would separately incorporate offshare. As such, on 29 November 2014, Hong Kong Prosperous issued and allotted 31,578,948 shares to Lumine Holdings, a company wholly-owned by Mr. He Ji, in consideration for the transfer of 5% beneficial interest in Sichuan Sinco Pharmaceuticals held by Mr. He Ji.

- After the equity interest transfer that took place on 10 March 2014, Sichuan Sinco Pharmaceuticals was held by Hong Kong Prosperous, Kelun Pharmaceuticals and Mr. Gui Guoping (as a nominee for Mr. Huang) as to 75%, 15% and 10%, respectively. Such transfer resulted in the conversion of Sichuan Sinco Pharmaceuticals from a PRC domestic company into a Sino-foreign joint venture company, and the approval of Chengdu Investment Promotion Commission (成都市投資促進委員會) for the conversion was obtained on 11 August 2014. Sichuan Sinco Pharmaceuticals obtained the new business licence from Chengdu SAIC and became a sino-foreign joint venture company on 14 October 2014.
- See "— Reorganisation — Acquisition of Sichuan Sinco Pharmaceuticals by Hong Kong Prosperous from Mr. Gui Guoping and Kelun Pharmaceuticals" for further changes in the shareholding of Sichuan Sinco Pharmaceuticals as a result of which Sichuan Sinco Pharmaceuticals became wholly-owned by Hong Kong Prosperous and became a wholly foreign owned enterprise on 16 April 2015.

According to the verification by our PRC legal adviser and the confirmation by the competent authority, namely, Chengdu Investment Promotion Commission, all the above-mentioned transfers have been legally and properly completed and settled. Our PRC legal adviser confirmed that all the above-mentioned nominee arrangements are legal and valid under PRC laws and regulations. All such nominee arrangements have been terminated on 16 April 2015 when all the shares in Sichuan Sinco Pharmaceuticals were transferred to Hong Kong Prosperous as part of the Reorganisation in contemplation of the Listing.

Sinco Biotechnology

On 25 November 2013, Sinco Biotechnology was incorporated as a limited liability company in the PRC with a registered capital of RMB1,000,000. Upon its establishment, the equity interest of Sinco Biotechnology was held as to 70% by Sichuan Sinco Pharmaceuticals and 30% by Kang Tai Yun Dao.

The principal business of Sinco Biotechnology is research and development of pharmaceutical products.

Chengdu Sinco Pharmaceuticals

On 26 February 2014, Chengdu Sinco Pharmaceuticals was incorporated as a limited liability company in the PRC with a registered capital of RMB2,000,000. Upon its establishment, the entire equity interest of Chengdu Sinco Pharmaceuticals was held by Sinco Biotechnology.

The principal business of Chengdu Sinco Pharmaceuticals is operation and management of cold chain facility.

Chengdu Hengsheng

On 4 March 2015, Chengdu Hengsheng was incorporated as a limited liability company in the PRC with a registered capital of RMB100,000. At the time of its establishment, the entire equity interest of Chengdu Hengsheng was held by Beijing Ziguang. For details of the changes in the issued share capital of Chengdu Hengsheng, please refer to the section headed "— Reorganisation — Acquisition of Linzhi Ziguang by Sichuan Sinco Pharmaceuticals" below.

The principal business of Chengdu Hengsheng is investment holding.

Linzhi Ziguang

On 17 November 2014, Linzhi Ziguang was incorporated as a limited liability company in the PRC with a registered capital of RMB10,000,000. At the time of its establishment, the entire equity interest of

Linzhi Ziguang was held by Beijing Ziguang. For details of the changes in the issued share capital of Linzhi Ziguang, please refer to the section headed "— Reorganisation — Acquisition of Linzhi Ziguang by Sichuan Sinco Pharmaceuticals" below.

The principal business of Linzhi Ziguang is trading of medical products.

DISTRIBUTION TRANSFER AGREEMENTS BETWEEN VAST SURPLUS AND HONG KONG PROSPEROUS

Vast Surplus was incorporated in Hong Kong on 6 October 2004 and was, as at the Latest Practicable Date, wholly-owned by Mr. Huang. Before Vast Surplus entered into the Sole Distribution Agreements (as defined below), Vast Surplus had no other business operation during the Track Record Period. The following table summarises Vast Surplus' financial results and positions for the previous four financial years based on the audited accounts of Vast Surplus for the years ended 31 March 2012, 2013, 2014 and 2015:

	For the year ended 31 March			
	2012	2013	2014	2015
	HK$'000 (audited)	HK$'000 (audited)	HK$'000 (audited)	HK$'000 (audited)
Net Profit/(Loss) for the Year	(85)	(27)	(3,498)	22,593

	As of 31 March			
	2012	2013	2014	2015
	HK$	HK$	HK$	HK$
Total Assets	30,090[1]	30,018[1]	64,036,873[2]	2,607,532[3]
Total Liabilities	(686,983)[4]	(714,177)[4]	(68,219,350)[5]	(43,508)[6]

1. Mainly consists of cash and bank deposits.
2. Mainly consists of the distribution rights under the Sole Distribution Agreements, which are classified as intangible assets.
3. Mainly consists of account receivables due from an Independent Third Party.
4. Mainly consists of amounts due to Mr. Huang as a director of Vast Surplus.
5. Mainly consists of amounts due to Mr. Huang as a shareholder of Vast Surplus.
6. Mainly consists of accrued expenses.

On 21 December 2013, Vast Surplus entered into three sole distribution agreements ("**Sole Distribution Agreements**") with Trendful, the exclusive sales agent for Bruschettini and Foscama in China, with respect to three pharmaceutical products, namely, Taurolite, TAD and Esafosfina. Under the Sole Distribution Agreements, Vast Surplus obtained the exclusive rights to service Taurolite, TAD and Esafosfina in China for a two five-year terms at a consideration of approximately RMB50.4 million in the aggregate.

Since the entry of the Sole Distribution Agreements, we had been purchasing Taurolite, TAD and Esafosfina from Vast Surplus. The total aggregate amount that Vast Surplus received from our Group for the purchase of Taurolite, TAD and Esafosfina for the year ended 31 December 2014 was RMB26.2 million.

To eliminate competition between Vast Surplus (which has been wholly-owned by Mr. Huang and at all time operating independently outside our Group structure) and our Group and in preparation for our Reorganisation and Listing, Mr. Huang agreed to transfer Vast Surplus's exclusive distribution rights under the Sole Distribution Agreements to our Group. As such, pursuant to (i) a sole distribution agreement supplementary agreement dated 30 March 2015 (which supplemented and amended the Sole Distribution Agreements) between Trendful and Vast Surplus and (ii) the distribution authorisation

agreements dated 31 March 2015 between Vast Surplus and Hong Kong Prosperous, Hong Kong Prosperous was authorised to exclusively service Taurolite, TAD and Esafosfina in China (with retrospective effect from January 2015) expiring in March 2023 for an aggregate consideration of approximately RMB45.4 million with reference to the consideration paid by Vast Surplus to Trendful. Following the above-mentioned agreements, Vast Surplus ceased its distribution of Taurolite, TAD and Esafosfina, nor did it have any other operations.

To further simplify the foregoing contractual arrangements, on 14 September 2015, Vast Surplus and Hong Kong Prosperous entered into three distribution transfer agreements (the "**Distribution Transfer Agreements**"), pursuant to which, Vast Surplus transferred the exclusive rights to service Taurolite, TAD and Esafosfina to Hong Kong Prosperous at nil consideration. Vast Surplus and Hong Kong Prosperous were engaged to be the entities to have the exclusive rights to service Taurolite, TAD and Esafosfina under the specific request of Trendful. Trendful, being a company incorporated in Hong Kong, had a preference to co-operate with companies incorporated in Hong Kong as it is more familiar with Hong Kong as a jurisdiction.

Vast Surplus never formed part of the Group

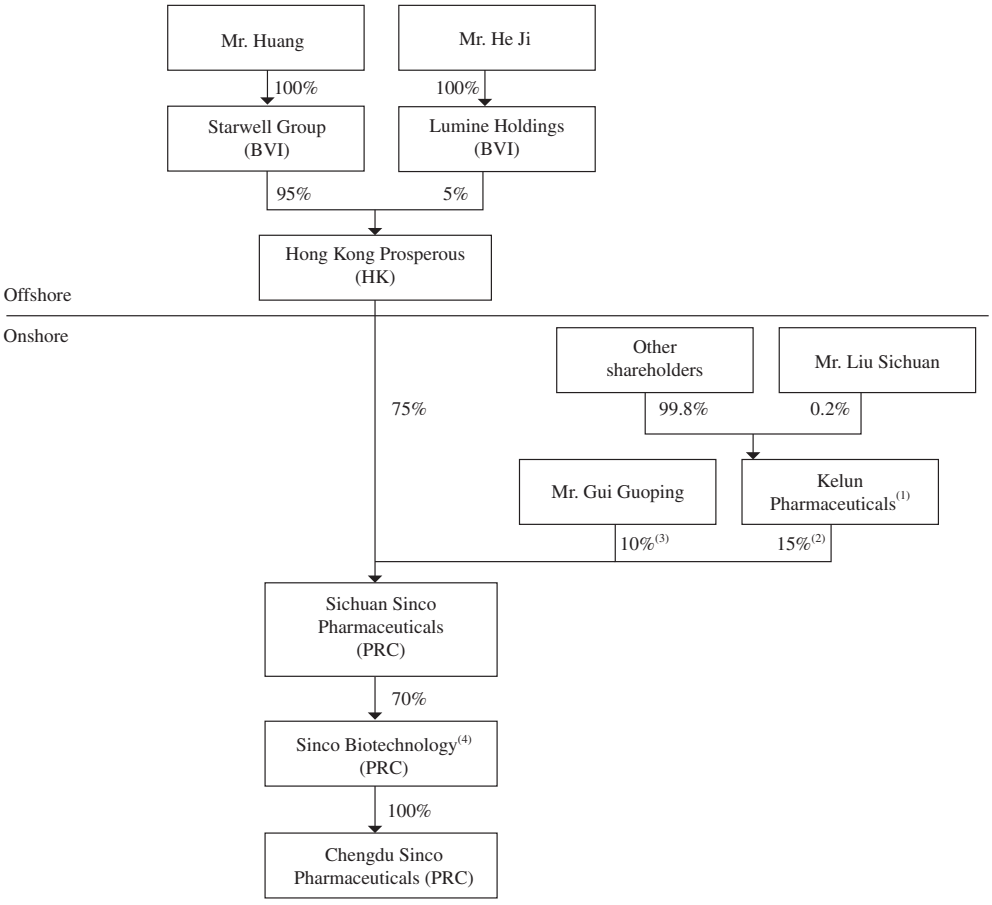
As demonstrated by the financial information of Vast Surplus above, our Group would be able to satisfy the "profit test" under Rule 8.05 of the Listing Rules if Vast Surplus were to be included in our Group. However, Vast Surplus is Mr. Huang's personal investment vehicle and has been wholly-owned by Mr. Huang since 2004. Before the Track Record Period, Vast Surplus had engaged in certain sales of antibiotics before 31 March 2009. Since then it had no principal focus of business nor any major business operations other than acting as Mr. Huang's investment platform as and when business opportunities arise (though no standalone business opportunities materialized and Mr. Huang has not conducted any further business operations through Vast Surplus save as those disclosed in this prospectus). As such, Vast Surplus has been operating outside our Group and was never intended to be included in our Group.

As Vast Surplus became more involved in the distribution of pharmaceutical products since the entering into the Sole Distribution Agreements in December 2013, in order to focus on the development of the business of the Group and to eliminate any potential competition after Listing, Mr. Huang procured Vast Surplus to transfer its rights under the Sole Distribution Agreements, being Vast Surplus's only business operation, to the Group, while he could continue to hold and use Vast Surplus as his personal investment vehicle to invest in other business opportunities unrelated to the business of the Group. As such, to streamline the Group's business structure, Hong Kong Prosperous was incorporated to hold the distribution rights under the Sole Distribution Agreements. Mr. Huang was of the view that it was more appropriate for a newly incorporated company to hold the distribution rights and be part of the Group rather than injecting his personal investment vehicle (which may also be engaged in other unrelated business from time to time) into the Group. After the transfer of the distribution rights to Hong Kong Prosperous pursuant to the Distribution Transfer Agreements, no standalone business opportunities materialized and Mr. Huang has not conducted any further business operations through Vast Surplus. See also "Relationship with Our Controlling Shareholders — Non-competition Undertaking".

On 30 November 2015, a sole shareholder resolution was passed to de-register Vast Surplus from the Companies Registry of Hong Kong and its winding-up process has been initiated on 30 November 2015. As at the Latest Practicable Date, Vast Surplus was not involved in any disputes, claims, legal proceedings or investigations prior to the transfer of the exclusive distribution rights under the Sole Distribution Agreements to Hong Kong Prosperous. Based on public information available, Vast Surplus was not involved in any material non-compliance incident.

REORGANISATION

As part of our Reorganisation in preparation for the Global Offering, we took various steps to restructure our Group to achieve our present Group structure. The corporate and shareholding structure of our Group prior to the Reorganisation is as follows:



Note:

(1) Kelun Pharmaceuticals was established in the PRC on 26 November 1998, which, as at the Latest Practicable Date, is jointly owned as to 0.2% by Mr. Liu Sichuan (劉思川) (for further details of Mr. Liu Sichuan, please refer to the section headed "History, Reorganisation and Corporate Structure — Reorganisation"), 1.8% by Cheng Zhipeng (程志鵬), 29.8% by Sichuan Kelun Industrial Group Co., Ltd. (四川科倫實業集團有限公司) ("**Kelun Industrial**") and 68.2% by Sichuan Huifeng Investment Development Co., Ltd. (四川惠豐投資發展有限責任公司) ("**Sichuan Huifeng**"), respectively. Mr. Liu Sichuan will be interested in 5.625% in the issued share capital of the Company following completion of the Global Offering (assuming the Over-allotment Option is not exercised). Mr. Cheng Zhipeng, an Independent Third Party, a shareholder of Kelun Industrial as to 12.8%, is also a director of Kelun Industrial. Kelun Industrial is owned by a number of individuals and is controlled by Mr. Liu Sichuan's associates. Sichuan Huifeng is owned and controlled by the employees of Kelun Industrial and Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司) ("**Sichuan Kelun**"), a company listed on the Shenzhen Stock Exchange (stock code: SZ002422).

(2) The 15% interest in Sichuan Sinco Pharmaceuticals was beneficially held by Kelun Pharmaceuticals. Kelun Pharmaceuticals entrusted Mr. Huang with management power and control over Sichuan Sinco Pharmaceuticals by entering into a power of attorney agreement dated 12 November 2012, pursuant to which, Kelun Pharmaceuticals appointed Mr. Huang to be the lawful attorney, with full power to act solely and in his own name to exercise all power and rights as a shareholder of Sichuan Sinco Pharmaceuticals.

(3) Mr. Gui Guoping held these shares as a nominee for Mr. Huang.

(4) The remaining 30% of Sinco Biotechnology was held by Kang Tai Yun Dao, a limited liability company incorporated in the PRC and owned by Ms. Zhang Zhijie (張志傑), an executive Director of the Company, as to 60% and Mr. Guo Jingqi (郭景旗), an Independent Third Party, as to 40%.

Incorporation of Hong Kong Prosperous and subsequent changes in shareholding structure

On 20 December 2013, Hong Kong Prosperous was incorporated in Hong Kong under the name of Hong Kong Prosperous Group Holding Limited (香港恒盛集團控股有限公司). On 20 December 2013, 600,000,000 ordinary nil-paid shares were issued and allotted to Starwell Group, a company incorporated in BVI and wholly-owned by Mr. Huang, which became the sole shareholder of Hong Kong Prosperous.

On 29 November 2014, 31,578,948 ordinary nil-paid shares were issued and allotted to Lumine Holdings, a company incorporated in BVI and wholly-owned by Mr. He Ji in exchange for Mr. He Ji's transfer of 5% interest in Sichuan Sinco Pharmaceuticals. As a result, Hong Kong Prosperous was held by Starwell Group and Lumine Holdings, as to 95% and 5%, respectively.

On 9 March 2015, Hong Kong Prosperous consolidated every 6,315,790 ordinary shares into 1 share, and immediately after the share consolidation, Starwell Group and Lumine Holdings held 95 shares and 5 shares, representing 95% and 5% of the issued share capital, respectively, in Hong Kong Prosperous. On 22 May 2015, Hong Kong Prosperous reduced its share capital from HK$631,578,948 to HK$100 by way of a special resolution passed by its shareholders approving the reduction of the share capital under Section 215 of the Companies Ordinance and the publication of the notice of reduction of share capital in the Government Gazette and newspaper under Section 218 of the Company Ordinance. On 23 May 2015, the total issued ordinary shares of Hong Kong Prosperous were credited as fully-paid. The purpose of the share consolidation and capital reduction of Hong Kong Prosperous was to streamline the share capital structure of Hong Kong Prosperous.

On 28 May 2015, Lumine Holdings transferred 5 shares, representing 5%, in Hong Kong Prosperous to Starwell Group in consideration of and in exchange of the transfer of 2,500 shares in Starwell Group from Mr. Huang to Lumine Holdings. Immediately after the transfer, Hong Kong Prosperous was 100% held by Starwell Group. The purpose of the share transfer was to consolidate the shareholding of Hong Kong Prosperous in Starwell Group as part of the Reorganisation to form the new Group structure.

Acquisition of Sichuan Sinco Pharmaceuticals by Hong Kong Prosperous from Mr. Gui Guoping and Kelun Pharmaceuticals

On 1 December 2014, Kelun Pharmaceuticals and Mr. Gui Guoping (under the instruction of Mr. Huang) entered into an equity transfer agreement with Hong Kong Prosperous, pursuant to which Kelun Pharmaceuticals and Mr. Gui Guoping transferred 15% and 10% equity interests, respectively, in Sichuan Sinco Pharmaceuticals to Hong Kong Prosperous for a consideration of RMB8,400,000 and RMB5,600,000, respectively, which was determined with reference to the net asset value of Sichuan Sinco Pharmaceuticals as at the date of transfer. The consideration was settled on 24 and 25 June 2015, respectively. In addition, Kelun Pharmaceuticals's exit from Sichuan Sinco Pharmaceuticals was consummated on the mutual understanding among Mr. Huang, Kelun Pharmaceuticals and Mr. Liu Shichuan (who has a 0.2% equity interest in Kelun Pharmaceuticals) that shares of our Company would be issued to Mr. Liu Shichuan at par. In view of the onerous regulatory approval, Kelun Pharmaceuticals considered it not commercially desirable or practicable to hold shares in our Company (being a Cayman company) by way of offshore subscription. By way of a shareholder' resolution dated 9 February 2015, all shareholders (other than Mr. Liu Sichuan) of Kelun Pharmaceuticals elected not to invest offshore to hold shares in our Company. Mr. Liu Sichuan decided to invest and hold the shares of our Company, in his personal capacity, by way of offshore subscription. See "— Reorganisation — Share issuance by our Company to Brightsome, Risun and Wisen" for further details. The considerations were paid to Kelun Pharmaceuticals and Gui Guoping (who received the same on behalf of Mr. Huang) on 24 and 25 June 2015, respectively. As a result, Sichuan Sinco Pharmaceuticals became wholly-owned by Hong Kong Prosperous. Pursuant to an approval granted by Chengdu Investment Promotion Commission on 31 March 2015, Sichuan Sinco Pharmaceuticals was converted from a Sino-foreign joint venture company to a wholly foreign owned enterprise on 16 April 2015.

Transfer of Chengdu Sinco Pharmaceuticals to Sichuan Sinco Pharmaceuticals

On 24 March 2015, Sinco Biotechnology transferred 100% equity interest in Chengdu Sinco Pharmaceuticals to Sichuan Sinco Pharmaceuticals for a consideration of RMB2 million, which was determined with reference to the registered capital of Chengdu Sinco Pharmaceuticals as at the date of transfer. The consideration was settled on 22 September 2015. Our PRC legal adviser has advised that Sinco Biotechnology has completed all requisite legal procedures for the transfer and such transfer is in compliance with PRC laws and regulations.

Acquisition of Linzhi Ziguang by Sichuan Sinco Pharmaceuticals

On 10 March 2015, Beijing Ziguang, an Independent Third Party, entered into an equity interest transfer agreement with Chengdu Hengsheng, pursuant to which Beijing Ziguang agreed to transfer 100% equity interest in Linzhi Ziguang to Chengdu Hengsheng for a consideration of RMB78,750, which was determined with reference to its net asset value at the time of transfer. On 12 March 2015, Beijing Ziguang entered into an equity transfer agreement with Sichuan Sinco Pharmaceuticals ("**Beijing Ziguang Agreement**"), pursuant to which Beijing Ziguang agreed to transfer the entire equity interest in Linzhi Ziguang through the transfer of Chengdu Hengsheng to Sichuan Sinco Pharmaceuticals for a consideration of RMB35 million, which was determined based on arm's length commercial negotiations and the expected tax benefit to be received. The consideration under the Beijing Ziguang Agreement consists of (i) a deposit in the sum of RMB5 million to be settled within five working days of the date of the Beijing Ziguang Agreement; (ii) a first instalment in the sum of RMB12.5 million to be settled when certain conditions (including but not limited to obtaining a new business licence which includes "biological products" in the scope of business and the receipt of GSP certificate of Linzhi Ziguang issued by SAIC and drug administrative authority) have been satisfied ("**Conditions**"); and (iii) a second instalment in the sum of RMB17.5 million to be settled (a) within ten days after the Listing or (b) within six months after the Conditions having been satisfied, whichever was earlier. Sichuan Sinco Pharmaceuticals has paid the deposit in the sum of RMB5 million on 18 March 2015, and the GSP certificate of Linzhi Ziguang has been received in October 2015. In relation to the payment of the first instalment, as only part of the Conditions have been satisfied as at the Latest Practicable Date, the Company and Beijing Ziguang have agreed that the Company would pay RMB3.0 million of the first instalment before the end of December 2015 (which was settled on 30 December 2015) and the remaining RMB9.5 million of the first instalment is expected to be paid in March 2016 after the new business licence is obtained. The first instalment would be funded through the Group's internal financial resource. Despite the payment terms in the Beijing Ziguang Agreement, our Directors confirmed that the second instalment would be funded through the Group's internal financial resource and that the proceeds from the Global Offering will not be applied for the satisfaction of the first and second instalments. Our PRC legal adviser confirmed that such transfer was properly and legally completed. The total consideration of RMB35 million under the Beijing Ziguang Agreement had already taken into account the above-mentioned RMB78,750 and Sichuan Sinco Pharmaceuticals did not have any additional payment obligation. It was mutually agreed and understood between Beijing Ziguang and Sichuan Sinco Pharmaceuticals that the consideration of RMB78,750 would be counted towards the second instalment in the Beijing Ziguang Agreement for settlement purpose.

Through the acquisition of Chengdu Hengsheng and Linzhi Ziguang, the Group is entitled to certain tax benefits by operating through Linzhi Ziguang which is located in the Tibet Autonomous Region. Pursuant to the Notice Issued by the Government of the Tibet Autonomous Region Regarding the Publication of Implementation Rules of Enterprise Income Tax Policy of the Tibet Autonomous Region, an enterprise established in the Tibet Autonomous Region such as Linzhi Ziguang is temporarily exempted from the local portion of the enterprise income tax and is entitled to a reduced enterprise income tax rate of 9% up to the end of 2017. Details of such tax benefits are set out in the sections headed "Risk Factors — Risks Relating to Our Business" and "Regulatory Framework — Regulatory Framework Applicable to the Industry — Regulations Relating to Taxation — Enterprise Income Tax" in this prospectus. See also "Financial Information — Certain balance sheet items — Goodwill" and "Financial Information — Certain balance sheet items — Intangible Assets" for further information.

Chengdu Hengsheng is an investment holding company and Linzhi Ziguang is principally engaged in the trading of medical products. Aside from the tax benefit mentioned above, the reason for the acquisition of Chengdu Hengsheng and Linzhi Ziguang was to further strengthen our commercial presence and expand our distribution network in Western China including the Tibet Autonomous Region.

The Company has already begun transferring its primary business operation to Linzhi Ziguang in relation to the sale of Axetine in June 2015 and Medocef in September 2015 by having Sichuan Sinco Pharmaceuticals and Linzhi Ziguang entering into the sale and purchase agreements (as inter-company transactions whereby Linzhi Ziguang procures pharmaceutical products indirectly from the suppliers) through Sichuan Sinco Pharmaceuticals while procuring Linzhi Ziguang to enter into the sales contracts with the Group's distributors.

Sichuan Sinco Pharmaceuticals continued to be the signing party for the purpose of the distribution agreements with the Group's suppliers for the remainder of 2015. None of the distribution agreements between Sichuan Sinco Pharmaceuticals and its respective suppliers prohibits the onselling of the pharmaceutical products.

Linzhi Ziguang does not directly place purchase orders with the suppliers currently because Linzhi Ziguang is in the process of obtaining credit facilities from banks which are essential in placing orders directly with the suppliers. The Company expects Linzhi Ziguang to obtain a credit facility in the first half of 2016 upon the Company's successful Listing. Hence, after obtaining such credit facilities, in order to streamline and simplify the above-mentioned arrangement, it is the Company's intention that Linzhi Ziguang will gradually replace Sichuan Sinco Pharmaceuticals as the signing party to the individual orders directly placing purchase orders with the suppliers pursuant to the distribution agreements with such suppliers which serve as framework agreements. As Linzhi Ziguang is an indirectly wholly-owned subsidiary of Sichuan Sinco Pharmaceuticals, the Company does not foresee any impediment to seeking consent from the suppliers. As such, the Company expects that no new distribution agreements with the Group's suppliers are required.

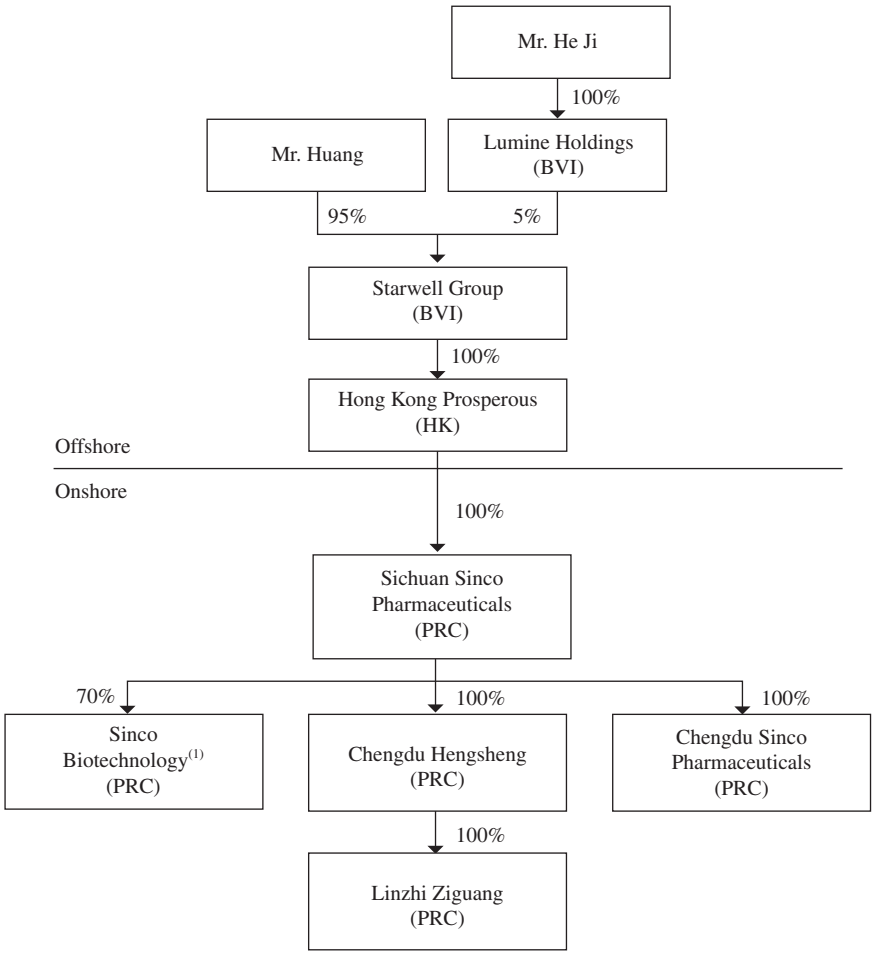
Our PRC legal adviser confirmed that an enterprise which conducts inter-company transaction for an amount less than RMB200 million is exempted from preparing and submitting transfer pricing documentation under the relevant PRC tax regulations. For the year ended 31 December 2015, sales from Sichuan Sinco Pharmaceuticals to Linzhi Ziguang amounted to RMB24.1 million, which was less than RMB200 million. As such, Sichuan Sinco Pharmaceuticals and Linzhi Ziguang are exempted from preparing and submitting transfer pricing documentation.

Furthermore, the Company confirmed that the pricing arrangement between Sichuan Sinco Pharmaceuticals and Linzhi Ziguang was determined after arm's length negotiation having taken into consideration the locality of and market conditions faced by Linzhi Ziguang. Hence the Company is of the view that the pricing policy with Linzhi Ziguang is fair and is not aware of any bases on which the PRC tax authorities may challenge such pricing arrangement. As at the Latest Practicable Date, the Company has not received any notice from any tax authorities challenging the inter-company transactions between Sichuan Sinco Pharmaceuticals and Linzhi Ziguang.

Based on (i) the lower value of such inter-company transactions, (ii) the pricing policy being confirmed by the Company as fair and (iii) the transactions not being subject to any notification of investigations or adjustment issued by the PRC tax authorities, our PRC legal adviser is not aware of any risk that the inter-company transactions between Sichuan Sinco Pharmaceuticals and Linzhi Ziguang would be challenged by the PRC tax authorities.

Based on the confirmation by the competent government authority, our PRC legal adviser advised that all necessary requirements of the then prevailing PRC laws and regulations have been complied with in all material respects. Our PRC legal adviser confirmed that the above-mentioned transfers were properly and legally completed.

The following chart sets forth the corporate and shareholding structure of the Group immediately after the completion of the above-mentioned steps:



Note:

(1) The remaining 30% equity interest of Sinco Biotechnology was held by Kang Tai Yun Dao, a limited liability company incorporated in the PRC and owned by Ms. Zhang Zhijie (張志傑), an executive Director of the Company, as to 60% and Mr. Guo Jingqi (郭景旗), an Independent Third Party, as to 40%.

Incorporation of BVI holding companies of our shareholders

On 16 January 2015, Brightsome was incorporated in the BVI as the direct holding company of the interest in our Company held by Mr. He Ji. The number of authorised shares of Brightsome is 50,000 shares of US$1.00 each and one share was issued and allotted at par to Lumine Holdings. Upon completion of such issuance and allotment, Brightsome was wholly-owned by Lumine Holdings which in turn was wholly-owned by Mr. He Ji.

On 16 January 2015, Risun was incorporated in the BVI as the holding company of the interest in our Company held by Mr. Huang. The number of authorised shares of Risun is 50,000 shares of US$1.00 each and one share was allotted and issued at par to Mr. Huang. Upon completion of such issuance and allotment, Risun was wholly-owned by Mr. Huang.

On 26 January 2015, Wisen was incorporated in the BVI as the holding company of the interest in our Company held by Mr. Liu Sichuan. See "— Reorganisation — Share issuance by our Company to Brightsome, Risun and Wisen" below for details of Mr. Liu Sichuan. The number of authorised shares of Wisen is 50,000 shares of US$1.00 each and one share was allotted and issued at par to Mr. Liu Sichuan. Upon completion of such issuance and allotment, Wisen was wholly-owned by Mr. Liu Sichuan.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 16 March 2015 to be the ultimate holding company of our Group and the issuer in the Global Offering.

Share issuance by our Company to Brightsome, Risun and Wisen

On 8 April 2015, 59,950,000 Shares, representing 5.0% of the issued share capital of Company, were allotted and issued at par to Brightsome; 1,039,049,999 Shares, representing 87.4% of the issued share capital of Company, were allotted and issued at par to Risun; and 90,000,000 Shares, representing 7.6% of the issued share capital of Company, were allotted and issued at par to Wisen.

In respect of Wisen's subscription, shareholders' resolutions of Kelun Pharmaceuticals dated 9 February 2015 were passed resolving, among other things, that as part of the Reorganisation in contemplation of the Listing: (i) Mr. Liu Sichuan would set up an offshore company which would directly hold equity interest in the Company; (ii) save for Mr. Liu Sichuan, the other shareholders would not participate in investing in the Company; and (iii) Kelun Pharmaceuticals would sell its entire equity interest in Sichuan Sinco Pharmaceuticals to Hong Kong Prosperous. As such, Kelun Pharmaceuticals no longer held any interest in our Group after the Reorganisation and neither Kelun Pharmaceuticals nor any of its shareholders (other than Mr. Liu Sichuan) has any pre-emptive rights over Wisen's equity interest in the Company.

As Brightsome and Wisen will hold 3.75% and 5.625% of the issued share capital of the Company, respectively, immediately upon Listing, Brightsome and Wisen are not a connected person of the Company under the Listing Rules, and the Shares held by Brightsome and Wisen will be counted towards the Company's public float upon Listing for the purpose of Rule 8.08 of the Listing Rules.

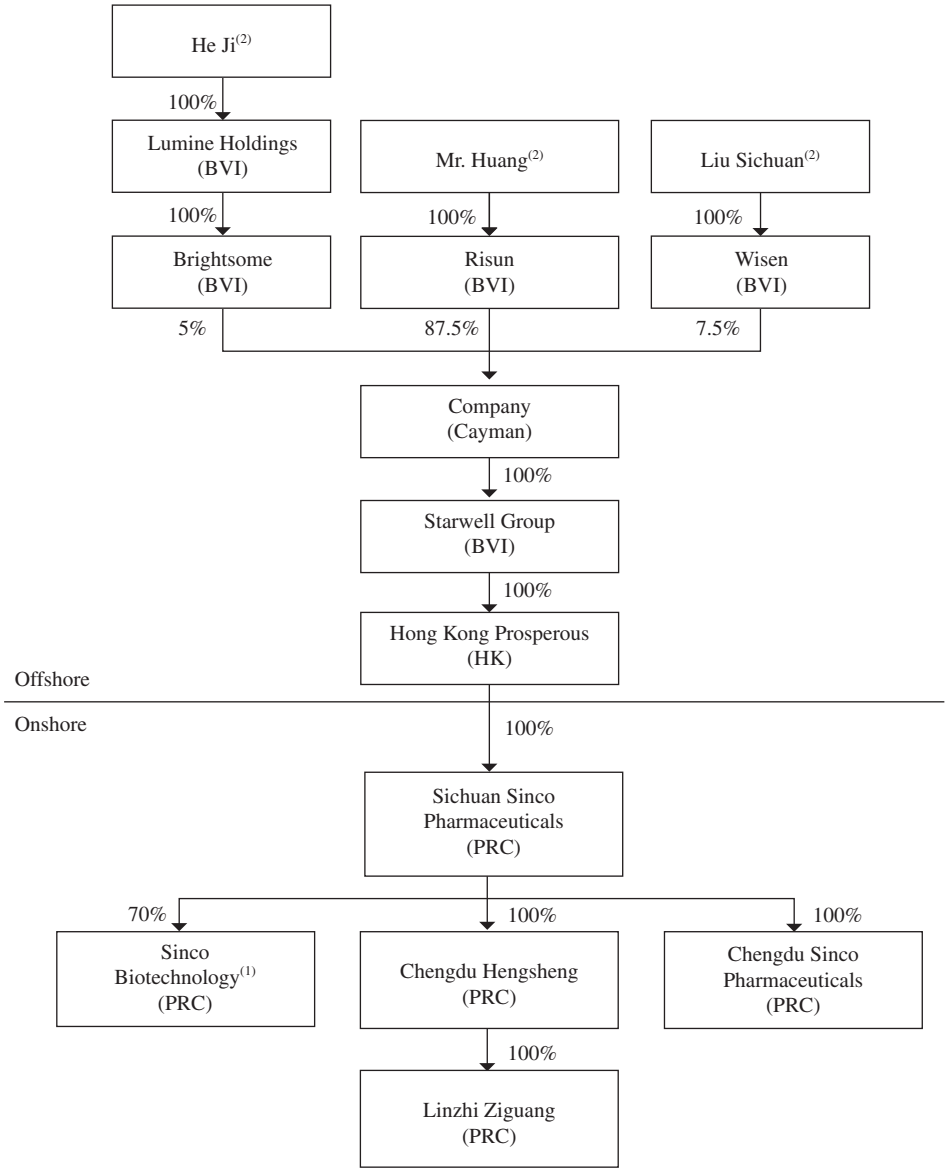
Shares Swap of the shares in Starwell Group

As part of the Reorganisation, on 28 May 2015, our Company acquired 47,500 shares, representing 95%, of Starwell Group from Mr. Huang and in exchange, our Company issued and allotted 950,000 Shares to Risun on the same date. On 28 May 2015, our Company acquired 2,500 shares, representing 5%, of Starwell Group from Lumine Holdings and in exchange, our Company issued and allotted 50,000 Shares to Brightsome on the same date.

Settlement of shareholder's loan due from Hong Kong Prosperous

Mr. Huang provided Hong Kong Prosperous an interest-free shareholder's loan in the amount of RMB17,978,130 (the "**Shareholder's Loan**") mainly for Hong Kong Prosperous's acquisition of Sichuan Sinco Pharmaceuticals. On 28 May 2015, as part of the Reorganisation, Mr. Huang, Hong Kong Prosperous and the Company agreed that in full settlement of the Shareholder's Loan, the Company would issue and allot 10,000,000 Shares, representing 0.833% of the Company's issued shares, to Risun, which is 100% owned by Mr. Huang. Such shares were issued and allotted to Risun on 28 May 2015.

The following diagram sets out the shareholding and corporate structure of our Group immediately following the completion of the Reorganisation but before the Global Offering:

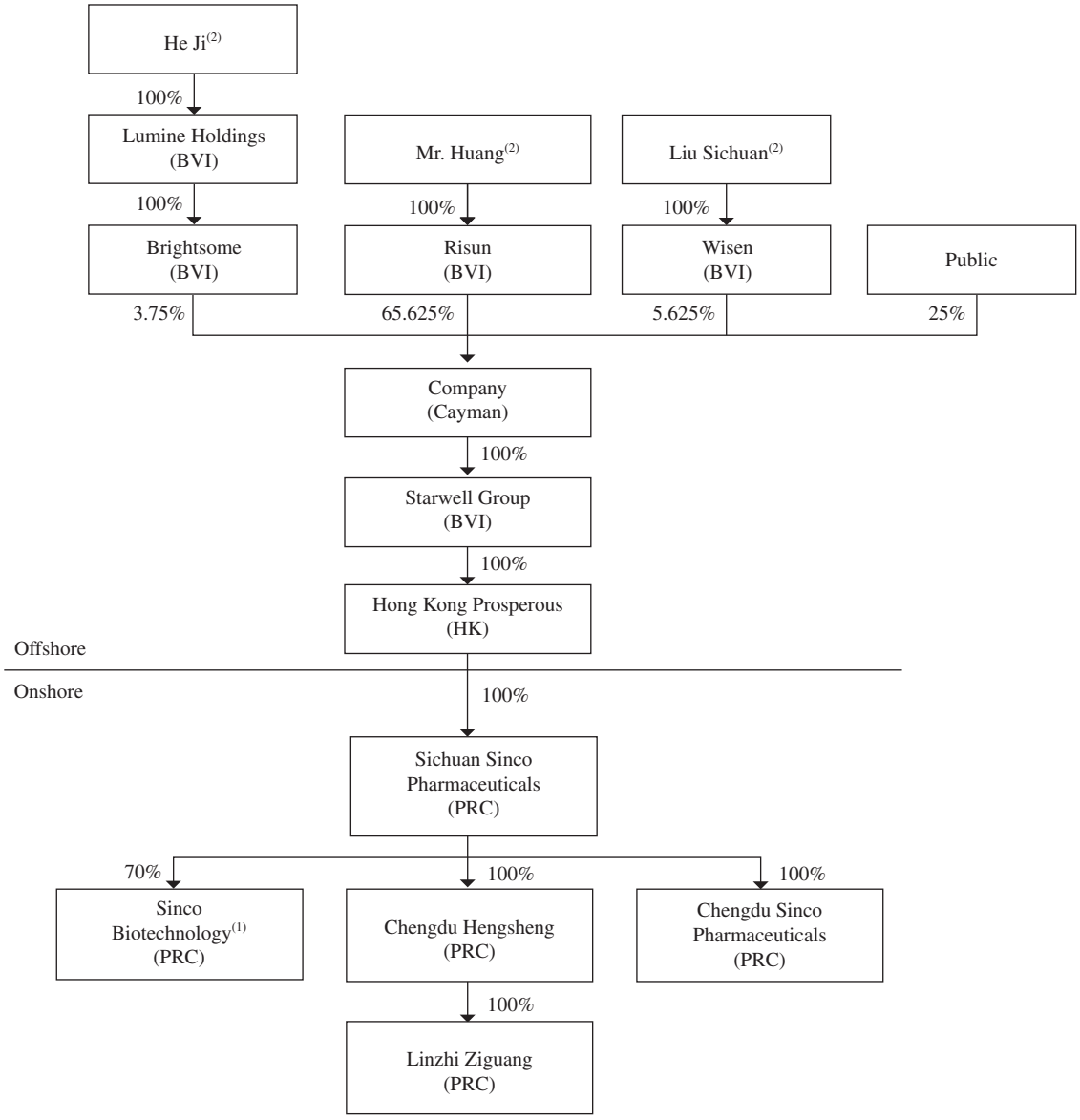


Note:

(1) The remaining 30% equity interest of Sinco Biotechnology is held by Kang Tai Yun Dao, a limited liability company incorporated in the PRC and owned by Ms. Zhang Zhijie (張志傑), an executive Director of the Company, as to 60% and Mr. Guo Jingqi (郭景旗), an Independent Third Party, as to 40%.

(2) As of the Latest Practicable Date, and save as their respective shareholdings in our Company, to the best knowledge of our Directors, we are not aware of any other relationships among our existing Shareholders.

The following diagram sets out the shareholdings and corporate structure of our Group immediately following completion of the Reorganisation and after the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme):



Note:

(1) The remaining 30% equity interest of Sinco Biotechnology is held by Kang Tai Yun Dao, a limited liability company incorporated in the PRC and owned by Zhang Zhijie (張志傑), an executive Director of the Company, as to 60% and Mr. Guo Jingqi (郭景旗), an Independent Third Party, as to 40%.

(2) As of the Latest Practicable Date, and save as their respective shareholdings in our Company, to the best knowledge of our Directors, we are not aware of any other legal relationships among our existing Shareholders.

M&A RULES FOR FOREIGN INVESTORS

Article 11 of the M&A Rules for Foreign Investors (the "**M&A Rules**") provides that where a domestic company, enterprise or natural person in China acquires an affiliated company in China in the name of an overseas company lawfully established or controlled by it, it shall obtain approval of MOFCOM. "The parties to the acquisition shall not evade such requirements through domestic investment by a foreign-invested enterprise or any other means." Clause 1 to Article 39 of the M&A Rules for Foreign Investor further provides that a special-purpose vehicle refers to an offshore company directly or indirectly controlled by a domestic company or natural person in China for the purpose of overseas listing of the shares of a domestic company beneficially owned by such company or person.

Clause 1 to Article 40 of the M&A Rules further provides that overseas listing of a special-purpose vehicle shall be subject to approval from the securities regulatory authority of the State Council.

The Manual of Guidance on Administration for Foreign Investment Access (外商投資准入管理指引手冊) (Shang Zi Fu Zi[2008] No. 530) states that equity transfer by a domestic investor of an existing foreign-invested enterprise to a foreign investor shall not be subject to the M&A Rules, regardless of the relationship between the domestic and foreign investors, or if the foreign investor is an existing shareholder or a new investor. The M&A Rules only apply to any merger and acquisition of a domestic enterprise.

In respect of the share transfers leading to the conversion of Sichuan Sinco Pharmaceuticals into a Sino-foreign joint venture company and subsequently a wholly-foreign-owned enterprise which took place on 10 March 2014 and 1 December 2014 (the "**Conversion Transfers**"), respectively, our PRC legal adviser confirmed that the Conversion Transfers were duly approved by Chengdu Investment Promotion Commission (the "**Commission**"), a competent government authority. The Commission further confirmed on 28 May 2015 that the Conversion Transfers were in compliance with the applicable PRC law on foreign investment.

Furthermore, pursuant to the Notice of MOFCOM relating to Decentralizing the Power of Approval for Foreign Investments (Shang Zi Fa [2010] No. 209) (商務部關於下放外商投資審批權限有關問題的通知(商資發[2010] 209號)), Chengdu, being a sub-provincial city, enjoys the same power of approval as the provincial commercial administration authority in respect of approvals of foreign investments. Therefore, the Commission is authorized to conduct a preliminary review on any acquisitions and would have reported to MOFCOM if the acquisition falls within the scope of Article 11 of the M&A Rules. Our PRC legal adviser confirmed that Mr. Huang was a Chinese national and therefore a "domestic natural person" according to the M&A Rules at the time of the Conversion Transfers. However, Mr. Huang's nationality at the time of the Conversion Transfers is not the only factor in determining whether the Conversion Transfers were subject to the M&A Rules. The Commission has the authority to decide whether to report the Conversion Transfers to MOFCOM for approval based on a combination of factors including: (i) the nationality of the beneficial owners of the parties to the mergers and acquisitions (and any application or procedure taken to change the status of the nationality of the beneficial owner); (ii) whether the beneficial owners "control" the parties to the mergers and acquisitions, and (iii) the relationship of the parties to the mergers and acquisitions and whether they have "affiliated relationship" (關聯關係). Upon the review conducted by the Commission on the Conversion Transfers, it did not report to MOFCOM for its approval nor did it request the Company to apply for an approval from MOFCOM. The Conversion Transfers were subsequently approved by the Commission and such approval was further confirmed by the Commission on 28 May 2015.

On 28 December 2015, the Sole Sponsor and Zhong Lun Law Firm, our PRC legal adviser, conducted an interview with the Commission and the interviewee confirmed that the Commission was aware that Mr. Huang was in the process of changing his nationality at the time of the Conversion Transfers. The interviewee further confirmed the Commission had consulted MOFCOM in relation to the interpretation of "affiliated relationship" under Articles 11 of the M&A Rules, and after such consultation, the Commission was of the view that the Conversion Transfers did not fall within the definition of "affiliated relationship" and were not subject to the M&A Rules and hence no approval from MOFCOM on the Conversion Transfers was required. The Commission therefore did not make further report to MOFCOM for its approval nor did it request the Company to apply for an approval from MOFCOM. Zhong Lun Law Firm is of the view that the interviewee is competent to provide the afore-mentioned confirmation. The Commission also confirmed at the interview that it issued the confirmation letter of 28 May 2015.

Our PRC legal adviser confirmed that based on the fact that (i) before Mr. Huang obtained his Vanuatu nationality, the Commission has already approved the Conversion Transfers; and (ii) after Mr. Huang obtained his Vanuatu nationality, the Commission further provided a written confirmation letter confirming the approval of the Conversion Transfers and that the Conversion Transfers were in compliance with the applicable law of foreign investment, the Conversion Transfers were duly approved by the Commission (which is the competent government authority for such approval) and our PRC legal adviser is not aware of any risk that the Commission or any governmental authority of higher ranking may rescind the approvals granted in relation to the Conversion Transfers. As such, the Company has no reason to consider the approval of the Commission to be invalidated or would be subject to challenge from MOFCOM.

The listing of our Company shall not be subject to the approval of any domestic securities regulatory authority or other regulatory authority of the PRC government. As advised by our PRC legal adviser, the nationality of Mr. Huang, the Controlling Shareholder and de facto controller of our Company, is the Republic of Vanuatu (nationality of the Republic of Vanuatu was obtained in May 2015) and after obtaining the nationality of the Republic of Vanuatu, he is not a "domestic natural person" according to the M&A Rules and our Company, Starwell Group and Hong Kong Prosperous are neither overseas companies which are established or controlled by any domestic company, enterprise or natural person under Article 11 of the M&A Rules nor special-purpose vehicles under Clause 1 to Article 39 of the M&A Rules.

FOREIGN EXCHANGE REGISTRATION UNDER CIRCULAR 37

As advised by our PRC legal adviser, Mr. Liu Sichuan, being a PRC resident, has completed the foreign exchange registration under Circular 37 with Sichuan branch of SAFE on 4 March 2015. As of the Latest Practicable Date, other than Mr. Liu Sichuan, no PRC resident held equity interest in our Company.

SHARE OPTION SCHEME

Please refer to the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix VII to this prospectus for a summary of the principal terms of the Share Option Scheme.

We believe that the sources of information in this section and other sections of this prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted which would render such information false or misleading. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the Frost & Sullivan Report. The information from official and non-official sources has not been independently verified by us, the Sole Coordinator, the Sole Sponsor, the Sole Bookrunner and the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report of the pharmaceutical market in China. We incurred a total of RMB870,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of this market for potential investors.

Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within China. Primary research involved interviews with leading industry participants including senior health professionals, the largest distributors in China, key pharmaceutical associations, other research agencies affiliated with the Chinese government, and other experts related to the business of our Company. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Frost & Sullivan and we believe that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

See the section headed "Risk Factors — Risks Relating to the Global Offering and Our Shares — Certain statistical and other information in this prospectus relating to China, including its economy and relevant industries, are derived from various sources and may not be reliable" of this prospectus.

OVERVIEW OF THE PRC HEALTHCARE MARKET

Our business operates in the fast growing healthcare industry in China, whose participants include pharmaceutical manufacturers, pharmaceutical marketing, promotion and channel management, or MPCM, services providers, as well as healthcare providers such as hospitals and other medical institutions.

Primary Growth Drivers of the Healthcare Industry in China

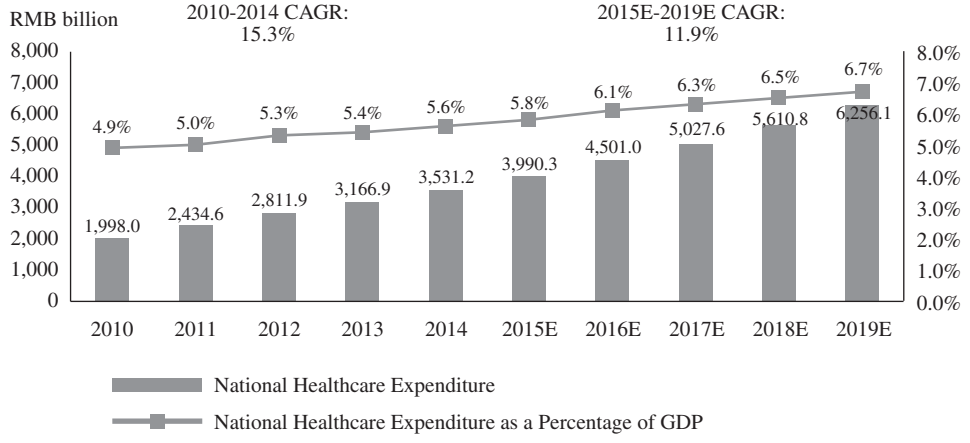
Economic Growth

China is now the second largest economy based on nominal GDP. The growth of the PRC economy is among the world's fastest, with its nominal GDP increasing at a CAGR of 11.7% from RMB40,890.3 billion in 2010 to RMB63,591.0 billion in 2014, according to the National Bureau of Statistics of China, or the NBSC, and is expected to grow at a CAGR of 6.7% between 2015 and 2019 to RMB88,882.8 billion, according to International Monetary Fund, or the IMF. From 2010 to 2014, China's per capita nominal GDP increased at a CAGR of 11.1% from RMB30,567.0 to RMB46,629.0, according to the NBSC, compared to the average growth rate of 3.0% among G8 countries in the same period. The per capita nominal GDP of China is expected to grow at a CAGR of 7.1% from RMB50,356.5 in 2015 to RMB66,173.9 in 2019, compared to the average growth rate of 3.2% among G8 countries in the same period, according to the IMF.

Rising Health Consciousness and Spending on Healthcare

In line with the growth of the economy, China's healthcare expenditure increased rapidly at a CAGR of 15.3% from 2010 to 2014, and is expected to continue such double digit growth at a CAGR of 11.9% from 2015 to 2019. The chart below shows the absolute amount of total healthcare expenditure and the percentage of China's GDP it accounts for from 2010 to 2019:

Total Healthcare Expenditure and As a Percentage of GDP in China (2010 to 2019E)



Source: NBSC and Frost & Sullivan Report

The per capita health expenditure in China also grew rapidly at a CAGR of 14.7% from RMB1,490.1 in 2010 to RMB2,581.7 in 2014. It is expected to reach RMB4,456.3 in 2019, representing a CAGR of 11.3% from 2015 to 2019. Despite China's fast growth rate and its status as the second largest economy with the second highest total healthcare expenditure in the world, China is still ranked 93rd in terms of per capita health expenditure in the world and total healthcare expenditure only represented 5.6% of its GDP in 2014. The table below shows a comparison of several key healthcare spending statistics in the ten largest healthcare markets globally in 2014:

Country	Ranking of Total Healthcare Expenditure in 2014	Total Healthcare Expenditure in 2014 (US$ billion)	CAGRs for Total Healthcare Expenditure from 2010-2014	Estimated Per Capita Healthcare Expenditure in 2014 (US$)	Ranking of Estimated Per Capita Healthcare Expenditure in 2014 in the world*	Total Healthcare Expenditure as a % of GDP in 2014
United States	1	2,966.5	3.8%	9,304.0	3	17.1%
China	2	577.1	15.3%	421.9	93	5.6%
Japan	3	474.4	(2.6%)	3,742.0	21	10.3%
Germany	4	430.7	3.5%	5,304.0	13	11.1%
France	5	334.5	2.1%	5,217.0	14	11.8%
United Kingdom	6	278.3	5.3%	4,348.0	18	9.3%
Brazil	7	234.5	4.2%	1,157.0	42	10.0%
Italy	8	195.6	(0.6%)	3,267.0	22	9.1%
Russian Federation	9	115.4	2.3%	804.0	58	6.2%
India	10	82.1	6.0%	65.0	155	4.0%

* *Based on estimation of IMF*

Source: Economist Intelligence Unit ("EIU"), IMF and Frost & Sullivan Report

Government Support and the Healthcare Reform Plans

On 17 March 2009, the PRC government issued the Opinion on Deepening the Healthcare System Reform (《中共中央：國務院關於深化醫藥衛生體制改革的意見》) and initiated a comprehensive healthcare system reform plan. The plan primarily targets the following four healthcare systems in China:

- The *public health services system* that provides supplementary healthcare services fully financed by the PRC government.
- The *public medical insurance system* that covers drugs and medical treatments for the majority of the population.
- The *public health delivery system* that builds additional hospitals and healthcare facilities and improves the training of healthcare professionals in China.
- The *drug supply system* that controls drug pricing and the procurement, prescription and dispensing of drugs in healthcare facilities and institutions.

Latest Healthcare Reform Plans in China

Subsequently, the PRC government announced more concrete reform plans in 2012 with the ultimate goal of providing accessible and affordable healthcare to its citizens. In the plans, the PRC government set medium and long-term goals to achieve by 2020 to increase total healthcare budget, improve efficiency and utilisation of the healthcare and medical insurance system, reform the essential drug system as well as increase supply of healthcare services by constructing more hospitals or expanding their scales of operation.

Government Regulations and Reforms on Pricing of Pharmaceutical Products

The National Insurance Catalogue is divided into two parts, Part A and Part B. Provincial governments shall include all pharmaceuticals in Part A of the National Insurance Catalogue in Part A of the Provincial Insurance Catalogues, but may include additional items in, or exclude certain items in Part B of the National Insurance Catalogue from, Part B of the Provincial Insurance Catalogues, provided that the total number of items altered may not exceed 15% of the total of pharmaceuticals listed in Part B of the National Insurance Catalogue. Therefore, Part B of the Provincial Insurance Catalogue may differ between provinces. Axetine is listed in Part A, and Human Albumin Solution, TAD and Esafosfina are listed in Part B, of National Insurance Catalogue, and all four are included in the Provincial Insurance Catalogues in every province. Medocef and Taurolite are included in Part B of eight and ten Provincial Insurance Catalogues, respectively. Xinneng Q_{10}, registered as a dietary supplement with the CFDA, is not included in any of the Insurance Catalogues.

NDRC has historically imposed maximum retail prices on a range of medicines including western and traditional Chinese medicines listed on the Insurance Catalogues as well as certain products that were not eligible for reimbursement. In May 2015, the NDRC issued a Notice on Publishing and Circulating the Opinions on Facilitating the Pharmaceutical Pricing Reform. Pursuant to the Notice, starting from 1 June 2015, the price ceilings imposed on all pharmaceutical products, except for narcotic and psychotropic drugs of category I, including the pharmaceutical products in our portfolio, were lifted, with these products subject to a more market-based guiding pricing mechanism to be established by medical insurance bureaus and other relevant authorities. With such liberalisation, plasma-based pharmaceuticals, which are in high demand, may enjoy a price uplift in the future. However, there is no assurance whether any of such price uplift will occur.

Key Opportunities and Challenges of the Chinese Pharmaceutical Market

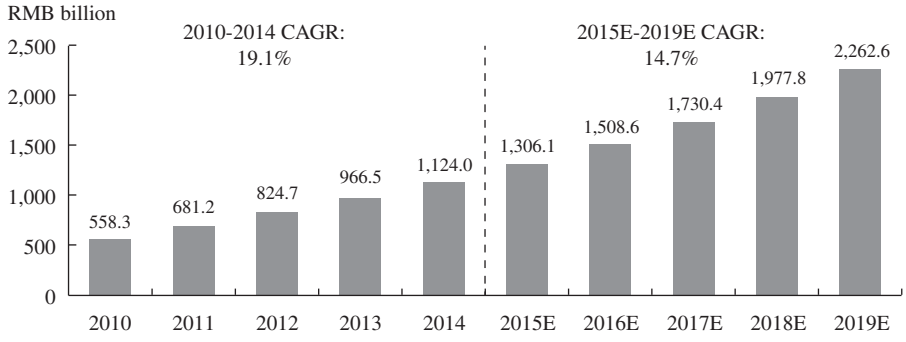
Favourable economic growth, ageing population, continued government investment and support for research and development have created a favourable environment for China's pharmaceutical market. However, the pharmaceutical market also faces challenges, such as intense competition in the low-end market, regulatory pricing measures and market fragmentation with numerous players.

PHARMACEUTICAL MARKET IN CHINA

Overview of the Pharmaceutical Market in China

China's pharmaceutical market represents the purchase value of pharmaceutical products purchased by healthcare institutions and retailers at tender prices determined through the centralized tender processes. China's pharmaceutical market is a part of the PRC pharmaceutical industry. China's pharmaceutical market grew at a CAGR of 19.1% from 2010 to 2014, and is expected to grow at a CAGR of 14.7% from 2015 to 2019, surpassing the forecasted growth rate of nominal GDP. The following chart illustrates the market size of China's pharmaceutical market from 2010 to 2019:

China Pharmaceutical Market Size (2010 to 2019E)



Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, the top ten therapeutic areas in the pharmaceutical market in China by sales in 2014 were anti-infective (in which Axetine and Medocef belong), cardiology (in which Esafosfina belongs), hospital infusion (in which Human Albumin Solution belongs), neurology, gastroenterology (in which Human Albumin Solution and TAD and Taurolite belong), oncology (in which Human Albumin Solution and our pipeline product, Sinco I, belong), haematology (in which our pipeline product, Sinco I, also belongs), endocrinology, respiratory and others, of which the respiratory, oncology, endocrinology and neurology areas are expected to grow at a faster rate than the overall market. The below table shows the CAGRs and market sizes by therapeutic areas from 2010 to 2019:

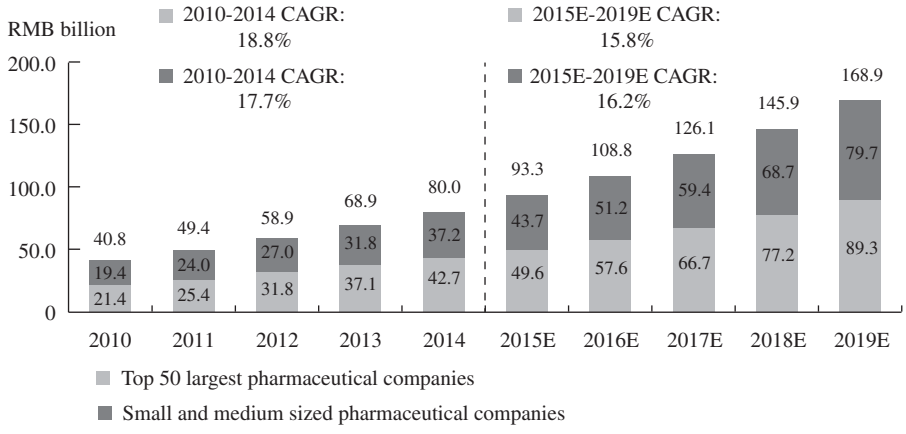
CAGR	Total	Anti-infective	Cardio-logy	Hospital infusion	Neuro-logy	Gastro-enterology	Onco-logy	Haema-tology	Endocri-nology	Respira-tory
2010-2014 CAGR	19.1%	6.8%	18.4%	18.4%	23.2%	18.4%	21.6%	24.0%	26.2%	23.2%
2015E-2019E CAGR	14.7%	3.1%	11.7%	11.4%	15.1%	11.0%	20.5%	13.4%	16.4%	21.0%
Market size in 2014 (RMB billion)	1,124.0	201.0	137.9	97.1	90.5	86.4	67.4	52.8	45.0	31.5

Source: Frost & Sullivan Report

Imported Pharmaceutical Products Market in China

The imported pharmaceutical market in China grew at a CAGR of 18.3% from RMB40.8 billion in 2010 to RMB80.0 billion in 2014. It is expected to reach RMB168.9 billion in 2019 growing at a CAGR of 16.0% from 2015, outpacing the expected CAGR of China's overall pharmaceutical market of 14.7% in the same period. In the imported pharmaceutical products market, the growth rate of products manufactured by small- and medium-sized pharmaceutical companies (i.e. pharmaceutical companies other than the 50 largest ones by revenue, including our current suppliers, Octapharma, Medochemie, Bruschettini and Foscama) is expected to be at a CAGR of 16.2% from 2015 to 2019, higher than that of products manufactured by larger pharmaceutical companies, which are expected to grow at a CAGR of 15.8%, as small- and medium-sized pharmaceutical companies are more flexible in tailoring products at a more affordable price to the Chinese market. The chart below illustrates the breakdown, growth rate and market size of the imported pharmaceutical market in China from 2010 to 2019:

Breakdown of Imported Pharmaceutical Market in China (2010 to 2019E)



Source: Frost & Sullivan Report

Primary Growth Drivers of Imported Pharmaceutical Products in China

Primary growth drivers of China's imported pharmaceutical product market include the following:

- *Increasing demand* — the ageing population, lifestyle changes and environmental problems create increasing demand for quality pharmaceutical products in China.
- *Increasing affordability* — as a result of rising disposable income and healthcare spending, increasing health consciousness and healthcare reforms on drugs, imported pharmaceutical products have become increasingly affordable.
- *Quality awareness* — an increasing number of Chinese patients consider products of foreign manufacturers to be more reliable, as a result of concerns with the quality of domestic products after a number of high-profile scandals.
- *New product launches and enhanced sales efforts* — overseas pharmaceutical companies, including existing players and newcomers, are keen to tap into the market potential in China and expand their presence.
- *Large market demand for "originator branded generics"* — in developing countries like China, the sales of originator branded generic pharmaceutical products usually maintain stable growth rates because of their well-recognised brand and product quality.

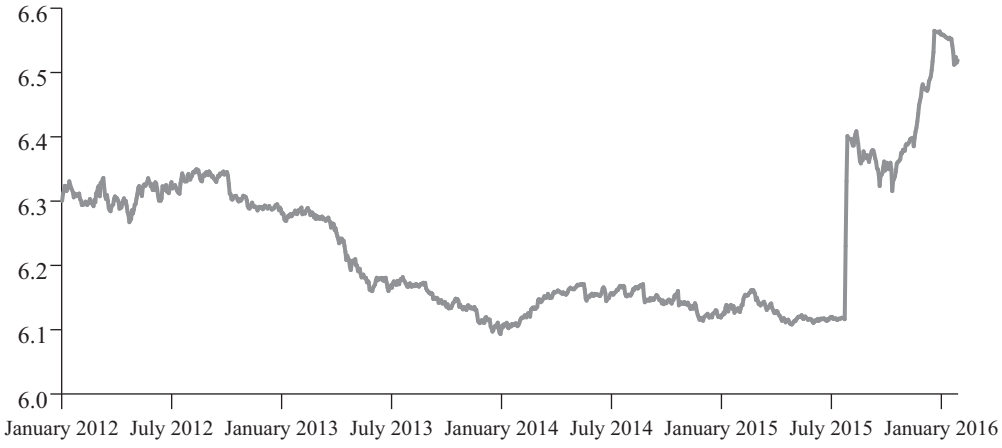
Historical Fluctuations in Foreign Exchange Rates

China's RMB has been strong for a decade due to the growing importance of the currency as China became the second largest economy in the world. In recent years, the PRC government planned to adjust its monetary policy and move towards a more flexible exchange-rate regime.

In August 2015, the PRC government announced a change in how the People's Bank of China fixes the RMB's daily reference rate around which the RMB trades against the U.S. dollar, which led to the devaluation of the RMB for three consecutive days. In December 2015, the People's Bank of China began publishing a trade-weighted exchange-rate index to encourage the market to assess the RMB's value against a basket of currencies, which was viewed by the market as an implicit agreement to gradually depreciate the RMB against the U.S. dollar. As of the end of 2015, the exchange rate of the RMB against the U.S. dollar was pushed to 6.49, compared to 6.12 in 2014.

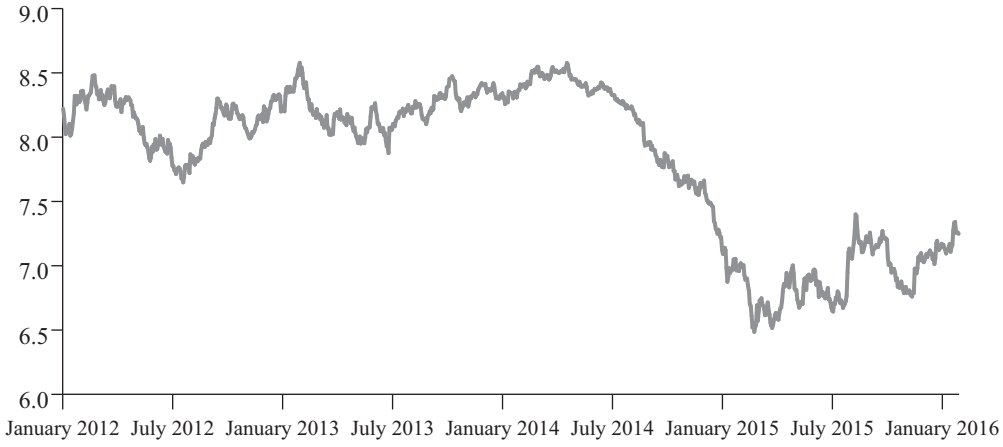
The following chart illustrates the fluctuations of the exchange rates between the U.S. dollar and the RMB and the Euro and the RMB during the period indicated:

Exchange Rates between the U.S. Dollar and the RMB (from 2 January 2012 to 19 February 2016)



Source: PBOC and Frost & Sullivan Report

Exchange Rates between the Euro and the RMB (from 2 January 2012 to 19 February 2016)



Source: PBOC and Frost & Sullivan Report

With the economic recovery in the United States and an expected slow cycle of rising interest rate in the United States starting from 16 December 2015, the U.S. dollar is expected to appreciate against most emerging-market currencies. The Euro showed a slow appreciation in the first half of 2015 as the Greek government debt crisis was temporarily alleviated in early 2015. The depreciation pressure of the Euro against the U.S. dollar is expected to continue due to the quantitative easing program and slow economic growth in the European Union, while the exchange rate between the Euro and the RMB is expected to remain relatively stable.

Plasma-based Pharmaceuticals Market in China

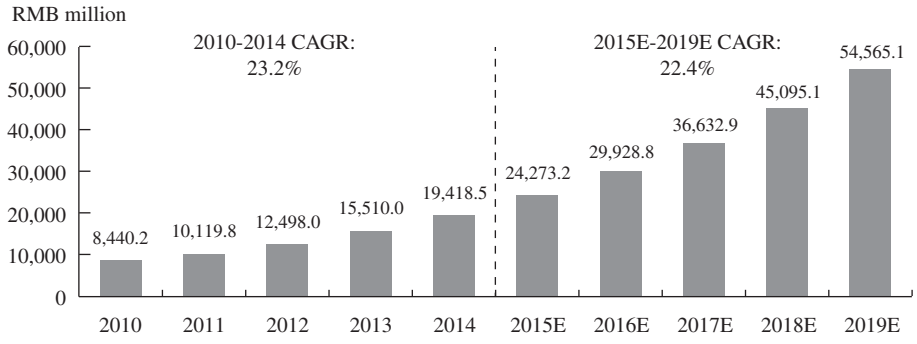
According to the Frost & Sullivan Report, plasma-based pharmaceuticals are unique, biologic medicines that are either infused or injected to treat various rare, life-threatening, chronic and/or genetic diseases including bleeding disorders, immune deficiencies, lung diseases, neurological disorders, severe loss of blood and fluid, liver scarring and infectious diseases.

Plasma proteins, the primary raw material of plasma-based pharmaceuticals, are separated from blood plasma via a process called "fractionation". At today's level of scientific development, most of these plasma-based pharmaceuticals can only be derived from human blood plasma, a finite resource that cannot be replicated or mass produced through industrial processes. Given plasma-based pharmaceuticals' importance in critical medical care, the lack of alternative therapies and the speciality and scarcity of its raw materials, the plasma-based pharmaceuticals industry is highly regulated in most countries.

In China, the demand for plasma-based pharmaceuticals exceeds its supply, resulting in a growth rate higher than that of the overall pharmaceutical market and the global plasma-based pharmaceuticals market. The plasma-based pharmaceuticals market in China grew at a CAGR of 23.2% from 2010 to 2014, compared to a CAGR of 8.9% for the global plasma-based pharmaceuticals market in the same period. The global plasma-based pharmaceuticals market reached US$13.7 billion in revenue in 2014 and is expected to reach US$21.3 billion in 2019. The plasma-based pharmaceuticals market in China is expected to reach RMB54.6 billion in 2019, representing a CAGR of 22.4% from 2015, outpacing the CAGR of the global plasma-based pharmaceuticals market of 9.2% in the same period. As of the Latest Practicable Date, human albumin was the only plasma-based pharmaceutical that can be imported to

China. The chart below shows the CAGRs and market sizes of the plasma-based pharmaceuticals market in China from 2010 to 2019:

Plasma-based Pharmaceuticals Market in China (2010 to 2019E)



Source: National Institutes for Food and Drug Control and Frost & Sullivan Report

The table below shows the breakdown of China's plasma-based pharmaceuticals market by product categories based on revenue in 2014:

Rank	Name of Product Category	Market Share (%)
1	Human albumin	55.8
2	Human immunoglobulin for intravenous injection	24.8
3	Hyperimmune globulins	10.7
4	Human coagulation factor VIII	1.7
5	Others	7.0
	Total	**100.0**

Source: National Institutes for Food and Drug Control and Frost & Sullivan Report

Pricing of Plasma-based Pharmaceuticals

Reflecting the imbalance of supply and demand, the price ceilings of plasma-based pharmaceuticals as stipulated by Chinese authorities have been raising in recent years. The historical wholesale price of human albumin has been close to the ceiling retail price. The following table illustrates the trend of plasma-based pharmaceuticals' retail price ceilings:

Date of Ceiling Retail Price Adjustment	Drug	Pack	Previous Ceiling Retail Price (RMB)	Adjusted Ceiling Retail Price (RMB)	Price Increase
September 2007[1]	Human albumin	10g	259	360	39%
September 2012[2]	Human coagulation Factor VIII	200IU	254	396	56%
	Human fibrinogen	1g	250	595	138%
January 2013[3]	Tetanus immunoglobulin	200IU	63.3	69.6	10%
	Rabies immunoglobulin	200IU	N/A	228	N/A
	Human albumin	10g/Val	360	378	5%

1. *Adjustment on Ceiling Retail Price of Human Albumin issued by NDRC.*
2. *Adjustment on Ceiling Retail Price of Anti-cancer Drugs, Immune Drugs, and Plasma products issued by NDRC.*
3. *Adjustment on Ceiling Retail Price of Tetanus Immunoglobulin, Rabies Immunoglobulin and Human Albumin issued by NDRC.*

Source: Frost & Sullivan Report

The price ceiling of plasma-based pharmaceuticals, including Human Albumin Solution, was lifted in June 2015. With such liberalisation, human albumin products may enjoy a price uplift in the future due to their demand exceeding supply. However, there is no assurance whether any of such price uplift will occur.

Growth Drivers and Challenges of the Plasma-based Pharmaceuticals Market in China

Plasma-based pharmaceuticals in China currently are experiencing rapid growth and such growth is expected to continue in the future. Stringent regulations on human plasma collection and restriction on imports limit the supply of human plasma. On the other hand, the increasing awareness of plasma-based pharmaceuticals' therapeutic benefits and expanding medical insurance coverage of them are expected to drive up demand for plasma-based pharmaceuticals. In addition, the market is supported by government incentives to increase plasma supply, limited competition and technological improvement. The imbalance of supply and demand is therefore one of the most prominent characteristics of China's plasma-based pharmaceuticals market, and imported plasma-based pharmaceuticals from reputable overseas manufacturers are sought after in China partly to alleviate such imbalance.

Since 1980s, the Chinese government has promulgated a set of regulations on plasma collection and manufacturing of plasma-based pharmaceuticals. Therefore, the plasma-based pharmaceuticals market also faces certain challenges, including strict government oversight limiting the collection of plasma, restriction on imports of certain products to prevent viral risks and local regulations to prevent certain epidemics caused by improper collection of plasma.

In addition, the plasma-based pharmaceuticals market in China is also characterised by its high barrier for entry for potential new entrants due to the high technology requirement in fractionation and purification, intensive capital investment and increased competition from domestic manufacturers.

Human Albumin

Human albumin is a general pharmaceutical product which is widely used in emergency rooms and intensive care units for surgery and in various therapeutic areas including oncology, gastroenterology and paediatrics. It is used to remedy hypovolemia and hypovolemic shock, abnormally high intracranial pressure, edema and ascites, and to prevent and cure hypoalbuminemia and neonatal hyper-bilirubinemia.

Human albumin, fresh frozen plasma (the liquid portion of human blood that has been frozen and preserved after blood donation) and synthetic colloids (artificial solutions of molecules for infusion, such as hydroxyethyl starches, dextrans and gelatins) are commonly used in fluid resuscitation. Compared with fresh frozen plasma and synthetic colloids, human albumin has a high level of safety, has a superior effectiveness, is less restrictive in terms of dose limitations and is subject to lower risk of adverse reactions. Currently, human albumin is a priority choice for fluid resuscitation in many medical conditions because of its therapeutic qualities, even though it is relatively expensive.

Under situations like hypovolemia and hypovolemic shock, both crystalloids (aqueous solutions of mineral salts or other water-soluble molecules, including saline solution) and human albumin can help restore blood volume. In addition, according to a research paper, namely "Human albumin solution for resuscitation and volume expansion in critically ill patients. Roberts, I., Blackhall, K., Alderson, P., Bunn, F., Schierhout, G. Cochrane Database of Systematic Reviews. 2011, Issue 11", there is no evidence that (i) human albumin reduces mortality rates when compared with cheaper alternatives such as crystalloids in patients with hypovolemia, and (ii) human albumin reduces mortality rates in critically ill patients with burns and hypoalbuminemia. However, compared with crystalloids, human albumin has broader clinical usage, is subject to lower risk of tissue edema and hyperchloremic metabolic acidosis and is superior in treating severe sepsis and septic shock, despite its significantly higher price.

The table below shows a comparison of human albumin against fresh frozen plasma, synthetic colloids and crystalloids in terms of safety, risk of adverse reactions, medical indications and price.

	Human Albumin	Fresh Frozen Plasma	Synthetic Colloids	Crystalloids
Safety	• Being a natural colloid, it has fewer side effects compared to synthetic colloids[1] • Safe in the management of neonatal hyperbilirubinaemia[2] • Other benefits such as antioxidant and scavenging effects[3]	• No longer the therapy of choice in many conditions because of safety issues and effective alternative treatments[5] • Requires more restrictive storage and infusion conditions[6]	• Not suitable for patients with nephrology and patients undergoing cardiovascular surgery[7,8] • The U.S. Food and Drug Administration and European Medicines Agency have both released warnings on the increased mortality rates and severe renal injuries for the use of hydroxyethyl starch, a type of synthetic colloid[9,10]	• Requires larger volume of infusions than colloids to expand intravascular volume[12] • Large volumes of crystalloids may alter blood pH and cause severe perturbations in blood flow[13] • Colloids may be combined with crystalloids to obviate administration of large crystalloid volumes[13]
Risk of adverse reactions	• Potential allergic reactions[4]	• Higher risk of disease transmission, especially hepatitis, allergy-like reactions and excessive intravenous volume[5]	• Higher risk of renal failure, coagulation, and pruritus[7,8,11]	• Higher risk of tissue edema and hyperchloremic metabolic acidosis[14]
Medical Indications[#]	• Hypovolemia and hypovolemic shock • Abnormally high intracranial pressure • Edema and ascites • Hypoalbuminemia • Neonatal hyper-bilirubinemia • Severe sepsis and septic shock[15]	• Deficiencies of coagulation proteins • Massive hemorrhage	• Hypovolemia and shock due to blood loss • Improve micro-circulatory flow	• Hypovolemia and hypovolemic shock
Price (RMB)	• Human Albumin (10g/50ml): ~418[*]	• Fresh Frozen Plasma (100ml): ~40[**]	• Hydroxyethyl Starch 130/0.4 and Sodium Chloride Injection (30g/500ml): ~70[+]	• Sodium Chloride Physiological Solution (4.5g/500ml): ~3[++]

Notes:

[#] Refers to the therapeutic uses of a certain medication as described on the product package. The indications are regulated by the relevant government medical authority, such as the CFDA, the U.S. Food and Drug Administration and the European Medicines Agency, in the respective jurisdictions.

[*] Average wholesale price in Fujian, as of 31 December 2015.

[**] This is the retail price set by NDRC in November 2005.

[+] Average wholesale price in Chongqing, as of 2 February 2016.

[++] Average wholesale price in Chongqing, as of 2 February 2016.

Sources:

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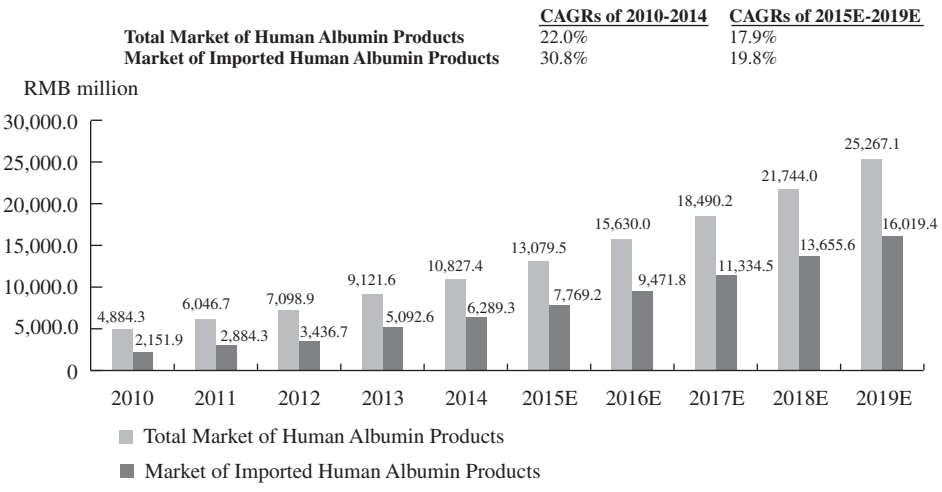
14. "Saline-based fluids can cause a significant acidosis that may be clinically relevant", Stephens, R. C. and Mythen, M. G. Critical Care Medicine. 2000;28:3375-3377.

15. "Comparison of the effects of albumin and crystalloid on mortality in adult patients with severe sepsis and septic shock: a meta-analysis of randomized clinical trials", Xu, J-Y., Chen, Q-H., Xie, J-F., et al. Critical Care. 2014;18:702.

Human Albumin Solution, manufactured by Octapharma, is the only human albumin product that can be used on premature infants. As of the Latest Practicable Date, human albumin was the only plasma-based pharmaceutical that can be imported to China. China's human albumin market grew rapidly at a CAGR of 22.0% between 2010 and 2014, and is expected to grow at a CAGR of 17.9% from 2015 to 2019.

The imported human albumin market in China is expected to reach RMB16,019.4 million in 2019, representing a CAGR of 19.8% from 2015 to 2019, surpassing the expected growth of the overall market during the same period. China's imported human albumin is expected to account for 63.4% of the market in 2019, increasing from 44.1% in 2010 and 58.1% in 2014. The import market helps meet unmet demand for plasma-based pharmaceuticals. China's per capita consumption of human albumin, at 149 kilogrammes per million inhabitants, substantially lags behind that of the United States at 459 kilogrammes per million inhabitants in 2012. The below chart shows the market size of overall human albumin products and imported human albumin products in China by revenue from 2010 to 2019:

Market Size of Overall Human Albumin Products and Imported Human Albumin Products in China by Revenue (2010 to 2019E)



Source: National Institutes for Food and Drug Control and Frost & Sullivan Report

Human Albumin Solution had a 9.6% market share by revenue in China in 2014. Of which, the Human Albumin Solution that we sell and distribute was the fourth largest human albumin product in China with a 7.3% market share in 2014 based on revenue. The table below illustrates the breakdown of market share of human albumin products in China by revenue in 2014:

Rank	Manufacturer or MPCM Services Provider and Name of Product	Market Share (%)
1	CSL Behring (AlbuRx)	23.6
2	Grifols (Albutein)	12.4
3	Baxter (Buminate)	9.7
4	Sinco Pharmaceutical (Human Albumin Solution)	7.3
5	China Biologic Products, Inc.	5.8
6	Shanghai RAAS Blood Products Co., Ltd (An Pu Lai Shi)	4.7
7	Beijing Tiantan Biological Products Co., Ltd	4.3
8	Hualan Biological Engineering Inc.	4.1
9	Shanxi Kangbao Biological Product Co., Limited	4.0
10	Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd	3.8

* *We are the only integrated provider of MPCM services operating in China's imported human albumin product market.*

Source: National Institutes for Food and Drug Control and Frost & Sullivan Report

Given that China's human albumin products market, in particular the imported human albumin products market, is dominated by a few major players with high barriers to entry, it is common for a MPCM service provider or distributor to rely on a major manufacturer of human albumin products for supply of such products. The following table summarises the top five most popular manufacturers and MPCM services provider of human albumin products in China, both domestic and international, in terms of revenue in 2014 and their respective ranking, sales models and market shares:

Rank	Key Player (Manufacturer or MPCM services provider)	Country of manufacture	Sales Model in China	Market Share
1	CSL Behring (a subsidiary of CSL Limited) (Manufacturer)	Australia	In-house marketing team and agency services	23.6%
2	Grifols, S.A. (Manufacturer)	Spain	In-house marketing team and agency services	12.4%
3	Baxter International Inc. (Manufacturer)	United States	In-house marketing team and agency services	9.7%
4	Sinco Pharmaceuticals (MPCM services provider)	Switzerland	MPCM services	7.3%
5	China Biologic Products, Inc. (Manufacturer)	China	In-house marketing team and agency services	5.8%

Source: Frost & Sullivan Report

After we became a MPCM services provider for Octapharma in November 2012, we contributed over 75% of Octapharma's sale of its human albumin product in China in 2014, increasing from 36.0% in 2013. We also more than doubled our market share in China's human albumin market from 3.5% to 7.3% between 2013 and 2014 in terms of revenue.

Growth Drivers of China's Human Albumin Market

The growth drivers for China's human albumin market include the following:

- Increasing income level and affordability — the rising income level and wider insurance coverage make human albumin more affordable, increasing the demand for the product;
- Growing prevalence of medical conditions treatable by human albumin — medical conditions such as hypoalbuminemia and hypovolemia, which are treatable by human albumin, were on the rise in recent years, further promoting the sales of human albumin;
- Wider clinical application — human albumin is used in more medical conditions by clinicians and patients with increasing knowledge and awareness of human albumin;
- Rise of domestic manufacturers — the increased investment in research and development as well as in manufacturing facilities that produce higher yields by domestic manufacturers help promote the development of the human albumin market; and
- Lifting of price ceilings — with the price ceiling for plasma products lifted in June 2015, the price of human albumin is expected to rise in the future due to its demand exceeding supply.

Cold Chain Storage for Plasma-based Pharmaceuticals

Cold chain storage is required for plasma-based pharmaceuticals to ensure the safe storage and transportation and to prolong the shelf life of plasma-based pharmaceuticals by minimising bacterial contamination. With the demand for quality cold chain storage systems growing along with the plasma-based pharmaceuticals market as a result of market expansion and more stringent regulation on the storage of plasma-based pharmaceuticals, plasma-based pharmaceuticals MPCM services providers and distributors with independent cold chain storage capabilities are expected to have a competitive advantage over their peers.

Market Size of China's Pharmaceutical Cold Chain Services

China's market for pharmaceutical cold chain services experienced rapid growth, having reached RMB65.2 billion in revenue in 2014 and grew at a CAGR of 19.9% from 2010 to 2014. The market is expected to grow to RMB145.2 billion in revenue in 2019, representing a CAGR of 17.2% from 2015 to 2019.

Pharmaceutical Markets of Selected Therapeutic Areas in China

As a result of China's growing demand for quality healthcare and pharmaceutical products, markets for certain therapeutic areas in China also enjoy sizable markets and/or rapid growth.

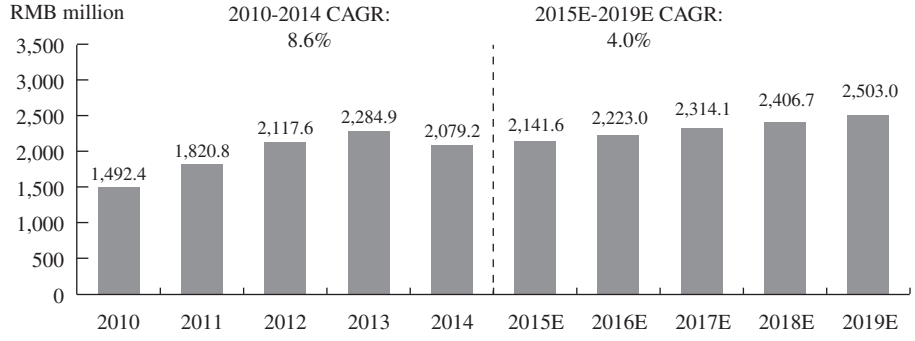
Anti-infective

The anti-infective therapeutic area has the largest market in China in terms of revenue in 2014. This therapeutic area includes a few major subcategories, one of which is antibiotics. The antibiotics market is highly fragmented with numerous domestic and multinational players. Antibiotics drugs which are originator branded generics and manufactured by renowned multinational companies are well-positioned as hospitals generally procure an antibiotic product from originator branded generics from a multinational brand in their tender process.

Injectable Cefuroxime Sodium

Our product, Axetine, an injectable cefuroxime sodium product, is an antibiotic of unrestricted-use class according to the NHFPC. It is used for the treatment of bacterial infections, including respiratory infections, urinary tract infections, soft tissue infections, gynaecological and obstetrical infections, gonorrhoea and other infections, as well as the prevention of post-surgery infections. The market of injectable cefuroxime sodium in China grew at a CAGR of 8.6% from 2010 to 2014, and is expected to amount to RMB2,503.0 million in 2019, representing a CAGR of 4.0% from 2015 to 2019. The chart below shows the market size of injectable cefuroxime sodium in China from 2010 to 2019:

Market Size of Injectable Cefuroxime Sodium in China (2010 to 2019E)



Source: Frost & Sullivan Report

Axetine, manufactured by Medochemie, ranked second based on revenue with a market share of 27.4% in 2014 in China. The following table illustrates the breakdown of market share of injectable cefuroxime sodium products in China in 2014:

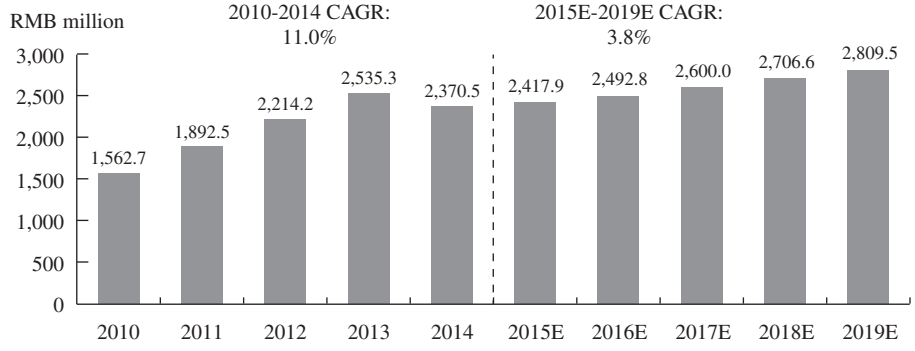
Rank	Manufacturer and Name of Product	Market Share (%)
1	Esseti Farmaceutici S.r.l. (Manacef)	34.9
2	Medochemie (Axetine)	27.4
3	GlaxoSmithKline Manufacturing S.p.A. (Zinacef)	26.7
4	Shenzhen Zhijun Pharmaceutical Co. Ltd. (Dalixin)	1.8
5	Others	9.2
	Total	100.0

Source: Frost & Sullivan Report

Injectable Cefoperazone Sodium

Medocef, an injectable cefoperazone sodium product, is a type of antibiotics. It is used for the treatment of bacterial infections, including infections of the lower respiratory tract such as pneumonia, urinary tract, bile duct, peritoneum, skin, soft tissue, pelvic area and sepsis. Medocef had a market share of 0.8% based on revenue in 2014 in China. The market of injectable cefoperazone sodium in China grew at a CAGR of 11.0% from 2010 to 2014 and is expected to amount to RMB2,809.5 million in 2019, representing a CAGR of 3.8% from 2015 to 2019. The chart below shows the market size of injectable cefoperazone sodium products in China from 2010 to 2019:

Market Size of Injectable Cefoperazone Sodium by Revenue in China (2010 to 2019E)*



*Note: *Including cefoperazone sodium and fixed dose combination of cefoperazone sodium and sulbactam sodium.*

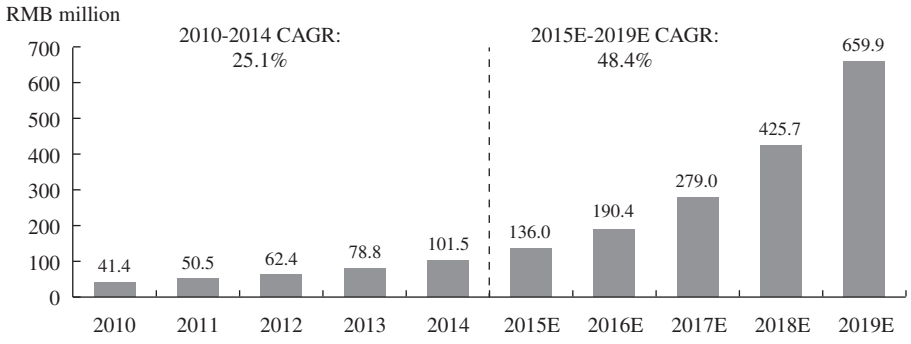
Source: Frost & Sullivan Report

Gastroenterology

Gastroenterology, the study of the digestive system and its diseases, is divided into a number of major subcategories, one of which is hepatobiliary diseases. Hepatobiliary diseases include gallstone diseases, or cholelithiasis, a prevalent disease in China with a 7% incidence rate. Oral cholic acid drugs are among the commonly used treatments for hepatobiliary diseases, and there are three generations of oral cholic acid drugs available in treating gallstone diseases. According to the Frost & Sullivan Report, tauroursodeoxycholic acid (TUDCA) (牛磺熊去氧膽酸) is the latest and the most effective type among the three generations. Our product, Taurolite, is the only TUDCA drug launched in China as of the date of the prospectus.

The growth rate of the market for TUDCA drug, at a CAGR of 25.1%, outpaced that of the market for oral cholic acid drugs, at a CAGR of 21.4%, from 2010 to 2014. The market growth for TUDCA drug is expected to accelerate and reach a CAGR of 48.4%, compared to a CAGR of 16.9% for the market for oral cholic acid drugs, from 2015 to 2019. The market size of oral cholic acid drugs reached RMB1,035.8 million in 2014 and is forecasted to reach RMB2,288.3 million by 2019. TUDCA drug is expected to take up a larger share of the oral cholic acid drug market, growing from RMB101.5 million in 2014, or 9.8% of the market for oral cholic acid drugs in 2014, to RMB659.9 million, or 28.8% of the of the market for oral cholic acid drugs by 2019. The chart below shows the market size of TUDCA drug in China from 2010 to 2019:

Market Size of TUDCA drug in China by Revenue (2010 to 2019E)



Source: Frost & Sullivan Report

Taurolite, manufactured by Bruschettini, ranked second with a market share of 9.8% in the oral cholic acid drug market in China in 2014. The following table illustrates the breakdown of market share of oral cholic acid drugs in China in 2014:

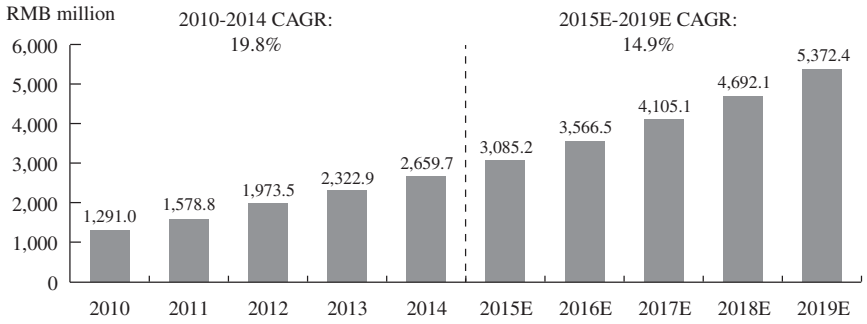
Rank	Manufacturer and Name of Product	Market Share (%)
1	Losan Pharma GmbH (Ursofalk)	78.1
2	Bruschettini S.r.l. (Taurolite)	9.8
3	Daewoong Pharmaceutical Co., Ltd.	9.6
4	Others	2.5
	Total	100.0

Source: Frost & Sullivan Report

Reduced glutathione is also a type of pharmaceutical product used in treating hepatobiliary diseases. It is used for the treatment and prophylaxis of intoxications from ethyl alcohol, organophosphorus and several groups of drugs (anticancer chemotherapeutic agents, antitubercular drugs, neuroleptics, antidepressants and acetaminophen), as well as cell damage from ionising radiations and liver damage. Reduced glutathione protects the liver by reducing the activity of free radicals in the liver, as well as strengthening the detoxification ability of the liver.

Our product, TAD, is reduced glutathione. TAD had a 1.1% market share based on revenue in 2014 in China. The market for reduced glutathione products in China grew at a CAGR of 19.8% from 2010 and 2014 and had total sales of RMB2,659.7 million in 2014, according to the Frost & Sullivan Report. The chart below shows the market sizes of injectable reduced glutathione in China from 2010 to 2019:

Market Size of Reduced Glutathione in China by Revenue (2010 to 2019E)



Source: Frost & Sullivan Report

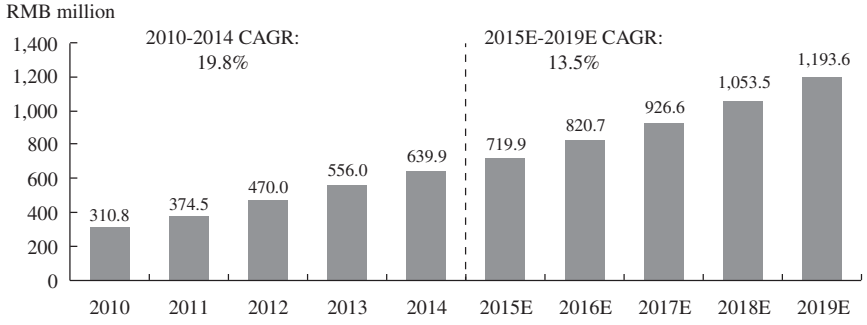
Cardiology

Cardiovascular diseases, or CVD, are among the top health problems of the Chinese people as a result of lifestyle changes, urbanisation and increased longevity. With the expanding medical insurance coverage, the increasing per capita disposable income as well as the ageing population, the market for CVD medicines in China is expected to enjoy a promising prospect.

Fructose 1,6-diphosphate

Our product, Esafosfina, was the only imported injectable fructose 1,6-diphosphate approved by the CFDA as of the Latest Practicable Date, for treating hypophosphatemia and chronic diseases including alcohol intoxication, malnutrition and hypophosphatemic respiratory failure. Esafosfina had an approximately 3% market share based on revenue in 2014. The market size of injectable fructose 1,6-diphosphate in China grew at a CAGR of 19.8% from 2010 to 2014, and is expected to amount to RMB1,193.6 million in 2019, representing a CAGR of 13.5% from 2015 to 2019. The chart below shows the market size of injectable fructose 1,6-diphosphate in China from 2010 to 2019:

Market Size of Injectable Fructose 1,6-diphosphate in China (2010 to 2019E)



Source: Frost & Sullivan Report

Oncology and Haematology

Oncology is the therapeutic area that deals with cancers and tumours, and haematology is the therapeutic area on blood-related diseases. Oncology saw substantial growth at a CAGR of 21.6% to RMB67.4 billion from 2010 to 2014, and is expected to grow to RMB173.7 billion by 2019, representing a CAGR of 20.5% from 2015 to 2019. Haematology also recorded rapid growth at a CAGR of 24.0% to RMB52.8 billion from 2010 to 2014, and will continue its rapid growth trajectory at a CAGR of 13.4% to RMB97.9 billion from 2015 to 2019.

Sinco I

We sponsored the Institute of Chinese Medical Sciences to develop Sinco I, which is a realgar-based chemical medicine targeting acute promyelocytic leukaemia ("**APL**"). APL is a unique subtype of acute leukaemia that accounted for 3.3% to 21.2% of acute leukaemia in China in 2014.

Competitive Landscape of Sinco I

The market for realgar-based chemical medicine targeting APL has the following characteristics:

Sizable and Highly Fragmented — China's sizable pharmaceutical market experienced rapid growth and is expected to continue its momentum. See "— Pharmaceutical Market in China — Overview of the Pharmaceutical Market in China" for more details. According to the Frost & Sullivan Report, the pharmaceutical industry is highly fragmented, with the top 20 of over 4,800 domestic pharmaceutical manufacturers accounting for only 25.1% of sales revenue in 2013.

Rapid Growth in Oncology and Haematology — Leukaemia, broadly defined as the cancer of bone marrow and blood, falls within the therapeutic areas of both oncology and haematology, which have been among the fastest-growing therapeutic areas in China. Oncology and haematology are expected to continue their respective growth trajectories from 2015 to 2019. See "— Pharmaceutical Market in China — Pharmaceutical Markets of Selected Therapeutic Areas in China — Oncology and Haematology" for more details.

Need for Convenient Treatment with Comparable Efficacy as Arsenic Trioxide — According to the Frost & Sullivan Report, treatment using drugs that contain arsenic trioxide ("**ATO**") is recommended to treat acute promyelocytic leukaema in China. However, ATO must be administered intravenously in a hospital setting. Therefore, there is a market for drugs with comparable efficacy as ATO but can be administered orally, such as Sinco I.

Entry Barriers, Challenges and Opportunities of Pharmaceutical Manufacturing — Pharmaceutical manufacturing requires heavy capital investment for research and development (which may take years before commercial production), purchase and operation of production facilities and compliance with GMP. Manufacturers also need to establish sales networks and build up solid reputation of high quality products with reliable clinical efficacy in order for clinicians to purchase their products. Pharmaceutical manufacturers also have to overcome challenges in the industry, including accessing local markets as tender process varies by regions, going through time-consuming new drug registration processes and facing potential government price control on certain products. Pharmaceutical manufacturers face strict government regulations, including mandatory compliance with new GMPs by 2015, which creates a higher entry barrier for prospective joiners to the industry and a favorable environment for existing manufacturers with limited competitors.

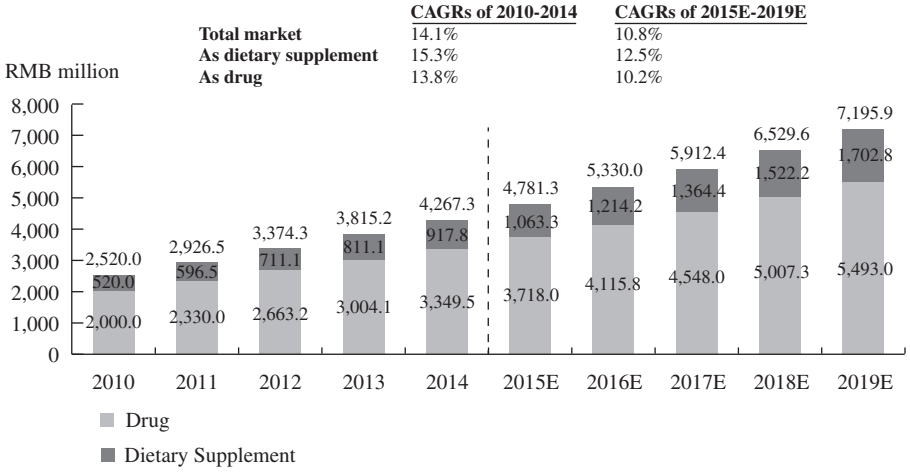
Pharmaceutical manufacturers face many opportunities as well. For example, government support and strong consumer demand for innovative drugs encourage research and development in the industry. The consolidation of the industry, as indicated by the increasing instances of mergers and acquisitions, also helps to improve the efficiency and economies of scale within the industry.

Overview of Coenzyme Q_{10} Market in China

Coenzyme Q_{10}, or CoQ_{10}, is an essential oil-soluble antioxidant found in the body, especially in the heart, liver, kidney and pancreas. It facilitates the energy exchange in mitochondria within cells and clears free radicals, which damages the protein in the cells and may cause mutation in DNA and RNA. CoQ_{10} can be used as a drug, which is widely used in treating cardiovascular diseases and cancers, and as a dietary supplement that acts as an antioxidant to prevent chronic diseases, particularly kidney and liver diseases, diabetes and Alzheimer's disease and Parkinson's disease.

The total market for CoQ_{10} reached RMB4,267.3 million in terms of revenue in 2014 with a CAGR of 14.1% from 2010 to 2014, and is expected to reach RMB7,195.9 million by 2019 representing a CAGR of 10.8% between 2015 and 2019. Due to rising health awareness and the ageing population, the market for CoQ_{10} as a dietary supplement, with a CAGR of 15.3% from 2010 to 2014 and forecasted to grow at a CAGR of 12.5% from 2015 to 2019, marked a more rapid growth than the total market and the market for CoQ_{10} as a drug during both periods. Xinneng Q_{10}, the CoQ_{10} product in our product pipeline is registered as a dietary supplement with the CFDA. The chart below shows the market size and growth rates of China's Coenzyme Q_{10} market:

Market Size of Coenzyme Q_{10} Market in China by Revenue (2010–2019E)



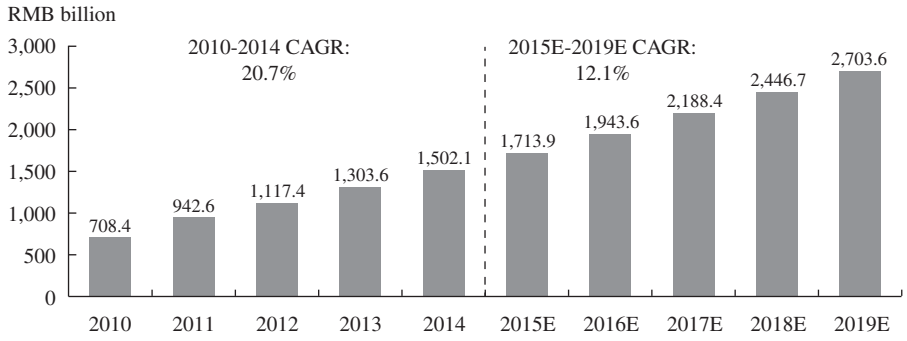
Source: Frost & Sullivan Report

Eisai Co., Ltd., with its product Neuquinon, and Southwest Pharmaceutical Co., Ltd, with its product He Fu, are top two market players in China's Coenzyme Q_{10} market as a drug by revenue in 2014, with a market share of 77.4% and 15.1%, respectively.

THE PHARMACEUTICAL CIRCULATION MARKET IN CHINA

China's pharmaceutical circulation market refers to the distribution, warehousing and logistics as well as marketing, promotion and channel management for pharmaceutical products from manufacturers to retailers or healthcare institutions in China. China's pharmaceutical circulation market is fragmented and complex. It often takes two to three intermediaries to get pharmaceutical products from a manufacturer to a dispenser. The chart below shows the market size and growth of China's pharmaceutical circulation market from 2010 to 2019:

Market Size and Growth of Pharmaceutical Circulation Market in China (2010 to 2019E)



Source: Frost & Sullivan Report

MARKETING, PROMOTION AND CHANNEL MANAGEMENT SERVICES INDUSTRY IN CHINA

Overview

China's MPCM services providers assist pharmaceutical companies in introducing, distributing and marketing pharmaceutical products in China. Their services include first-time product registration and renewals, promotion and marketing to hospitals and targeted physicians as well as channel management services. MPCM services providers usually secure marketing, promotion and sales rights with respect to pharmaceutical products in China from suppliers, and generate their revenue from the sale of the products to their customer distributors, who then onsell the products to hospitals either directly or through sub-distributors.

MPCM services providers and distributors provide different services to pharmaceutical companies. The table below sets forth a comparison of the services provided by MPCM services providers and distributors:

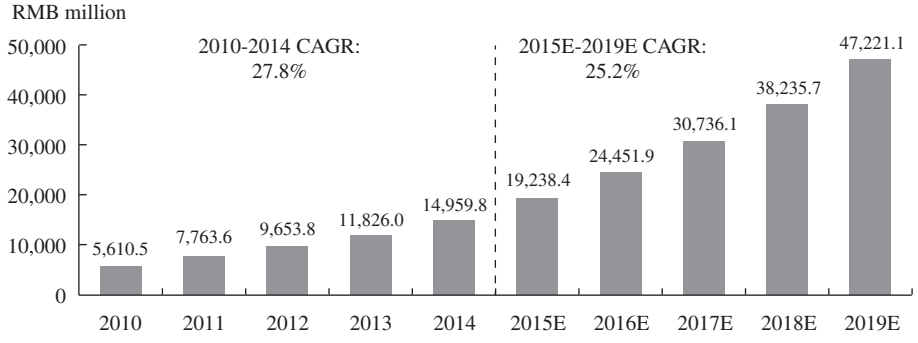
	MPCM Services Providers	Distributors
Major role in pharmaceutical industry	• To generate demand for pharmaceutical products from medical institutions.	• To fulfill demand for pharmaceutical products from medical institutions.
Major activities	• Provide trainings to physicians on the clinical profiles of products through academic seminars, industrial conferences, advertisements in publications in the healthcare industry and other promotional activities.	• Provide warehousing, storage and delivery services, invoicing and payment collection. • Communicate directly with procurement department of medical institutions.

	MPCM Services Providers	Distributors
Presence of in-house marketing team	• Typically have experienced in-house marketing teams to provide MPCM services.	• Typically do not have in-house marketing teams.
Relationship between MPCM providers and distributors	• MPCM services providers typically appoint and manage distributors to aid fulfilling the demand for pharmaceutical products.	
Other value-added services	• Manage first-time product registrations and renewal of product registrations. • Prepare and manage tender processes.	• Typically do not provide other value-added services. • Some of the leading distributors also provide limited MPCM services to their respective suppliers. However, such services are not part of the core business of those distributors.

Market Size and Growth of China's MPCM Services Market

China's MPCM services market is a subset of China's pharmaceutical circulation market. China's MPCM services industry grew rapidly at a CAGR of 27.8% from 2010 to 2014 and is expected to expand at a CAGR of 25.2% from 2015 to 2019. It accounted for approximately 1.0% of China's pharmaceutical circulation market in 2014 and is expected to account for approximately 1.7% in 2019. The chart below shows the market size and growth of the MPCM services market in the PRC pharmaceutical industry from 2010 to 2019:

Market Size and Growth of MPCM Services Market in China (2010 to 2019E)



Source: Frost & Sullivan Report

Our company was the third largest MPCM services provider and the only MPCM services provider for plasma-based pharmaceuticals by revenue in China in 2014. Our strategic therapeutic area of focus and integrated services drove our market share to grow from 0.3% in 2012 to 6.4% in 2014. The table below illustrates the key industry players and their respective market shares by revenue as well as therapeutic areas of focus and pharmaceutical products in 2014:

Rank	Key Industry Player	Revenue in 2014 (RMB million)	Therapeutic Areas of Focus or Pharmaceutical Products*	Market Share
1	China Medical System Holdings Limited	2,945	Central nervous system, gastroenterology, cardiovascular and respiratory	19.7%
2	China Pioneer Pharma Holdings Limited	1,540	Ophthalmology	10.3%
3	***Sichuan Sinco Pharmaceuticals Co., Ltd.***	***950***	***Plasma-based product and antibiotics***	***6.4%***
4	China NT Pharma Group Company Limited ...	865	Oncology and antibiotics	5.8%
5	Eddingpharm International Holdings Ltd.** ...	790	Nutrition, oncology and respiratory	5.3%

* *Therapeutic areas of focus or pharmaceutical products that account for 10% or more of such company's total revenue.*

** *Based on Frost & Sullivan estimates.*

Source: Frost & Sullivan Report

For details on the competitive strengths and advantages of our company, see the section headed "Business — Our Competitive Strengths" of this prospectus.

Key Growth Drivers, Opportunities and Challenges for MPCM Services Industry in China

The key growth drivers for MPCM services industry in China include the following:

- Strong growth in China's prescription drug market driven by ageing population, rising healthcare awareness and government initiatives, including increasing investment in healthcare services, accelerated development of the healthcare and medical insurance systems as well as the construction of hospitals and public healthcare facilities; and
- small and medium overseas pharmaceutical companies that do not possess the ability to market and promote their products in China benefit greatly from using a domestic MPCM services provider to assist in marketing and selling their products in China.

Given the above key growth drivers, the MPCM services industry is expected to grow as the healthcare industry continues to develop, creating opportunity to offer more value-added services and pharmaceuticals and to penetrate niche markets that are difficult to access. Moreover, the MPCM services industry also faces challenges, such as product liability claims when products encounter safety and/or quality issues, tightened government regulations on government tendering and hospital listing and increasing demand for marketing and sales team as the requirement for MPCM services rises. These challenges build a barrier to entry for similar service providers from entering the MPCM services industry.

REGULATORY FRAMEWORK APPLICABLE TO THE INDUSTRY

The Law on the Administration of Pharmaceuticals of the People's Republic of China (中華人民共和國藥品管理法), which was promulgated on 20 September 1984 by the Standing Committee of the NPC and revised in 2001, 2013 and 2015, provides the basic legal framework for the production and sales of pharmaceuticals in the PRC, covering the manufacture, distribution, packaging, pricing and promotion of pharmaceuticals in the PRC. The Regulations on the Implementation of the Law on the Administration of Pharmaceuticals of the People's Republic of China (中華人民共和國藥品管理法實施條例), which was promulgated on 4 August 2002 and became effective on 15 September 2002, sets out the regulations on the administration of pharmaceuticals in the PRC.

The following are the major PRC laws and regulations that our operations are subject to:

- Administrative Measures for the Registration of Pharmaceuticals (藥品註冊管理辦法)
- Administrative Measures for the Import of Pharmaceuticals (藥品進口管理辦法)
- Administrative Measures for Pharmaceutical Supply Permit (藥品經營許可證管理辦法)
- Good Supply Practise Rules for Pharmaceuticals (藥品經營質量管理規範)
- Measures for the Certification of Good Supply Practise of Pharmaceutical Operations (藥品經營質量管理規範認證管理辦法)
- Administrative Measures for the Supervision of Circulation of Pharmaceuticals (藥品流通監督管理辦法)

The CFDA and the NHFPC are the two major authorities governing the pharmaceutical and medical device industries in the PRC. The CFDA and the NHFPC were established under the Proposals of the State Council Institutional Reform and Transformation of Government Functions (國務院機構改革和職能轉變方案) (the "**Reform Proposals**") promulgated on 14 March 2013. Pursuant to the Reform Proposals, the MOH and the National Population and Family Planning Commission (the "**NPFPC**") were closed. The NHFPC has taken over (i) the powers and duties of the MOH, and (ii) the NPFPC's responsibilities of family planning administration and service.

The main duties of the CFDA include:

- to draft regulations and rules for the supervision and administration of food, pharmaceutical products, medical devices and cosmetics, and to formulate corresponding policies, plans, departmental regulations and rules;
- to formulate and monitor the implementation of the administrative licence for food;
- to organise the formulation and publication and supervise the implementation of standards and classifications of pharmaceutical products and medical devices, such as the Chinese Pharmacopoeia & National Standards;
- to compile and supervise the implementation of the good practices for the research and development, production, operation and utilisation of pharmaceutical products and medical devices;
- to supervise the registration and inspection of pharmaceutical products and medical devices; and
- to formulate and organise the implementation of the inspection mechanisms for the monitoring and management of food, pharmaceutical products, medical devices and cosmetics.

The main duties of NHFPC include:

- to plan the overall allocation of resources for medical, health and family planning services;
- to organise and formulate the national systems for essential medicines;
- to formulate policies and supervise the administration and services for family planning;
- to supervise and administer public health and medical services; and
- to assess food safety risks and formulate food safety standards.

PRC Laws and Regulations relating to Pharmaceutical Products

Pharmaceutical Supply Permit and Business Licence

Upon the establishment of an enterprise engaging in the distribution of pharmaceutical products in the PRC, it shall apply for a pharmaceutical supply permit (藥品經營許可證) from the local pharmaceutical regulatory authority of the people's government of the relevant province, autonomous region or municipality. The pharmaceutical supply permit shall be issued upon successful assessment of the premises and facilities, warehouse, hygienic environment, quality control systems, personnel and equipment by the local pharmaceutical regulatory authority. No enterprise may distribute pharmaceutical products without a pharmaceutical supply permit.

A pharmaceutical supply permit is valid for a term of five years, and any renewal application shall be made within six months before expiration. The renewal is subject to re-assessment by the original permit-issuing authority. Any change to the terms of a pharmaceutical supply permit, including a change in the scope of business, registered address, warehouse address, legal representative or person responsible for quality control shall be subject to the prior approval of the original permit-issuing authority.

In addition, an enterprise engaging in pharmaceutical products distribution shall obtain a business licence from the competent business administrative authority before commencement of operations. The scope of business specified under such business licence shall include pharmaceutical business.

Good Supply Practice Rules for Pharmaceuticals ("GSP")

Distributors of pharmaceutical products in the PRC shall obtain a Good Supply Practice Rules for Pharmaceuticals Certificate (the "**GSP Certificate**") from the provincial pharmaceuticals supervision and administration authority. Good Supply Practice Rules for Pharmaceuticals include a set of quality guidelines applicable to the distribution of pharmaceutical products. A GSP certificate is only issued to an enterprise whose operations have passed assessment by the relevant administrative authorities. A GSP certificate is valid for a term of five years and, subject to re-assessment, may be renewed upon application. A renewal application shall be made within three months prior to the expiration date.

The Good Supply Practices Rules for Pharmaceutical Products (the "**New GSP Rules**") were promulgated on 25 June 2015 and become effective on the same date. The New GSP Rules focus on improving the operation and management of pharmaceutical trading companies and enhancing the risk management and quality management of pharmaceutical products in circulation, with the aim to strengthen and tighten the regulatory controls on pharmaceutical distribution activities.

The new GSP Rules add a number of fresh stipulations, intensifying the requirements regarding the management of pharmaceutical trade in terms of both software and hardware of the enterprises in this industry. With respect to software, the enterprises are required to set up a more sophisticated quality control system run by a dedicated quality monitoring department or dedicated quality management personnel, and to formulate policies and guidelines and regulations. As to the hardware, having sound and effective computer system, warehouse and cold chain management protocols are among the requirements.

According to the Circular on Implementation of the New GSP Rules, enterprises with an expired pharmaceutical trade licence or GSP who fail to complete the overhaul of their quality control system by 31 December 2013 may apply for a grace period which shall not extend beyond 30 June 2014. By 31 December 2015, all pharmaceutical trade enterprises must meet the revised GSP standards, regardless of whether their pharmaceutical trade licences or GSPs have expired or not. Starting from 1 January 2016, those who fail to meet the revised GSP standards shall not participate in pharmaceutical trade.

Administrative Measures for the Supervision of Circulation of Pharmaceuticals (藥品流通監督管理辦法)

Pursuant to the Administrative Measures for the Supervision of Circulation of Pharmaceuticals (藥品流通監督管理辦法), pharmaceutical manufacturers, pharmaceutical supply enterprises and medical institutions shall be responsible for the quality of the pharmaceutical products they manufacture, distribute or use. A pharmaceutical supply enterprise shall be responsible for the purchase and sale of pharmaceuticals, including activities carried out by its staff on its behalf, and it shall not store or sell pharmaceutical products on premises that are not approved by the pharmaceutical regulatory authority. Where a pharmaceutical supply enterprise knows or ought to know of a person who produces or distributes pharmaceutical products without permits or licences but still supplies such person with pharmaceutical products, the pharmaceutical regulatory authority may give a disciplinary warning to the pharmaceutical supply enterprise, order the enterprise to rectify the non-compliance and impose a fine of not more than RMB10,000. In the case of a serious violation, the enterprise may be fined in an amount of RMB10,000 to RMB30,000. A pharmaceutical supply enterprise shall not change its mode of operation without the prior approval of the pharmaceutical regulatory authority and shall only conduct business within the approved scope of business specified in its pharmaceutical supply permit.

Import of Pharmaceutical Products

Pursuant to the Administrative Measures for the Registration of Pharmaceuticals (藥品註冊管理辦法), which became effective on 1 October 2007, pharmaceuticals importers shall only import approved pharmaceutical products with an Imported Drug Licence (進口藥品註冊證), or in the case of pharmaceutical products manufactured in Hong Kong, Macau and Taiwan, approved pharmaceutical products with a Pharmaceutical Product Registration Certificate (醫藥產品註冊證).

Pursuant to the Administrative Measures for the Import of Pharmaceuticals (藥品進口管理辦法), which became effective on 1 January 2004 and amended on 24 August 2012, an Imported Drug Licence may only be granted to a pharmaceutical product that has already been approved for marketing and sale in the jurisdiction of its manufacture, unless the CFDA has determined that the product is otherwise safe, effective and subject to high clinical demand. Imported pharmaceutical products shall also meet the good supply practice standards adopted by their jurisdiction of manufacture and the PRC. A person who intends to apply for an Imported Drug Licence for a particular product shall apply to the CFDA for an approval to conduct clinical trials on such products. Upon the completion of the clinical trials, an application may be made for the approval to import the product by submitting to the CFDA, among other things, clinical trial information and product samples. The examination laboratory assigned by the NIFDC will examine the samples and report the examination results to the CFDA. The CFDA will then conduct a final assessment of the application to consider whether to approve the registration of the product for import. If the CFDA is satisfied with its final assessment of the application, the applicant will be granted an Imported Drug Licence or Pharmaceutical Product Registration Certificate. The drug licence or the registration certificate is valid for a term of five years and any re-registration application shall be filed within six months prior to the expiration date. If no application for the re-registration of an imported drug is filed within the validity term of the drug licence or the registration certificate, or the application fails to pass the re-registration review, the Imported Drug Licence or the Pharmaceutical Product Registration Certificate will be cancelled or revoked.

Each drug has a specific set of quality specifications, which are included in the pharmacopoeia of the country or region in which such drug's manufacturer is located, such as China, USA and the European Union. Such pharmacopoeia is typically updated every three to five years, but the quality specifications of each drug included in the pharmacopoeia are not necessarily updated every time. Updates to a drug's quality specifications typically reflect, among other things, medical research progresses and advancement of manufacturing techniques relating to such drug. During CFDA's review of the re-registration application of a drug, CFDA has the authority to validate and verify the quality specifications adopted for such drug ("**specification validation and verification**") if the relevant specifications have been updated in the Pharmacopoeia of the People's Republic of China (中華人民共和國藥典) or the pharmacopoeias of other countries. CFDA may initiate the specification validation and verification spontaneously or upon the request of the re-registration applicant. The specification validation and verification process is relatively complex and involves multiple agencies within the CFDA. If specification validation and verification is required, the CFDA will reach a decision on a drug's re-registration application after the specification validation and verification is completed. CFDA conducts specification validation and verification for a drug only during its review of the re-registration application for such drug's drug license if such drug's quality specifications have been updated in the relevant pharmacopoeia.

Under the Administrative Measures for the Import of Pharmaceuticals (藥品進口管理辦法), an enterprise importing pharmaceutical products shall report to the local food and pharmaceuticals administration which has jurisdiction over the import port before proceeding with customs clearance. In the case of certain biological products, medicines introduced to the PRC for the first time, and other medicines prescribed by the State Council, a port inspection is also compulsory prior to import into China.

Registration and Production of New Pharmaceuticals

Pursuant to the Law on the Administration of Pharmaceuticals and the Administrative Measures for the Registration of Pharmaceuticals, the registration of new pharmaceuticals refers to the registration of drugs and medicines that have not been sold in China's markets. Clinical trials must be carried out before the application for registration of new pharmaceuticals. Such clinical trials consist of four phases: Phase I, Phase II, Phase III and Phase IV. Upon completion of the preclinical research, the applicant shall report objectively and submit relevant materials to the drug regulatory authorities of the relevant province, autonomous region or municipality. If all the relevant criteria are met, the applicant shall be granted the approval for pharmaceutical clinical trial. Upon the completion of such pharmaceutical clinical trial, the applicant shall submit relevant materials to the drug regulatory authorities of the relevant province, autonomous region or municipality. The CFDA shall decide on the basis of all available information and issue a certificate for such new medicine to the applicant who has met all relevant criteria. Applicants holding a certificate of pharmaceutical production and in a position to produce the pharmaceutical shall not begin such production before receiving the registered document of approval issued by the CFDA.

CFDA 2015 Circular 228

On 10 November 2015, CFDA issued the Announcement on Publishing the Main Points of On-site Verification of Drug Clinical Trial Data (關於發佈藥物臨床試驗數據現場核查要點的公告[2015年第228號]) ("**Circular 228**"), which provides that: (i) medical research organizations that carry out the clinical trials for drugs pending registration application shall conduct self-verifications in accordance with the Main Points of On-site Verification of Drug Clinical Trial Data (藥物臨床試驗數據現場核查要點) (the "**Main Points**") and submit the results with supporting documents to the CFDA for its inspection; (ii) the CFDA shall conduct on-site verifications to such medical research organizations in accordance with the Main Points after inspecting their self-verification results; (iii) if inconsistencies are discovered during the self-verification process for a drug pending registration application, the medical research organization conducting the clinical trials for such drug or the entity applying for the registration of such drug shall promptly report such inconsistencies to the CFDA; and (iv) if a report of

inconsistencies is made to the CFDA before the CFDA conducts on-site verification for a drug pending registration application, the CFDA will not impose penalties on the medical research organization conducting the clinical trials for such drug and the applicant for the registration of such drug and will allow such applicant to withdraw its application.

CFDA 2015 Circular 230

On 11 November 2015, CFDA issued the Announcement on Policies of the Review and Approval of Drug Registration (關於藥品註冊審評審批若干政策的公告 [2015年第230號]) ("**Circular 230**"), which sets forth a number of measures to solve the problem of backlogged drug registration applications and enhance the efficiency and effectiveness of the drug registration approval process, including, among others: (i) raising the standards of generic drugs to that of brand-name drugs; (ii) standardizing the review and approval procedures for improved new drugs; (iii) improving the review and approval procedures of clinical trial applications; (iv) allowing group review for registration applications for the same type of drugs; and (v) speeding up the review and approval procedures of certain drugs.

CFDA 2015 Circular 231

On 18 November 2015, CFDA issued the Announcement on Soliciting Comments on the Working Draft for Consistency Evaluation for the Quality and Effectiveness of Generic Drugs (關於徵求《關於開展仿製藥品質和療效一致性評價的意見(徵求意見稿)》意見的公告[2015年第231號]) ("**Circular 231**") to solicit public comments and inputs on the Working Draft for Consistency Evaluation for the Quality and Effectiveness of Generic Drugs (關於開展仿製藥品質和療效一致性評價的意見 (徵求意見稿), the "**Working Draft**"). The Working Draft aims to establish a higher standard for generic drugs by proposing a number of measures, such as expanding the scope of generic drug manufacturers that are required to go through consistency evaluation for their generic drugs and revoking approvals previously granted to such manufacturers if they fail the consistency evaluation for their generic drugs. Under the Working Draft, the relevant generic drug manufacturers are solely responsible for going through the consistency evaluation for their generic drugs.

Approval for the Release of Biological Products (生物製品批簽發)

Pursuant to the Administrative Measures for the Approval of the Release of Biological Products (生物製品批簽發管理辦法), which were promulgated on 4 July 2004 by the CFDA and became effective on 13 July 2004, the launching and import of vaccine products, blood products, in-vitro diagnostic reagents for blood tests and other biological products as specified by the CFDA are subject to compulsory inspection and review by the CFDA (the "**Approval for the Release**"). Any product that fails to pass inspection or review shall not be launched or imported. A pharmaceutical products manufacturer shall complete the Application for the Release of Biological Products (生物製品批簽發申請表) after the production and inspection of the products in question in order to apply for the Approval for the Release to authorities responsible for the inspection or review of the pharmaceutical products. Authorities responsible for the inspection or review of the pharmaceutical products shall complete the inspection or review within the specified time. The CFDA will consider whether to grant the Approval for the Release according to the results of the inspection and review and will grant the Certificate for the Release of Biological Products (生物製品批簽發合格證) to the pharmaceutical products manufacturer who applies for the Approval for the Release.

PRC Laws and Regulations in relation to Medical Insurance System

Reimbursement under National Medical Insurance System

Pursuant to the Decision of the State Council on the Establishment of Urban Worker Basic Medical Insurance System (國務院關於建立城鎮職工基本醫療保險制度的決定) issued by the State Council on 14 December 1998, all employers in urban cities shall enrol their employees in a basic medical insurance

plan whereby insurance premiums are contributed jointly by the employers and employees. Pursuant to the Guiding Opinion of the State Council on Developing Pilot Programmes of Medical Insurance for Urban Residents Basic (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 10 July 2007, unemployed residents in pilot urban cities may enrol in basic medical insurance for urban residents at their own discretion. Pursuant to the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法), which was issued by the Standing Committee of the National People's Congress on 28 October 2010 and became effective on 1 July 2010, employees shall enrol in basic medical insurance for employees whereby the basic insurance premiums are jointly contributed by the employers and employees in accordance with the regulations.

The Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceuticals 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) (the "**Provisional Measures for the Scope of Medical Insurance Coverage for Pharmaceuticals**") (醫療保險用藥範圍暫行辦法), jointly issued by the Ministry of Labour and Social Security, the MOF and other authorities on 12 May 1999, requires that the pharmaceutical products included in the Catalogue of Pharmaceuticals for Basic Medical Insurance (基本醫療保險藥品目錄) (the "**National Insurance Catalogue**") (醫療保險目錄) shall be clinically necessary, safe, effective, reasonably priced, user-friendly, available in the market and shall meet any one of the following requirements:

- it is listed in the Pharmacopoeia of the People's Public of China (latest version) (中華人民共和國藥典(現行版));
- it meets the standards promulgated by the SFDA; or
- it is officially approved by the SFDA for import.

Pursuant to the Provisional Measures for the Scope of Medical Insurance Coverage for Pharmaceuticals, the Ministry of Labour and Social Security, the State Planning Commission, the MOF, the MOH, the Drug Administration, the Administration of Traditional Chinese Medicine and other government agencies have the power to determine the pharmaceuticals to be included in the National Insurance Catalogue. The National Insurance Catalogue is divided into two parts, Part A and Part B. Pursuant to the Notice Regarding the Issuance of the Catalogue of Pharmaceuticals for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance issued by the Ministry of Labour and Social Security on 27 November 2009, each province (including autonomous regions and municipalities) shall publish its Provincial Insurance Catalogue by 31 March 2010. Provincial governments shall include all pharmaceuticals in Part A of the National Insurance Catalogue in Part A of the Provincial Insurance Catalogues, but may include additional items in, or exclude certain items in Part B of the National Insurance Catalogue from, Part B of the Provincial Insurance Catalogues, provided that the total number of items altered may not exceed 15% of the total of pharmaceuticals listed in Part B of the National Insurance Catalogue. Therefore, Part B of the Provincial Insurance Catalogue may differ between provinces. Axetine is listed in Part A, and Human Albumin Solution, TAD and Esafosfina are listed in Part B, of the National Insurance Catalogue, and all four are included in the Provincial Insurance Catalogues in every province. Medocef and Taurolite are included in Part B of eight and ten Provincial Insurance Catalogues, respectively. Xinneng Q_{10}, registered as a dietary supplement with the CFDA, is not included in any of the Insurance Catalogues.

Persons insured through basic medical insurance who use the pharmaceuticals listed in the National Insurance Catalogue shall pay the fee incurred in accordance with the following principles: the fee incurred for the use of pharmaceuticals listed in Part A shall be paid in accordance with the requirements of the basic medical insurance policy; a certain proportion of the fee incurred for the use of pharmaceuticals listed in Part B shall be paid by the insured person and the remaining amount shall be paid in accordance with the requirements of the basic medical insurance policy. The proportion of the fee paid by the insured person shall be determined by the local government and may differ between regions.

The following table sets forth the Insurance Catalogues in which our products are listed:

Name of Product	National Insurance Catalogue		Provincial Insurance Catalogue	
	Part A	Part B	Part A	Part B
Axetine	Yes	–	Yes	–
Medocef	–	–	–	Shanghai, Jiangsu, Guangdong, Qinghai, Shanxi, Inner Mongolia, Anhui, and Zhejiang
Human Albumin Solution	–	Yes	–	All provinces
TAD	–	Yes	–	All provinces
Taurolite	–	–	–	Liaoning, Jiangxi, Hubei, Inner Mongolia, Guangxi, Gansu, Henan, Ningxia, Jiangsu, and Yunnan
Esafosfina	–	Yes	–	All provinces
Xinneng Q_{10}	–	–	–	–

National Catalogue of Essential Pharmaceuticals (國家基本藥物目錄)

The NHFPC and eight other ministries and commissions of the PRC issued the Administrative Measures of National Catalogue of Essential Pharmaceuticals (國家基本藥物目錄管理辦法) and the Opinions on the Implementation of the National List of Essential Pharmaceuticals System (關於建立國家基本藥物制度的實施意見) on 18 August 2009, and the General Office of the State Council issued the Opinions Regarding the Consolidation and Improvement of Essential Pharmaceutical System and Basic Operation Mechanism (國務院辦公廳關於鞏固完善基本藥物制度和基層運行新機制的意見), which aim to secure the supplies of essential pharmaceuticals to the general public, to ensure that essential pharmaceuticals are available to the general public at fair prices, and to ensure that the general public has equal access to those drugs listed in the National Catalogue of Essential Pharmaceuticals. The National Catalogue of Essential Pharmaceuticals (2012 Version) (國家基本藥物目錄(2012年版)) was promulgated by the MOH on 13 March 2013 and became effective on 1 May 2013.

Pursuant to the aforesaid regulations and rules, basic medical and healthcare institutions (including county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics) shall be equipped with and apply the pharmaceuticals listed on the National Catalogue of Essential Pharmaceuticals. Most of the pharmaceuticals listed on the National Catalogue of Essential Pharmaceuticals shall be purchased through a centralised tender process and shall be subject to the price controls of the NDRC. Therapeutic pharmaceuticals listed on the National Catalogue of Essential Pharmaceuticals shall be included in the Catalogue of Pharmaceuticals for Medical Insurance and fees incurred in purchasing such pharmaceuticals may be reimbursed in full.

Pursuant to the Opinion of the General Office of the State Council on the Consolidation and Improvement of the System of Essential Pharmaceuticals and the New Grassroots Operating Mechanisms Thereof, the provincial-level governments shall add drugs outside the Provincial Insurance Catalogue to its Provincial Insurance Catalogue, provided that such supplementary drugs strictly conform to the state policies on essential pharmaceuticals.

The following table sets forth the Catalogues of Essential Pharmaceuticals in which our products are listed:

Name of product	National Catalogue of Essential Pharmaceuticals	Provincial Catalogues of Essential Pharmaceuticals
Axetine	Yes	–
Medocef	–	Anhui, Qinghai, and Jilin
Human Albumin Solution	–	Anhui, Jilin, and Guangdong
TAD	–	Anhui, Jilin, Jiangxi, Shanxi, Xinjiang, Shanghai, Guangdong, Sichuan, Yunnan, and Chongqing
Taurolite	–	–
Esafosfina	–	Anhui, Jilin, Shanghai, Guangdong, and Chongqing
Xinneng Q_{10}	–	–

Pricing Control

Pharmaceutical Products

Certain pharmaceutical products sold in the PRC, primarily those pharmaceutical products included in the National Catalogue of Essential Pharmaceuticals and the National Insurance Catalogue, as well as those pharmaceuticals the production or trading of which will constitute monopolies, are subject to price controls by the PRC government.

Pursuant to the Notice on the Publication of Opinions Regarding Reforms on Price Management of Pharmaceutical Products of the State Planning Commission (國家計委印發關於改革藥品價格管理的意見的通知), which was issued by the NDRC on 20 July 2000, and the Catalogue of Price-controlled Pharmaceuticals of the NDRC (國家發展改革委定價藥品目錄), which was amended on 5 March 2010 and became effective on 1 April 2010, prices of pharmaceutical products are either determined by the government or by market conditions. The prices of certain pharmaceutical products sold in the PRC are subject to price control mainly in the form of price ceilings and, in some other cases, fixed prices. Manufacturers and distributors shall not set the actual price for any price-controlled product above the price ceiling or deviate from the fixed price set by the government. The prices of pharmaceutical products that are not subject to price controls are determined freely at the discretion of the pharmaceutical manufacturers, and pharmaceutical wholesale and retail enterprises shall not set the actual price above the price ceiling set by the manufacturers. The prices of pharmaceutical products that are subject to price controls are administered by the NDRC and provincial and regional price control authorities. The NDRC publishes and updates the list of pharmaceutical products that are subject to price controls from time to time. Fixed prices and price ceilings on pharmaceutical products are determined based on the profit margins that the relevant government authorities deem reasonable, the type and quality of the medicine, production costs, and the prices of substitute pharmaceutical products. The NDRC directly regulates the pricing of all prescription medicines on the National Insurance Catalogue and all medicines on the

National Catalogue of Essential Pharmaceuticals, and authorises the provincial and regional price control authorities to regulate the pricing of non-prescription pharmaceuticals on the National Insurance Catalogue.

An enterprise which imports pharmaceuticals may apply for a price adjustment to the provincial price control authorities in the province where it is incorporated, if the pharmaceutical is on the provincially regulated list, or to the NDRC, if the pharmaceutical is on the centrally regulated list. For a pharmaceutical on the provincially regulated list, in cases where provincial price control authorities approve the application, the provincial price control authorities shall file the new approved price with the NDRC as a record and make an announcement to the public through designated media. In addition, if a particular pharmaceutical is significantly superior to comparable products in terms of effectiveness, safety, treatment cycle and cost, its manufacturer or the relevant enterprise shall apply for an approval for separate pricing, subject to the NDRC's approval.

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 Legislative Affairs Office of the State Council and the State Council Office for Rectifying, the MOH, the SFDA, the MOFCOM, the MOF and the Ministry of Labour and Social Security on 19 May 2006, the PRC government exercises price control over pharmaceutical products included in the National Insurance Catalogue and makes an overall adjustment to their prices by reducing the retail price of certain overpriced pharmaceutical products and increasing the retail price of certain underpriced pharmaceutical products in demand for clinical use but that have not been produced in large quantities by manufacturers due to their low retail price levels. In particular, the retail price charged by hospitals at the county level or above shall not exceed 115% of the procurement cost of the relevant pharmaceutical products or 125% for Chinese herbal pieces.

The Notice on Adjusting the Price of Some Pharmaceutical Products (including drugs used for treatment of respiratory disease, antipyretic and analgesic drugs and drugs with special treatment effect) and Related Issues (國家發展改革委關於調整呼吸解熱鎮痛和專科特殊用藥等藥品價格及有關問題的通知) was issued by the NDRC on 31 December 2012 and became effective on 1 February 2013. The lists attached to the notice prescribed the retail price ceilings for pharmaceutical products that are subject to separate pricing or centralised pricing. Medical institutions, retail drugstores, pharmaceutical manufacturers and pharmaceutical suppliers shall not sell the pharmaceutical products at a price higher than the retail price ceilings. The price administration at the provincial level is authorised to determine provisional retail price ceilings in its administrative region for the drugs that are not subject to price controls by the NDRC, as well as the retail price ceilings for pharmaceutical products of which the dosage forms or specifications are not included in the lists. The retail prices of pharmaceutical products that are not subject to price controls can be determined freely at the discretion of the pharmaceutical manufacturers. Pharmaceutical products sold by pharmaceutical manufacturers to the overseas market are not subject to price control.

Pursuant to the Notice on the Publication of Opinions to Facilitate the Pricing Reform of Pharmaceuticals (關於印發推進藥品價格改革意見的通知) promulgated by the NDRC, CFDA, MOF, MOFCOM, MOHRSS, Ministry of Industry and Information Technology (工業和信息化部) and NHFPC on 4 May 2015, the existing prices of pharmaceuticals determined by the government shall be revoked effective on 1 June 2015, except for narcotic drugs and psychotropic drugs of category I which shall be temporarily subject to factory gate price ceilings and retail price ceilings as regulated by the NDRC. The price ceilings of other pharmaceuticals have been revoked by the government and they are no longer subject to price ceiling management. Prices shall be determined by the market through various means in accordance with the principle of categorisation management. As for the pharmaceuticals covered by the medical insurance fund, the medical insurance bureau will work with the relevant authority to formulate the procedures, references and methods for determining the reimbursement standards of pharmaceuticals covered by medical insurance, and seek to set up a guiding mechanism for the reasonable pricing of

pharmaceuticals. The prices of blood products not covered under the medical insurance category, preventive drugs under the centralised procurement of the government and AIDS drugs and contraceptives provided by the government free of charge shall be determined by tender procurement or negotiation.

Pursuant to the Notice on the Enhancement of Regulation on Pricing of the Pharmaceutical Market (關於加強藥品市場價格行為監管的通知), which was promulgated by the NDRC and became effective on 4 May 2015, and in line with the Notice on the Publication of Opinions to Facilitate the Pricing Reform of Pharmaceuticals (關於印發推進藥品價格改革意見的通知), the NDRC will arrange a specific inspection of pharmaceutical prices for a term of nearly eight months in order to regulate pricing of the pharmaceutical market, restore pricing order to the pharmaceutical market and ensure the implementation of pricing reform. The inspection targets include pharmaceutical manufacturing and operation enterprises and medical institutions. The focus of the inspection will be on prices of pharmaceuticals of limited competition and specialty drugs for patients with special illnesses. The above targets will be inspected for any of the following illegal actions that take advantage of the implementation of the Pricing Reform of Pharmaceuticals to disrupt the pricing order of the market: (1) spreading false information of price hikes or driving up prices that disturb market order; (2) colluding or manipulating market prices; (3) selling pharmaceuticals at unfairly high prices by abusing market dominance; (4) committing pricing fraud such as false original pricing, false price tags, raising prices before giving discounts, displaying misleading price tags and concealing terms and conditions of prices; (5) concentrating procurement of pharmaceuticals listed in the Insurance Catalogues with unauthorised price hikes or actions resulting in price hikes; (6) primary medical institutions which adopt basic pharmaceutical pricing system and public hospitals under the reform violating the zero premium policy of pharmaceuticals; (7) public medical institutions raising the selling prices of pharmaceuticals in breach of the increase rate policy of pharmaceuticals; (8) pharmaceutical manufacturing and operation enterprises and medical institutions violating the pricing management policy by selling low-cost pharmaceuticals at a price exceeding the daily average standard; (9) selling government-priced pharmaceuticals at a price exceeding the maximum level; and (10) violating the requirements to display clearly marked price tags and charges. The price regulation bureau will increase the punishment for violation of pharmaceutical pricing regulations in strict accordance with the Administrative Punishment Law (行政處罰法), the Pricing Law (價格法), the Anti-monopoly Law (反壟斷法) and the Provisions on the Administrative Punishment of Price-related Violations (價格違法行為行政處罰規定). Institutions which take advantage of the Pricing Reform of Pharmaceuticals to disrupt the pricing order of the market, especially those involved in unethical and serious cases of driving up the prices of specialty drugs for patients with special illnesses, will be subject to maximum penalties and denunciation. In addition, an incentive mechanism based on integrity will be established under which the violation of pharmaceutical pricing regulations will be stated in the pricing integrity record. In addition, in accordance with relevant requirements, pharmaceutical manufacturing and operation enterprises which are in serious violation shall be recorded for the malpractice of centralised procurement of pharmaceuticals. Suggestions will be made to the competent authority for the cancellation of the centralised procurement qualification of relevant enterprises, as a result of which their application for centralised procurement of any products will not be accepted for two years.

PRC Laws and Regulations in relation to Centralised Procurement and Tender Process

Pharmaceutical Products

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 21 February 2000, require public hospitals and medical institutions to purchase pharmaceutical products through a centralised tender process. According to the Guiding Opinions on Enhancing Centralised Procurement of Pharmaceutical Products by Public Hospitals (the "**Guiding Opinions**") (國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見) (Guo Ban Fa [2015] No. 7) issued by the General Office of the State Council on 9 February 2015, all pharmaceuticals used by public hospitals (excluding ready-to-use Chinese medicine) shall be purchased

through provincial-level central purchasing departments. The MOH and other relevant government authorities have promulgated a series of regulations and releases in order to implement the tender requirements. According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralised Tender Procurement of Pharmaceuticals by Medical Institutions (關於印發醫療機構藥品集中招標採購試點工作若干規定的通知) promulgated on 7 July 2000, and the Notice on Further Improvement on the Implementation of Centralised Tender Procurement of Pharmaceuticals by Medical Institutions (關於進一步做好醫療機構藥品集中招標採購工作的通知) promulgated on 8 August 2001 and Notice of the Guiding Opinions on the Improvement of Public Hospitals' Centralized Procurement of Pharmaceutical Products (國家衛生計生委關於落實完善公立醫院藥品集中採購工作指導意見的通知) (Guo Wei Yao Zheng Fa [2015] No. 70) issued by the National Health and Family Planning Commission on 11 June 2015, medical institutions established by governments at the county or higher level are required to implement a centralised tender process for the procurement of pharmaceuticals.

On 13 March 2002, the MOH promulgated the Regulations on Medical Institutions for Procurement of Pharmaceuticals by Centralised Tender and Price Negotiations (Provisional) (醫療機構藥品集中招標採購和集中議價採購工作規範(試行)) ("**Centralised Procurement Regulations**") to implement the tender process requirements and ensure the requirements are followed uniformly in China. In November 2001, the MOH issued the Sample Document for Medical Institutions for Procurement of Pharmaceuticals by Centralised Tender and Price Negotiations (Provisional) (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)) ("**Centralised Tender Sample Document**") as the operational document of the Centralised Procurement Regulations. The Centralised Tender Regulations and the Centralised Tender Sample Document provide rules for the tender process and pricing of pharmaceuticals, operational procedures, code of conduct and standards or measures for evaluating the bids and prices.

On 17 January 2009, the MOH, the SFDA and other four national departments jointly promulgated the Opinions on Further Regulating Centralised Procurement of Pharmaceuticals by Medical Institutions (關於進一步規範醫療機構藥品集中採購工作的意見). According to the notice, non-profit medical institutions owned by the government at the county level or higher, or owned by state-owned enterprises (including state-controlled enterprises), shall purchase pharmaceutical products through centralised procurement. Each provincial government shall formulate its catalogue of pharmaceuticals subject to centralised procurement. Except for drugs in the National Catalogue of Essential Pharmaceuticals (the procurement of which shall comply with the relevant rules of the National Catalogue of Essential Pharmaceuticals), certain pharmaceutical products which are under the national government's special control and traditional Chinese medicines, in principle, all pharmaceuticals used by the medical institutions shall be covered by the catalogue of pharmaceuticals subject to centralised procurement. On 7 July 2010, the MOH and five other ministries and commissions jointly promulgated the Standards of Centralised Procurement of Pharmaceutical Products by Medical Institutions (the "**Standards**") (醫療機構藥品集中採購工作規範) to further regulate the centralised procurement of pharmaceuticals and clarify the code of conduct of the parties involved in centralised pharmaceuticals procurement. Pharmaceutical manufacturers shall participate as tenderers in the centralised procurement of pharmaceuticals. Companies set up by medical manufacturers for the sole purpose of selling drugs produced by such manufacturers and general agents of imported medical products may be treated as manufacturers in the tender process for the centralised procurement of pharmaceuticals. Zhong Lun Law Firm, our PRC legal advisor, is of the view that the Guiding Opinions complement the Standards and the Guiding Opinions do not prohibit us from participating in the tender process for centralized procurement of pharmaceutical products by public hospitals.

According to the Guiding Opinions on Enhancing Centralised Procurement of Pharmaceutical Products by Public Hospitals (國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見) (Guo Ban Fa [2015] No. 7) issued by the General Office of the State Council and the Notice of the Guiding Opinions on the Improvement of Public Hospitals' Centralized Procurement of Pharmaceutical Products (國家衛生計生委關於落實完善公立醫院藥品集中採購工作指導意見的通知) (Guo Wei Yao Zheng Fa

[2015] No. 70) issued by the National Health and Family Planning Commission, the procurement agencies of provincial pharmaceutical products shall determine the type of pharmaceutical products to be procured through tendering pursuant to the relevant principles and standards of the PRC.

The centralised tender process takes the form of a public tender operated and organised by provincial or municipal government agencies. The centralised tender process is in principle conducted once every one to five years in the relevant province or city in China. Intermediaries may be engaged to act as bidding agents for the centralised tender process. Such intermediaries are not permitted to engage in the distribution of drugs and must have no conflict of interest with the organising government agencies. The bids are assessed by a committee composed of pharmaceutical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, qualifications and reputation of the manufacturer, and after-sale services. Only pharmaceuticals that have won in the centralised tender process may be purchased by public medical institutions funded by government in the relevant region in principle.

PRC Laws and Regulations in relation to Restrictions on Advertising

Pursuant to the Provisions for Drug Advertisement Examination (藥品廣告審查辦法) which were promulgated on 13 March 2007 and became effective on 1 May 2007, and the Provisions for Medical Device Advertisement Examination (醫療器械廣告審查辦法) which were promulgated on 7 April 2009 and became effective on 20 May 2009, an enterprise seeking to advertise its pharmaceutical products or medical devices must apply for an advertising approval code. The local pharmaceutical regulatory authorities of the provinces, autonomous regions or municipalities are the examination authorities responsible for examining pharmaceutical advertisements or medical device advertisements within their administrative regions. The administrative bureau for industry and commerce at or above the county level are the competent supervisory authorities for such advertisements. Advertisements that merely contain the names of non-prescription pharmaceuticals or medical devices, or advertisements published in professional medical or pharmaceutical journals that merely contain the names of the prescription pharmaceuticals, are exempt from advertisement examination. Advertisements that merely contain the names of medical devices shall incorporate the registration certificate number of the medical devices. Only the manufacturer or licenced distributors (with the consent of the manufacturer) for the relevant pharmaceuticals or medical devices may apply for an advertisement approval number. An application for an advertisement approval number for imported pharmaceuticals or medical devices shall be submitted to the pharmaceutical advertisement examination authority in the place where the agent of the imported drug or medical device is located. The validity term of an advertisement approval number for pharmaceuticals or medical devices is one year. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval number shall be obtained.

In addition, pursuant to Advertising Law of the People's Republic of China (Revised in 2015) (中華人民共和國廣告法(2015年修訂)) which was promulgated on 24 April 2015 and became effective on 1 September 2015, any advertisement for medical treatment, pharmaceuticals or medical devices shall not contain the following items: a) any assertion or guarantee for efficacy and safety; b) any statement on cure rate or effective rate; c) comparison of the efficacy and safety with other pharmaceuticals or medical devices or with other medical institutions; d) endorsements or testimonials; e) other items as prohibited by laws and administrative regulations.

PRC Laws and Regulations in relation to Commercial Bribery with respect to the Pharmaceutical Industry

Pursuant to the Tentative Regulations on Prohibition of Commercial Bribery (關於禁止商業賄賂行為的暫行規定), which were issued by the SAIC and became effective on 15 November 1996,

pharmaceutical manufacturers and distributors are prohibited from providing clients with cash and other forms of rewards deemed a bribe, including but not limited to those paid in the name of promotion costs, publicity expenses, contributions, research costs, remuneration, consulting fees or commissions, or by providing reimbursement of all kinds of fees in order to sell or purchase products, or provide some benefits other than property, such as all kinds of overseas and domestic travels of various descriptions and considerations as well as investigation.

Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Pharmaceuticals Purchase and Sales Industry (關於建立醫藥購銷領域商業賄賂不良紀錄的規定) promulgated by the MOH on 19 January 2007 and amended by the NHFPC on 25 December 2013, if a manufacturer or trading enterprise of pharmaceuticals, medical devices or medical supplies, or its agency institutions or personnel, provide employees of medical and health institutions with property or other interests for purchasing or using its pharmaceutical products, medical devices or medical supplies, it shall be listed into the adverse records of commercial briberies published by the provincial health and family planning administrative authorities on their official website in a timely manner and shall be reported to the NHFPC within one week after publication. As for a manufacturer of medical products or its agent who is listed into the local adverse records of commercial briberies once, its pharmaceutical products, medical devices and medical supplies shall not be purchased by public medical institutions or medical and health institutions receiving financial subsidies in local provinces for two years from publication, and public medical institutions and medical and health institutions receiving financial subsidies in other provinces shall lower their rating of the manufacturer in bidding or purchasing processes. If a manufacturer of medical products is listed into the adverse records twice or more times in five years, its pharmaceutical products, medical devices and medical supplies shall not be purchased by public health institutions or medical and health institutions receiving financial subsidies nationwide for two years from publication of the record.

PRC Laws and Regulations in relation to Management of Importing Goods

Under the Foreign Trade Law of the People's Republic of China (中華人民共和國對外貿易法) promulgated by the Standing Committee on the National People's Congress on 12 May 1994 and amended on 6 April 2004, and the Measures for the Registration of Foreign Trade Business Operators (對外貿易經營者備案登記辦法), which were promulgated by the MOFCOM on 25 June 2004 and became effective on 1 July 2004, the PRC government adopted a filing and registration system for foreign trade operators engaged in the import and export of goods. Operators shall file for registration of their goods with the competent authority for foreign trade or its agency branches. Customs will decline to carry out customs clearance and inspection procedures for the import and export of goods for operators that fail to do so.

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the Standing Committee of the NPC on 22 January 1987 and amended on 29 June 2013 and related regulations, the declaration of imported and exported goods may be made by consignees and consignors themselves, and such formalities may also be completed by entrusted customs brokers who have registered with Customs. The consignees and consignors for imported or exported goods and the customs brokers engaged in customs declarations shall register with Customs in accordance with the law.

The principal regulations on the inspection of import and export commodities are set out in the Import and Export Commodity Inspection Law of the People's Republic of China (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the National People's Congress on 21 February 1989 and amended on 28 April 2002, and its implementation rules. According to the aforesaid laws and regulations, the imported and exported commodities that are subject to compulsory inspection listed in the catalogue compiled by the state administration shall be inspected by the commodity inspection authorities, and the imported and exported commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors or their entrusted agents may apply for inspection to the commodity inspection authorities.

Pursuant to the Administrative Measures for the Import and Export of Goods of the People's Republic of China (中華人民共和國貨物進出口管理條例) which were issued by the State Council on 12 October 2001 and became effective on 1 January 2002, the PRC government implements a unified administrative system for the import and export of goods. The PRC allows free import and export of goods and maintains the fairness and orderliness of the import and export of goods according to law. Unless it is clearly provided in laws and administrative regulations that the import or export of goods is forbidden or restricted, no entity or individual may establish or maintain prohibitive or restrictive measures over the import and export of goods.

PRC Laws and Regulations in relation to Product Liability and Customer Protection

Pursuant to the General Principles of the Civil Law of the People's Republic of China (中華人民共和國民法通則), which was promulgated by the National People's Congress on 12 April 1986 and became effective on 1 January 1987, and the Law on the Protection of Rights and Interests of Consumers of the People's Republic of China (中華人民共和國消費者權益保護法), which was promulgated by the National People's Congress on 31 October 1993, became effective on 1 January 1994 and was further revised by the National People's Congress on 27 August 2009 and 25 October 2013, manufacturers and distributors shall bear joint liability for the loss and damage arising from the defective products that they manufacture or distribute.

Under the Tort Law of the People's Republic of China (中華人民共和國侵權責任法) which was promulgated by the National People's Congress on 26 December 2009 and became effective on 1 July 2010, manufacturers and distributors shall bear tort liability for property damage or personal injury caused by their defective products.

PRC Laws and Regulations in relation to Labour Protection

Under the Labour Law of the People's Republic of China (中華人民共和國勞動法), which was promulgated by the Standing Committee of National People's Congress on 5 July 1994 and became effective on 1 January 1995 and subsequently amended on 27 August 2009, the Employment Contract Law of the People's Republic of China (中華人民共和國勞動合同法), which was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and became effective on 1 January 2008, and was subsequently amended on 28 December 2012 and became effective on 1 July 2013, and the Implementing Regulations of the Employment Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例), which were promulgated by the State Council and became effective on 18 September 2008, a written employment contract shall be executed between employees and employers. Salaries paid by employers to employees shall not be less than the local minimum requirement. Employers shall establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety, and to provide employees with occupational training to prevent occupational injury. Employers are required, when employing labour, to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions as requested by the Labour Law of the People's Republic of China (中華人民共和國勞動法). Pursuant to the Law of Safe Production of the People's Republic of China (中華人民共和國安全生產法), which was promulgated on 29 June 2002, became effective on 11 November 2002 and was amended on 31 August 2014, manufacturers shall formulate safe production standards in accordance with applicable laws, administrative regulations and national or industrial standards. Manufacturers who fail to formulate such safe production standards are prohibited from commencing manufacturing activities.

PRC Laws and Regulations in relation to Social Insurance and Housing Funds

Pursuant to the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法), which was promulgated by the Standing Committee of the National People's Congress on 28

October 2010 and became effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which were promulgated by the State Council on 22 January 1999, and became effective on the same date, the Measures on the Maternity Insurance of Employees (Provisional) (企業職工生育保險試行辦法), which were promulgated by the Ministry of Labour on 14 December 1994 and became effective on 1 January 1995, the Regulations on Work-related Injury Insurance (工傷保險條例), which were promulgated by the State Council on 27 April 2003 and became effective on 1 January 2004 and subsequently amended on 20 December 2010 (the latest revision became effective on 1 January 2011), and Administrative Regulations on Housing Funds (住房公積金管理條例), which was promulgated by the State Council, became effective on 3 April 1999 and was amended on 24 March 2002 (the latest revision became effective on 24 March 2002), employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing funds. An employer who fails to fulfil the above requirements will be ordered to rectify the situation and be imposed with a fine and late payment fee.

Environmental Protection Laws

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) was adopted by the Standing Committee of the National People's Congress and became effective on 26 December 1989, and was revised on 24 April 2014. Pursuant to this law, facilities for the prevention and control of pollution must be designed, built and put into operation simultaneously with the principal part of the construction of a project. Enterprises discharging pollutants must report to and register with the competent environmental protection administration authorities. Enterprises discharging pollutants in excess of prescribed national or local discharge standards shall pay a fee for excessive discharge and assume responsibility for eliminating and controlling the pollution.

Enterprises in the PRC must comply with the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), effective from 1 June 2008, the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), effective from 1 September 2000, and the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法), effective from 1 March 1997. These laws regulate extensive issues in relation to environmental protection, including waste water discharge, air pollution and noise emission. Pursuant to these laws, all enterprises that may cause environmental pollution in the course of their operation shall adopt environmental protection measures and establish a reliable system for environmental protection. Enterprises are required to adopt effective measures to prevent and control the level of environmental pollution and hazards produced during production, construction and other activities. Enterprises must obtain a licence for the discharge of waste water and atmospheric pollutants, and the discharged waste water and atmospheric pollutants must meet with the applicable provincial and local standards.

Environmental Protection Regulations for Construction Projects

The Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例) were promulgated by the State Council and became effective on 29 November 1998. The Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法) was adopted by the Standing Committee of National People's Congress and became effective on 1 September 2003. The law and regulations require an environmental impact assessment to be completed prior to the construction of a project and establish a three-tier system for environmental impact assessments. In the case of a construction project that may cause a significant environmental impact, an environmental impact report shall be completed by a qualified institution and include a full assessment of the environmental impact. In the case of a construction project that may cause a moderate environmental impact, a report form shall be completed by a qualified institution and include an analysis or special assessment of the environmental impact. In the case of a construction project that may cause a minor

environmental impact, an environmental impact assessment is unnecessary, but a registration form shall be completed. The catalogue for the classification of environmental impact assessments for construction projects is formulated and issued by the environmental protection administration department of the State Council. Environmental impact assessment documents shall be submitted to the competent administrative department responsible for environmental protection for review and approval. In the absence of such approval, permission for the construction of a project will not be granted and construction is not allowed to commence.

Pursuant to the Administrative Regulations on the Environmental Protection of Construction Projects and the Administrative Measures on Environmental Protection Inspection and Acceptance for Completion of Construction Projects (建設項目竣工環境保護驗收管理辦法) issued by the Ministry of Environmental Protection of the PRC, effective from 1 February 2002 and revised on 22 December 2010, once a construction project is completed, the entity responsible for the construction shall apply to the competent environmental protection administration authority for inspection and acceptance of the project. The entity is required to provide the authority with an application report, an application form or a registration form, together with the applicable environmental protection monitoring or investigation documents, depending upon the type of environmental impact assessment document applicable to it. The authority will carry out the inspection and acceptance within the prescribed time limit and grant its approval that the construction project satisfies the conditions for acceptance set forth in the aforesaid rules. In the absence of such approval, the construction project shall not be put into operation.

PRC Laws and Regulation in relation to Foreign Investment

Guidance Catalogue for Foreign Investment

Pursuant to Guidance Catalogue for Foreign Investment (2015 Revision) (外商投資產業指導目錄（2015年修訂）), which was jointly issued by the NDRC and the MOFCOM on 10 March 2015 and became effective on 10 April 2015, foreign investments in industries in the PRC are classified into encouraged, restricted and prohibited categories. Foreign investments are permitted in the industries which are not included in the catalogue. Our subsidiaries in the PRC engage in industries that allow foreign investment.

Foreign Direct Investment

Foreign investors may make investments and establish enterprises in the PRC in compliance with the Company Law of the People's Republic of China (中華人民共和國公司法), the Law of Sino-Foreign Joint Equity Enterprise of the People's Republic of China (中華人民共和國中外合資經營企業法), the Law of Sino-Foreign Contractual Joint Venture of the People's Republic of China (中華人民共和國中外合作經營企業法) and the Law of Foreign-invested Enterprise of the People's Republic of China (中華人民共和國外資企業法).

The Company Law of the People's Republic of China (中華人民共和國公司法), issued by the Standing Committee of National People's Congress on 29 December 1993 and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, regulates enterprises which are established, operated and administrated in the PRC. In the PRC, companies are generally classified into two catalogues, namely companies with limited liability and joint stock companies with limited liability.

Pursuant to the Law of Sino-Foreign Joint Equity Enterprise of the People's Republic of China (中華人民共和國中外合資經營企業法), which was issued by the Standing Committee of the National People's Congress on 8 July 1979 and became effective on the same date and subsequently amended on 4 April 1990 and 15 March 2001, and its implementing regulations, a Sino-foreign joint equity enterprise is a enterprise established by foreign companies, enterprises and other economic organisations and individuals within the territory of the PRC, based on the principles of equality and mutual benefit upon

the approval of the PRC government. In general, the ratio of investment of foreign parties shall not be less than 25% of the registered capital of the joint venture. All parties shall share profit and bear risks and losses on a pro-rata basis.

Pursuant to the Law of Sino-Foreign Contractual Joint Venture of the People's Republic of China (中華人民共和國中外合作經營企業法), which was issued by the Standing Committee of the National People's Congress on 13 April 1988 and became effective on the same date and subsequently amended on 31 October 2000, and its implementing regulations, a Sino-foreign joint venture enterprise is a contractual joint venture enterprise jointly established by foreign enterprises and other economic organisations or individuals and enterprises in the PRC within the territory of the PRC, based on the principles of equality and mutual benefit. If a joint venture enterprise is in compliance with the requirements of incorporation under applicable laws of the PRC, it will be granted the qualification of a corporation in the PRC. An enterprise which applies for the establishment of a joint venture shall submit agreements and contracts entered into between the domestic and foreign parties, articles of association, and other documents to the competent foreign trade authority under the State Council or authorities as authorised by the State Council and local government for consideration and approval. Parties of a joint venture shall share profit or products and bear risks and losses in accordance with the terms set out in the agreement regarding the joint venture.

Under the Law of Foreign-invested Enterprise of the People's Republic of China (中華人民共和國外資企業法), which was issued by the Standing Committee of the National People's Congress on 12 April 1986 and became effective on the same date and subsequently amended on 31 October 2000, and its implementing regulations, a foreign-invested enterprise is an enterprise established by foreign investors within the territory of the PRC in accordance with applicable laws of the PRC and of which all capital is invested by such foreign investors, excluding branches established by foreign enterprises and other economic organisations in the PRC. An application for the establishment of a foreign-invested enterprise shall be considered and approved by the competent foreign trade authority under the State Council or other authorities as authorised by the State Council. The investment, profit and other legal interests in the PRC of foreign investors shall be protected by the laws of the PRC.

Pursuant to the Notice on the Ministry of Commerce on Improving the Administration of Foreign Investment Review (商務部關於改進外資審核管理工作的通知), which was promulgated by the Ministry of Commerce on 17 June 2014 and became effective on the same date, the Ministry of Commerce has proposed various measures to improve the administration for foreign investments, which include measures to cancel the limitation and requirements on the proportions of initial capital contributions, proportions of cash contributions and deadline for capital contribution applicable to foreign-invested companies, and to revoke the requirements for minimum registered capital except as otherwise provided by the laws, administrative regulations or decisions of the State Council on the minimum registered capital for a specific industry.

Domestic Investment by Foreign-invested Enterprise

Pursuant to the Interim Provisions on Domestic Investment by Foreign-invested Enterprises (關於外商投資企業境內投資的暫行規定) promulgated on 25 July 2000 and amended on 26 May 2006, a foreign-invested enterprise may establish or purchase equity interests in a company engaged in the industries into which foreign investment is encouraged or permitted. The foreign-invested enterprise shall file with the original approval authority of record within 30 days of the date when the relevant registration procedures were completed by the invested company. A foreign-invested enterprise may establish or purchase equity interests in a company engaged in the industries into which foreign investment is restricted after obtaining the approval of the competent authority for commerce. A foreign-invested enterprise is not permitted to establish or purchase equity interests in a company engaged in the industries into which foreign investment is prohibited.

PRC Laws and Regulations in relation to Management of Foreign Exchange

Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the PRC (中華人民共和國外匯管理條例), which were promulgated by the State Council on 29 January 1996 and amended on 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定), which were promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996. Under these rules and other PRC rules and regulations on currency conversion, the Renminbi is freely convertible for payment of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loans or investment in securities outside China unless the prior approval of SAFE or its local counterparts is obtained. A foreign-invested enterprise in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (such as board resolutions), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain their recurrent exchange earnings according to their operational needs and the sums retained may be deposited into foreign exchange bank accounts maintained with the designated banks in the PRC. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities and derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary).

Settlement of Capital

The Notice on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) was promulgated and became effective on 29 August 2008. It regulates the conversion by foreign-invested enterprises of foreign currency into RMB by restricting how the converted RMB may be used. It requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested enterprise shall only be used for purposes within the business scope approved by the relevant government authorities and shall not be used for equity investments within the PRC unless otherwise specifically provided. Further, it shall not be used to repay RMB loans if the proceeds of such loans have not yet been used.

Pursuant to the Notice on Issues Relating to Pilot Scheme of Reform of Administration of Foreign Currency Capital Settlement by Foreign-invested Enterprise in Certain Areas (國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知), which were issued by the SAFE on 4 July 2014 and became effective on 4 August 2014, the SAFE decided to launch a pilot scheme to reform the administration of foreign currency capital settlement by foreign-invested enterprises in certain areas in China in order to further promote the reform in the administration of foreign currency exchange. According to such notice, voluntary exchange settlement of foreign currency capital by foreign-invested corporations in the pilot scheme regions is permitted, which means that exchange settlement for the foreign currency capital funds in a foreign-invested enterprise's capital funds account, for which capital contribution interests have been confirmed by local foreign exchange bureau, may be processed by a bank in accordance with the enterprise's actual business needs. The percentage of voluntary exchange settlement of foreign currency capital by foreign-invested enterprises registered and established within the pilot regions is 100% for the time being. The SAFE may adjust the above proportion based on international balance of payments at any time. A foreign-invested enterprise shall open a corresponding account for the pending payment of foreign exchange capital settlement in the bank where it opens the foreign exchange capital account for the deposit of RMB funds converted from foreign exchange capital, and make all payments through this account. If a foreign-invested enterprise not mainly engaging in investment business in the PRC makes domestic equity investments with the exchange

settlement funds, the investee enterprise shall first complete registration for reinvestment in the PRC with the local foreign exchange bureau and open the corresponding exchange settlement pending payment account, and then the investor enterprise shall deposit the RMB funds converted from foreign exchange to such pending payment accounts based on the actual investment size. Where the investee enterprise continues to make equity investments in the PRC, it shall comply with the aforesaid procedure.

Pursuant to the Circular on the Reform of the Management in Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), which was promulgated by the SAFE on 30 March 2015 and became effective on 1 June 2015, foreign-invested enterprises in the PRC may, according to their business needs, settle with a bank the portion of foreign exchange capital in their capital account for which the local foreign exchange bureau has confirmed capital contribution rights and interests, and the portion allowed to be settled by a foreign-invested enterprise is tentatively 100%. Furthermore, where foreign-invested enterprises are engaging in equity investments in the PRC, they shall comply with the regulations on reinvestment within the territory of the PRC.

Adjustment on the Administration of Foreign Exchange for Direct Investment

Pursuant to the Circular on Further Improving and Adjusting the Administration Policy of Foreign Exchange for Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) ("**Circular No. 59**") which was promulgated by SAFE on 19 November 2012 and became effective on 17 December 2012, approval is not required for the opening of an account entry in foreign exchange accounts for direct investment, re-investment with the domestic lawful incomes by the foreign investors, the purchase and offshore payments of foreign exchange for the direct investment, and the domestic transfer of foreign exchange for direct investment. Circular No. 59 also simplifies the capital verification and confirmation formalities for foreign-invested enterprises and the foreign capital and foreign exchange registration formalities required for foreign investors to acquire the equity of the Chinese party, and further improves the administration on exchange settlement of the foreign exchange capital of foreign-invested enterprises.

Pursuant to the Circular on Further Simplifying and Improving the Administration Policy of Foreign Exchange for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), (Hui Fa [2015] No. 13) ("**Circular No. 13**") which was promulgated by the SAFE on 13 February 2015 and became effective on 1 June 2015, administrative approval of foreign exchange registration for domestic direct investment has been cancelled while the registration and confirmation formalities for the foreign capital of foreign investors for domestic direct investment have been simplified.

Regulations on Foreign Exchange in Domestic and Off-shore Transaction

Pursuant to the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**Circular No. 37**"), which was issued by the SAFE and became effective on 4 July 2014, (i) a domestic resident shall register with SAFE before he or she contributes assets or equity interests to a special purpose vehicle. If the domestic resident contributes assets or equity interests in the PRC, he or she shall register with the foreign exchange regulatory authority in the registration place or local foreign exchange authority in place where the assets or interests are located. If the domestic resident contributes overseas assets or equity interests, he or she shall register with the foreign exchange regulatory authority in the registration place or local foreign exchange authority of its domicile; (ii) following the initial registration, any major changes, such as a change in the overseas special purpose vehicle's domestic resident shareholders, the name of the overseas special purpose vehicle and term of operation, or any increase or reduction of the registered capital of the overseas special purpose vehicle, share transfer or swap, merger or division, or similar development, shall be timely reported to the SAFE for registration.

For the purpose of Circular No. 37, "domestic organisation" shall refer to corporations and other economic organisations established in the PRC in accordance with the law. "Domestic resident individuals" shall refer to Chinese citizens holding domestic resident ID cards, military ID certificates or ID certificates for armed police, and overseas individuals that do not hold any legitimate domestic ID certificates but have habitual residence within the territory of the PRC due to economic interests. Circular No. 59 further clarifies that non-PRC individuals who habitually reside in the PRC due to economic interests are mainly classified into the following three categories: (i) a natural person who has permanent residence in the PRC, but temporarily leave the PRC for reasons such as travel, study, medical treatment or business, or to satisfy a residence requirement in a foreign country, and who return to his or her permanent domicile in the PRC after the aforementioned reasons no longer exist; (ii) a natural person who holds equity interests in a domestic enterprise; and (iii) a natural person who originally held equity interests in a domestic enterprise and has retained beneficial ownership after legal ownership of such interests are converted to equity interests in a foreign-invested enterprise.

Pursuant to Circular No. 37, if a domestic resident or a domestic enterprise directly or indirectly controlled thereby finances a special purpose vehicle with funds obtained from artificial or fictitious transactions, the foreign exchange administration authority shall order the remittance of such funds within a specific period, and a fine of no more than 30% of the amount of the foreign exchange evasion shall be imposed. In case of serious violations, a fine of 30% to 100% of the amount of foreign exchange evasion shall be imposed. Where the case is severe enough to constitute a crime, criminal responsibility shall apply. A domestic resident who fails to complete the relevant registration procedures as required or fails to disclose the true information of the de facto controller of the enterprise engaging in the round-trip investment, or who has made false statements, shall, after warning, be penalised by the foreign exchange bureau. Where there is capital outflow, the amount shall be remitted within a specific period under order of the foreign exchange administration authorities, and a fine of no more than 30% of the amount of the foreign exchange evasion shall be imposed. In case of serious violations, a fine of 30% to 100% of the amount of the foreign exchange evasion shall be imposed. Where the case is severe enough to constitute a crime, criminal liability shall apply. Where there is capital inflow, the foreign exchange administration authorities shall order rectification and impose a fine. Where there is settlement of foreign exchange, the foreign exchange administration authorities shall covert the capital illegally settled and impose a fine as a penalty. A domestic resident and a special purpose vehicle that fails to discharge their declaration responsibilities in accordance with the relevant provisions of the declaration of international balance of payment statistics shall be ordered to rectify the situation and be fined by the foreign exchange administration authorities.

In addition, according to Circular No. 13, the SAFE has cancelled the approval requirement for foreign exchange registration in overseas direct investment projects, and the relevant entities may directly apply to banks at the place of registration for foreign exchange registration of direct investment.

Regulations on M&A and Overseas Listing

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**") ("併購規定"), which were amended on 22 June 2009. An offshore special purpose vehicle is defined under the M&A Rules as an offshore entity directly or indirectly controlled by PRC individuals or enterprises for the purpose of an overseas listing, and the main assets of which are the rights and interests in affiliated domestic enterprises. Under the M&A Rules, if a special purpose vehicle intends to merge with or acquire any domestic enterprise affiliated with such PRC individuals or enterprises that control the special purpose vehicle, the proposed merger or acquisition shall be submitted to the MOFCOM for approval. The M&A Rules also require a special purpose vehicle to obtain an approval from the CSRC prior to the listing and trading of its securities on an overseas stock exchange.

PRC Laws and Regulations in relation to Dividend Distribution

The principal regulations governing the dividend distribution of wholly foreign-owned enterprises include the Company Law of the PRC (中華人民共和國公司法) and the Foreign-invested Enterprises Law of the PRC (中華人民共和國外資企業法) and its implementation rules. Under these laws and regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. A wholly foreign-invested enterprise shall retain a certain amount of its profits after income tax in accordance with PRC tax law as reserve funds, bonuses and welfare funds for staff members. The amount retained for the reserve funds shall not be less than 10% of the profits (after income tax), until the accumulated amount reaches 50% of the registered capital of the enterprise. The amount retained for bonuses and welfare funds for staff members shall be determined by the foreign-invested enterprise itself. No wholly foreign-invested enterprise may distribute its profits unless and until its deficits for the previous fiscal years have been recovered. Undistributed profits for the previous fiscal years may be distributed together with the distributable profits for the current fiscal year.

Regulations relating to Taxation

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) (the "**EIT Law**"), which was promulgated by the SCNPC on 16 March 2007 and became effective on 1 January 2008, and its Implementation Rules, which were promulgated by the State Council on 6 December 2007, the tax rate for both domestic enterprises and foreign-invested enterprises is 25%, and high-technology enterprises receiving key support from the State enjoy a reduced EIT rate of 15%.

Under the EIT Law and its implementation rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Enterprises outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the EIT Law, "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. Dividends from resident enterprises to their investors, which are treated as resident enterprises, are exempted from withholding tax.

The EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC. The implementation rules of the EIT Law provide that after 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-resident enterprise investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and the jurisdictions in which the non-resident enterprise investors located. In addition, any gain realised on the transfer of shares by non-resident enterprise investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Pursuant to the Notice Issued by the Government of the Tibet Autonomous Region Regarding Adjusting the Enterprise Income Tax Rate (西藏自治區人民政府關於調整企業所得税税率的通知), which became effective on 31 October 2008, and the Notice of the Government of the Tibet Autonomous Region on the Enterprise Income Tax Rate in the Region (西藏自治區人民政府關於我區企業所得税税率問題的通知), which was issued on 25 January 2011, an enterprise incorporated in the Tibet Autonomous Region may enjoy a 15% enterprise income tax rate from 2008 to 2020. Pursuant to the Notice Issued by the Government of the Tibet Autonomous Region Regarding the Publication of

Implementation Rules of Enterprise Income Tax Policy of the Tibet Autonomous Region (西藏自治區人民政府關於印發西藏自治區企業所得稅政策實施辦法的通知), which became effective on 1 May 2014, from 1 January 2015 to 31 December 2017, enterprises of the Tibet Autonomous Region subject to the enterprise income tax shall be temporarily exempted from the local portion of the enterprise income tax. Pursuant to the Notice of the State Council on Clarifying the Proportion for the Central Government and the Local Government to Share the Income from Income Taxes (國務院關於明確中央與地方所得稅收入分享比例的通知), since 2004, the proportion for the central government and the local government to share the income from income taxes has remained at 60% and 40%, respectively. As a result, after the exemption of the local portion of enterprise income tax, the Tibet Autonomous Region is entitled to an enterprise income tax rate of 9% from 2008 to 2017. Pursuant to *Supplementary Provisions of Preferential Policies for Investment Promotion in Linzhi (林芝地區招商引資若干優惠政策補充規定) (Lin Xing Fa [2005] No. 65)*, an inward-investment-backed enterprise qualified as a regional large taxpayer shall be rewarded with special fund allocated by local finance authority. With respect of inward-investment-backed enterprises and projects of large scale and significant influence, the local government shall, within its power, flexibly implement tailored preferential policies, including policies on land use fees and taxes, that are appropriate for and proportional to the prospects and profitability of each of such enterprises and projects. No such preferential policies have been granted to Linzhi Ziguang up to the Latest Practicable Date.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例), which were promulgated by the State Council on 13 December 1993 and subsequently amended on 10 November 2008, and its Implementation Rules (中華人民共和國營業稅暫行條例實施細則), which were promulgated by the MOF and the SAT on 18 December 2008 and subsequently amended on 28 October 2011, all of which became effective on 1 January 2009, unless stated otherwise, the taxpayers providing taxable services in the PRC are required to pay a business tax at a normal tax rate of 5% of their revenues.

Value Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例), which were promulgated by the State Council on 13 December 1993 and subsequently amended on 10 November 2008, and its Implementation Rules (中華人民共和國增值稅暫行條例實施細則), which were promulgated on 18 December 2008 and subsequently amended by the MOF on 28 October 2011, all of which became effective on 1 January 2009, unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods or providing processing, repairs and replacement services in the PRC shall be 17%.

Dividend Withholding Tax

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), a PRC resident enterprise which distributes dividends to its Hong Kong shareholders shall pay income tax according to PRC law. However, if the beneficiary of the dividends is a Hong Kong resident enterprise which directly holds not less than 25% of the equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be not more than 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise which directly holds less than 25% of the equity of the aforesaid enterprise, the tax levied shall be not more than 10% of the distributed dividends.

In addition, pursuant to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaty (國家税務總局關於執行税收協議股息條款有關問題的通知) issued by the SAT on 20 February 2009, all of the following requirements shall be satisfied where a tax resident of the counterparty to the tax treaty is entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (a) such a tax resident who obtains dividends shall be a company as provided in the tax treaty; (b) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (c) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Pursuant to the Administrative Measures for Non-residents to Enjoy Treatment under Tax Treaties (Trial) (非居民享受税收協定待遇管理辦法(試行)), which came into effect on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) wishes to enjoy tax treatment under the tax treaty, it shall apply for approval or file with the competent tax authority of record, because the preferential tax treatment is not automatically applicable. Without approval or record filing, the non-resident enterprise shall not enjoy the tax treatment in the tax treaty.

Tax Collection for Equity Transfers by Non-PRC Resident Enterprises

Pursuant to the Circular of the State Administration of Taxation in relation to Certain Issues Concerning Enterprise Income Tax for the Indirect Property Transfer by Non-Resident Enterprise (國家税務總局關於非居民企業間接轉讓財產企 業所得税若干問題的公告) ("**Circular No. 7**"), if a non-PRC resident enterprise indirectly transfers the equity or other properties of a PRC resident enterprise through arrangements without a reasonable business purpose in order to evade the enterprise income tax, such indirect transfer transaction shall be reclassified as a direct transfer of equity and other properties of the PRC resident enterprise in accordance with the EIT Law.

Pursuant to Circular No. 7, indirect transfer arrangements relating to taxable properties in the PRC meeting any one of the following conditions are not subject to the provisions in the circular: (i) a non-PRC resident enterprise that receives proceeds from the indirect transfer of PRC taxable properties by buying and selling the equity interests of the same listed foreign-invested enterprises in the open market; or (ii) in the case of a non-resident enterprise transfer of PRC taxable properties directly owned by it, the proceeds from such property transfer are exempted from enterprise income tax in the PRC according to an applicable taxation agreement or arrangement. Pursuant to Circular No. 7, indirect transfers of PRC taxable properties fulfiling the following conditions shall be regarded as having a reasonable business purpose: (i) the equity relationships between the transaction parties are neither: 1. the transferor directly or indirectly holds 80% or more of the equity interests in the transferee; 2. the transferee directly or indirectly holds 80% or more of the equity interests in the transferor; or 3. both the transferor and transferee are directly or indirectly held 80% or more of the equity interests by the same party. If more than 50% of the equity interests of a foreign-invested enterprise directly or indirectly consist of real estate properties within the PRC, the shareholding proportion mentioned in items 1, 2 and 3 of this paragraph (i) shall be 100%. The abovementioned indirect shareholding shall be determined based on the proportion of shares held by each enterprise with shareholding relationship. (ii) Subsequent indirect transfer transactions that occurred after the existing indirect transfer will not result in any reduction of PRC income tax liabilities as compared with the same or similar indirect transfer transactions absent the occurrence of the existing indirect transfer transaction. (iii) The consideration for the equity transfer is settled by the transferee solely with the equity of its own enterprise or enterprise held by it (excluding the equity of listed enterprises).

Regarding proceeds from the indirect transfer of real estate properties or equity interests subject to the enterprise income tax according to the circular, the unit or individual that bears direct obligations for the relevant payments according to the relevant laws and regulations or the terms of the relevant contract shall be the withholding agent. If a withholding agent has not withheld any or all of the payable tax, the transferor shall apply to the tax authorities for tax payment within seven days after the effective date of the tax liability, together with the materials related to the calculation of proceeds from the equity transfer and the relevant tax payments. The tax authority shall file the record with the State Administration of Taxation 30 days after receipt of the tax payments. Where the withholding agent fails to withhold and the transferor fails to pay the tax, the competent tax authorities may claim against the withholding agent for liabilities in accordance with the Law of Administration of Tax Collection (税收徵管法) and its implementation rules. If the withholding agent has submitted the materials in accordance with the circular within 30 days after the execution date of the equity transfer contract or agreement, its liabilities may be reduced or waived.

Where the transferor fails to pay the tax payable in relation to the indirect transfer of PRC taxable properties in time or in full and the withholding agent has not withheld any taxes, in addition to the repayment of the payable tax, additional interests accrued on a daily basis shall be charged to the transferor according to the Implementation Rules of the EIT Law. If the transferor has submitted the materials or declared to pay the tax according to Circular No. 7 within 30 days of the execution date of the equity transfer contract of the foreign-invested enterprise, the payable interests shall be calculated in accordance with the benchmark interest rate according to the Implementation Rules of the EIT Law. Otherwise, the interests shall be calculated based on the benchmark interest rate plus 5 percentage points.

OVERVIEW

We are the third largest MPCM services provider in the PRC pharmaceutical industry with a market share of 6.4% based on revenue in 2014, according to the Frost & Sullivan Report. China's MPCM services market, which had a market size of RMB14,959.8 million in 2014, is a subset of China's pharmaceutical circulation market and accounted for approximately 1.0% of China's pharmaceutical circulation market in 2014, according to the Frost & Sullivan Report. We are also China's only MPCM services provider for plasma-based pharmaceuticals, one of the fastest growing segments in China's pharmaceutical market. According to the Frost & Sullivan Report, China's plasma-based pharmaceutical product market grew at a CAGR of 23.2% from 2010 to 2014, which is faster than the CAGRs of both the overall China pharmaceutical market and the imported pharmaceutical market during the same period. Driven by the unmet demand for plasma-based pharmaceuticals, favourable government initiatives, market developments as well as technological improvements in the manufacturing process in China, the plasma-based pharmaceutical product market is forecast by the Frost & Sullivan Report to grow at a CAGR of 22.4% from 2015 to 2019.

Our experienced management team has a deep understanding of China's imported pharmaceutical market, especially for plasma-based pharmaceuticals. We have developed and implemented a rigorous and proven screening process to identify product candidates that offer strong market potential in China's imported pharmaceutical market. Our product portfolio is populated by a selection of imported pharmaceutical products in the plasma segment as well as other fast-growing or sizeable segments in China. The growth of some of the market segments to which our portfolio products belong, namely, oncology and haematology, has exceeded the overall growth of pharmaceuticals in China during the past five years.

Our products include Human Albumin Solution, which is a human albumin product. Human albumin is the largest component of China's plasma-based pharmaceuticals market with a 55.8% market share by sales value in 2014, according to the Frost & Sullivan Report, and was the only plasma-based pharmaceutical allowed to be imported into and sold in China as of the Latest Practicable Date. According to the Frost & Sullivan Report, the imported human albumin market in China grew at a CAGR of 30.8% from 2010 to 2014 and is expected to increase at a CAGR of 19.8% from 2015 to 2019, surpassing the historical and forecasted growth of China's overall pharmaceutical market.

We purchase Human Albumin Solution from Octapharma, one of the world's leading manufacturers of plasma-based pharmaceuticals based on global sales revenue in 2014, according to the Frost & Sullivan Report. In 2012, 2013, 2014 and the first ten months of 2015, products from Octapharma accounted for nil, 47.2%, 66.2% and 64.9% of our revenue. For the years ended 31 December 2013 and 2014 and the ten months ended 31 October 2015, we purchased RMB338.5 million, RMB437.8 million and RMB463.8 million of Human Albumin Solution from Octapharma, respectively. During the same periods, our purchases accounted for 55.7%, 60.1% and 62.8% of the volume of Human Albumin Solution sold by Octapharma to its service providers in China, respectively, according to the PRC Customs' data for Octapharma's Human Albumin Solution. Human Albumin Solution is currently the only human albumin product which can be prescribed to premature infants, and was the fourth best-selling human albumin product in China with a market share of 9.6% in 2014, according to the Frost & Sullivan Report. From 2013 to 2014, our sales of Human Albumin Solution grew at a rate of 150.2% and accounted for 3.5% and 7.3% of all human albumin product sales in China in the respective years, according to the Frost & Sullivan Report.

We are the only MPCM services provider for plasma-based pharmaceuticals in China, according to the Frost & Sullivan Report. Our services are highly sought after by small- and medium-sized overseas pharmaceutical companies that do not have their own on-the-ground marketing and promotion capabilities in China. Our services include formulating and executing marketing and promotion strategies, channel management services, facilitating participation in tender processes, appointing and managing distributors, inventory management and coordinating and managing product registration renewals and first-time product registration.

We enter into long-term agreements with our suppliers, either directly or indirectly through their sales agents, with a view to secure rights to market and promote their products nationwide or within a defined geographic area. We generate profits by purchasing products from our suppliers and on-selling them to our distributors across China. Under this business model, the value of the services we provide is reflected in the difference between the purchase price that we negotiate with our suppliers and the sales price that we agree to with our distributors, rather than in pre-agreed sales commissions or marketing, promotion or service fees.

We have currently secured the rights to service the following products:

- In April 2011, we entered into a sole distribution agreement with Deutsche Sinomed, the exclusive sales agent of Axetine and Medocef in China, manufactured by Medochemie, to act as the exclusive service provider for these two products.
- In November 2012, we entered into a long-term distribution agreement with Octapharma, subject to annual price negotiations, to service Human Albumin Solution in China, and since then we have been the sole service provider for the product in 24 provinces, municipalities and autonomous regions in China (a pharmaceutical wholesaler unaffiliated with us has been selling Human Albumin Solution in China since 2004 and currently has the exclusive right to sell Human Albumin Solution in the remaining seven provinces, municipalities and autonomous regions in China). In August 2015, Octapharma confirmed our exclusive right to service Human Albumin Solution in these regions. In addition, we entered into a supplemental agreement to the distribution agreement in October 2015 with Octapharma whereby Octapharma acknowledged that (i) it expects to increase the volume of Human Albumin Solution to be delivered to us from 2015 to 2019, (ii) annual price negotiations would be conducted in such a manner as to ensure, to the extent commercially practicable to Octapharma, that we receive a reasonable profit margin broadly in line with our historical profit margins and (iii) a six-month notice period is required for either us or Octapharma to terminate the distribution agreement, if the parties cannot agree on the purchase price of Human Albumin Solution for the next year.
- We purchased Taurolite, TAD and Esafosfina from Vast Surplus in 2014 and obtained the exclusive rights to service these products in China from Trendful, the exclusive sales agent of Bruschettini and Foscama in China, through Vast Surplus in March 2015.
- In September 2015, we became the exclusive service provider of Xinneng Q_{10} for Liaoning Wanjia in China for a term of ten years from October 2015 to December 2025.

Our revenue grew from RMB26.2 million in 2012 to RMB532.5 million in 2013 and to RMB950.1 million in 2014. We recorded revenue of RMB850.8 million for ten months ended 31 October 2015. In 2012, 2013, 2014 and the first ten months of 2015, our gross profit amounted to RMB3.2 million, RMB61.1 million, RMB129.8 million and RMB113.4 million, respectively, and our gross profit margin was 12.4%, 11.5%, 13.7% and 13.3% for the respective periods.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths differentiate us from our competitors and position us well for future growth:

We are the third largest MPCM services provider in the PRC pharmaceutical industry as well as the only provider of such services for imported plasma-based pharmaceuticals.

We are the third largest MPCM services provider in the PRC pharmaceutical industry with a market share of 6.4% based on revenue in 2014, according to the Frost & Sullivan Report. China's MPCM services market, which had a market size of RMB14,959.8 million in 2014, is a subset of China's

pharmaceutical circulation market, accounting for approximately 1.0% of China's pharmaceutical circulation market in 2014 and expecting to account for approximately 1.75% in 2019, according to the Frost & Sullivan Report. From 2010 to 2014, China's pharmaceutical market and pharmaceutical circulation market increased at a CAGR of 19.1% and 20.7%, and are expected to continue to grow at a CAGR of 14.7% and 12.1% from 2015 to 2019, respectively, according to the Frost & Sullivan Report.

We are China's only MPCM services provider for plasma-based pharmaceuticals, according to the Frost & Sullivan Report. Plasma-based pharmaceuticals represent one of the fastest-growing segments of China's pharmaceutical market, largely due to significant unmet demand, favourable government initiatives and market developments as well as technological improvements in the manufacturing process. From 2010 to 2014, the size of China's plasma-based pharmaceuticals market increased at a CAGR of 23.2%, while the imported human albumin market, which includes Human Albumin Solution, the plasma-based product featured in our portfolio, grew at a CAGR of 30.8%, according to the Frost & Sullivan Report. From 2015 to 2019, China's plasma-based pharmaceutical market is expected to grow at a CAGR of 22.4% and imported human albumin market is expected to grow at a CAGR of 19.8%, according to the Frost & Sullivan Report.

We mainly provide our integrated services to small- and medium-sized overseas pharmaceutical companies that do not have their own on-the-ground marketing and promotional capabilities in China. In November 2012, after thorough assessment of our management's understanding of regional markets as well as our service quality and sales capability, Octapharma, one of the world's leading manufacturers of plasma-based pharmaceuticals based on global sales revenue according to the Frost & Sullivan Report, appointed us as its sole service provider for Human Albumin Solution in 24 provinces, municipalities and autonomous regions in China. In August 2015, Octapharma confirmed our exclusive right to service Human Albumin Solution in these regions. In addition, we entered into a supplemental agreement to the distribution agreement in October 2015 with Octapharma whereby Octapharma acknowledged that (i) it expects to increase the volume of Human Albumin Solution to be delivered to us from 2015 to 2019, (ii) annual price negotiations would be conducted in such a manner as to ensure, to the extent commercially practicable to Octapharma, that we receive a reasonable profit margin broadly in line with our historical profit margins and (iii) a six-month notice period is required for either us or Octapharma to terminate the distribution agreement, if the parties cannot agree on the purchase price of Human Albumin Solution for the next year. We are confident that we can maintain our role as the exclusive service provider in these regions, based on our ability to achieve steady sales growth and deliver quality services to Octapharma. Human Albumin Solution was the fourth best-selling human albumin product in China with a market share of 9.6% in 2014, according to the Frost & Sullivan Report. We expect to leverage our established partnership with Octapharma in order to significantly increase our overall sales volume and maintain our position as the largest service provider for imported plasma-based pharmaceuticals. We believe that the ongoing expansion of this fast growing market segment and our current market-leading position will continue to drive our growth and scale expansion.

We offer a differentiated product portfolio focused on imported pharmaceutical products in the plasma and other fast-growing or sizeable segments of China's pharmaceutical market.

We have strategically focused on offering an imported plasma-based pharmaceutical as well as products in other fast-growing or sizeable segments of China's pharmaceutical market. Our experienced management team has a deep understanding of China's imported pharmaceutical market, especially plasma-based pharmaceuticals, and oversees a rigorous product screening process, which involves assessing the market sizes, current and future market shares and competitiveness of the products. We also prefer products which are complementary to Human Albumin Solution and are used in treating chronic and geriatric illnesses prevalent in China. Through this process, our management is able to better judge whether the products we introduce into China are likely to achieve market acceptance and popularity. We also continuously monitor the market for new products, and intend to diversify our product offerings by servicing products from new suppliers, which is consistent with our addition of new suppliers and products to our product portfolio during the Track Record Period.

Human Albumin Solution, sold globally in both developed and emerging markets, is widely considered to be of high quality in its category with an extensive safety record worldwide. Among all human albumin products in the market, Human Albumin Solution is the only product which can be prescribed to premature infants due to its low content of aluminium-ion compared with other human albumin products, according to the Frost & Sullivan Report. In 2014, Human Albumin Solution was the fourth best-selling human albumin product in China with a market share of 9.6%, according to the Frost & Sullivan Report.

In addition to plasma-based product, our portfolio includes products that belong to other fast growing or sizable segments of China's imported pharmaceutical market. The anti-infective therapeutic area was the largest market in China in terms of revenue in 2014. We sell and market two antibiotics products, Axetine and Medocef, which are manufactured by Medochemie. In 2014, Axetine was the number two injectable cefuroxime sodium in terms of revenue in the antibiotics category in China, according to the Frost & Sullivan Report. In addition, we started servicing the following three imported products in 2014: (i) Taurolite, a tauroursodeoxycholic acid capsule product which is considered the most effective oral cholic acid drugs for gallstones treatment; (ii) TAD, a popular injectable reduced glutathione product to combat intoxication and hepatobiliary diseases; and (iii) Esafosfina, the only imported injectable fructose 1,6-diphosphate approved by the CFDA as of the Latest Practicable Date, for treating hypophosphatemia and chronic diseases, including alcohol intoxication, malnutrition and hypophosphatemic respiratory failure. In December 2015, we started servicing Xinneng Q_{10}, a dietary supplement composed of Coenzyme Q_{10}, which is an oil-soluble antioxidant essential for basic cell functions and is especially abundant in liver, kidney and pancreas. From 2010 to 2014, the market in China for oral cholic acid products grew at a CAGR of 21.4%, glutathione products grew at a CAGR of 19.8%, and fructose 1,6-diphosphate products grew at a CAGR of 19.8%, all of which were higher than the overall CAGR of 18.3% for imported pharmaceuticals in China, according to the Frost & Sullivan Report. From 2015 to 2019, oral cholic acid products are expected to grow at a CAGR of 16.9%, glutathione products are expected to grow at a CAGR of 14.9%, and fructose 1,6-diphosphate products are expected to grow at a CAGR of 13.5%. Further, Taurolite is the only third generation of oral cholic acid drug currently available in China since there are currently no competing tauroursodeoxycholic acid products being sold in China. Given Taurolite's superior clinical profile as the latest generation of oral cholic acid product and its market exclusivity, we believe that we are well-positioned to capitalise on another one of the fastest growing segments of China's imported pharmaceutical market.

We provide valuable and highly sought after integrated MPCM services for imported pharmaceutical products.

Small- and medium-sized overseas pharmaceutical companies face a number of challenges in attempting to participate China's rapidly growing pharmaceutical market. These challenges include the difficulties of navigating China's complex system of tender process participation, hospital procurement and CFDA registrations and renewals, the high costs associated with establishing in-house marketing and promotion teams and a sales network with wide geographic reach, as well as the particularities of selling in local markets. It would not be cost-efficient for small- and medium-sized overseas pharmaceutical companies, such as our current suppliers (Octapharma, Medochemie, Bruschettini and Foscama), to build and maintain their own on-the-ground in-house marketing, promotion and sales channel management capabilities. Such companies generally elect to engage a domestic integrated provider of a broad range of services to assist in marketing and selling their products in China.

Our integrated services enable small- and medium-sized foreign pharmaceutical companies to have a quick and in-depth access to China's pharmaceutical market. Since 2013, we have participated in the tender processes and assisted our suppliers in selecting and managing distributors with proven track records of sales to hospitals, and coordinating and managing registration renewals. In 2013, 2014 and the first ten months of 2015, our tender success rate was 100.0%, 82.4% and 100.0%, respectively. During the same periods, we were awarded 4, 14 and 7 tenders, respectively. For more details about the tender

processes, please see "— Our Services — Channel Management Services — The Tender Processes." We conduct research on the tenders, prepare relevant documents and determine the bidding prices before submission. First-time product registration and product registration renewal usually require more than three years and more than three months, respectively, to complete. Our suppliers bear the costs and expenses of first-time product registrations and registration renewals, including the costs and expenses for engaging medical institutions and physicians for clinical trials and CROs. During the Track Record Period, we assisted our suppliers to obtain the registration renewals of Human Albumin Solution, Axetine, Medocef and Esafosfina. We purchase products from our suppliers and onsell them into our distributor network, which covers most provinces, municipalities and autonomous regions in China and a substantial number of hospitals and other medical institutions, including more than 870 Class III hospitals. We also deploy an experienced team of marketing and promotion personnel with in-depth local knowledge to work with our distributors and promote our product offerings among physicians through academic seminars and industrial conferences.

Our senior management has a proven track record of successfully providing these services to overseas suppliers. We carefully studied the human albumin product market in China and tailored a package of services for Human Albumin Solution, including appointing two well-established distributors to service Human Albumin Solution, namely Guangzhou Pharmaceuticals, one of the largest pharmaceutical distributors in China with a joint-venture partner being Walgreens Boots Alliance, Inc., a giant in the global pharmaceutical retail industry, and Kelun Pharmaceuticals, the affiliate of a Shenzhen-listed pharmaceutical conglomerate with its history tracing back to 1996, Sichuan Kelun Pharmaceutical Co., Ltd. These two main distributors assist us to achieve a wide distribution coverage of hospitals for Human Albumin Solution. In terms of revenue among top wholesale pharmaceutical companies in China, Guangzhou Pharmaceuticals was number five and Kelun Pharmaceuticals was number ten in 2014, according to China Association of Pharmaceutical Commerce and MOFCOM. Our other suppliers include Medochemie, one of the largest multinational suppliers of antibiotics products in China, for which we act as exclusive service provider for two of its products, as well as Bruschettini, the second largest supplier of oral cholic acid drugs in China, for which we exclusively service its latest generation of oral cholic acid drug, Taurolite.

We believe that our relationships with our five suppliers are stable, as we provide them access to the growing Chinese market with steady sales growth. During the Track Record Period, we demonstrated satisfactory sales performance and achieved steady sales growth for each of the products we service, and our suppliers did not seek additional service providers to meet their sales targets. Our service offerings are competitive with those of our peers, and switching service providers would also expose our suppliers to unnecessary costs and risks. As a result, our suppliers have been willing to renew their contracts with us.

We employ a flexible and effective marketing and promotion service model supported by a strong distribution network and an experienced marketing and promotion team.

We have an effective marketing, promotion and channel management team, evidenced by our successful track record. As of 31 October 2015, we had 67 experienced in-house marketing, promotion and channel management employees, more than half of whom have over five years of professional experience in pharmaceutical sales. As of the Latest Practicable Date, 19 members of our in-house team were based in our headquarters in Chengdu, Sichuan Province, while the remaining ones were located across various provinces, municipalities and autonomous regions in China, dedicated to marketing and promoting the seven products currently in our portfolio. Our marketing, promotion and channel management team based in our headquarters is primarily responsible for coordinating and managing product registrations and renewals, bidding in tender processes, designing marketing and promotional plans, conducting marketing programmes together with our distributors, including organising industrial conferences and academic seminars. Our marketing and promotion specialists across China strive to optimise the utilisation of the network of our distributors to promote the products that we offer.

We have established a sales network that we closely manage and monitor. We work primarily with reputable distributors that have access to a large number of hospitals, reliable warehousing and delivery services and a proven track record of meeting or exceeding sales targets. Our distributors of Human Albumin Solution include Guangzhou Pharmaceuticals and Kelun Pharmaceuticals, two top distributors in the industry. Distributors for the other products in our portfolio are typically provincial level distributors with an extended sales network covering most of the hospitals in a given province, municipality or autonomous region.

We formulate marketing and promotional strategies according to the characteristics of each product and its supply and demand dynamics. We first conduct preliminary market studies, which our management uses to formulate initial marketing and promotional strategies. Subsequently, our in-house team produces a more advanced and detailed marketing plan for each product, which are carefully crafted to suit the characteristics of each product. For example, our marketing and promotional plans for Taurolite, which is relatively new to China's pharmaceutical market, aim at educating clinicians through academic seminars organised in the hospitals to promote Taurolite's clinical profiles and benefits. We have participated in, and made concrete plans to organise more, academic seminars and industrial conferences, on both nationwide and regional levels, to provide trainings to physicians on the therapeutic areas, clinical uses, benefits and other characteristics of our products.

We have a highly experienced and dedicated management team.

Our senior management team members have an average of 7.5 years of experience in the pharmaceutical industry in China with a deep understanding of product selection and execution of product marketing and promotion strategies. Leveraging on our management team's extensive industry knowledge and dedicated focus, we have a consistent and successful track record of sales growth and profitability. Our management team is led by our founder, chairman of the Board and chief executive officer, Mr. Huang. Mr. Huang has 26 years of professional experience in the Chinese pharmaceutical industry and possesses in-depth understanding of the regulatory environment, the development of nationwide and regional markets and the imported drug registration process. See "Directors and Senior Management" in this prospectus for Mr. Huang's biographical details. Since our inception in 2011, Mr. Huang has led our business and is responsible for our strategies and the overall planning and management of our operations. Under his leadership, we became China's third largest MPCM services provider in the PRC pharmaceutical industry based on revenue in 2014 and the only MPCM services provider for plasma-based pharmaceutical, and our market share has grown from 0.3% in 2012 to 6.4% in 2014 with our revenue increasing from RMB26.2 million to RMB950.1 million for the respective periods.

Other members of our management team and our Board have also contributed to our success. Ms. Zhang Zhijie, our executive Director who oversees our Group's pharmaceutical research and development, has over ten years of professional experience in the relevant fields. Prior to joining us, Ms. Zhang served as associate chief and a research fellow of the Institute of Chinese Medical Sciences. Ms. Wu Yue, a member of our senior management who oversees our distributor network, has more than ten years of professional experience in pharmaceutical sales in China and served as business manager of Baxter Healthcare Trading (Shanghai) Co., Ltd. prior to joining us. Mr. Chow Siu Lui, who was recently appointed as our independent non-executive Director and chairman of our internal control and corporate governance committee, is a renowned member in the corporate governance field of public companies. See "Directors and Senior Management" in this prospectus for further biographical details of our Directors and senior management.

We benefit from our management team's deep understanding of China's pharmaceutical market and strong experience in managing our operations and implementing our strategies. We believe our experienced, dedicated and stable senior management team will help us to continue our growth.

OUR STRATEGIES

We aim to strengthen our position as China's leading MPCM services provider in the pharmaceutical industry, in particular, the imported plasma-based pharmaceuticals market, and to become a vertically integrated leader in this industry through the following strategies:

Strengthen our leading position in providing MPCM services in the imported plasma-based pharmaceutical market in China.

The demand for plasma-based pharmaceuticals currently exceeds its supply in China, resulting in a growth rate higher than that of the overall pharmaceutical market. The plasma-based pharmaceutical market in China is expected to reach RMB54.6 billion in 2019, representing a CAGR of 22.4% from 2015 to 2019, according to the Frost & Sullivan Report. To capitalise on this projected growth, we plan to strengthen our position as China's largest MPCM services provider for imported plasma-based pharmaceuticals by leveraging our established and extensive sales network and deepening our long-term partnership with Octapharma. Given the anticipated rapid growth of both the sales volume and market share of Human Albumin Solution in China, we plan to continue to strengthen our promotional efforts and expand our distribution network. We have developed an information management system and a series of initiatives to achieve this, including plans to grow our in-house marketing, promotion and channel management personnel from 67 as of 31 October 2015 to approximately 120 and to invest more in training programmes for them, such as in employee induction, sales and marketing strategy and skill training and provision of continuous education opportunities related to the industry. We also plan to increase our purchases of Human Albumin Solution from Octapharma to further fulfil the strong demand from Chinese patients and clinicians. As part of this plan, in October 2015, we entered into a supplemental agreement to the distribution agreement with Octapharma whereby Octapharma acknowledged that (i) it expects to increase the volume of Human Albumin Solution to be delivered to us from 2015 to 2019, (ii) annual price negotiations would be conducted in good faith to ensure, to the extent commercially practicable to Octapharma, that we receive a reasonable profit margin broadly in line with our historical profit margins and (iii) a six-month notice period is required for either us or Octapharma to terminate the distribution agreement, if the parties cannot agree on the purchase price of Human Albumin Solution for the next year.

We plan to further expand our portfolio and expect our revenue from the sales of plasma-based product to significantly increase over the next few years.

Continue to expand our product portfolio to achieve synergies from our integrated service platform.

In addition to plasma-based product, we intend to further expand our portfolio of other pharmaceutical products. In particular, we intend to focus on therapeutic areas targeting the patients who use plasma-based pharmaceuticals to achieve operational synergies. Plasma-based pharmaceuticals are generally prescribed to patients with a wide range of serious diseases or who are in critical condition. We believe that we will be able to target our current group of patients with these products, allowing us to utilise our existing sales network and established channels towards realising the full potential of our sales force, increasing revenue bases, improving our gross profit margin as well as reducing supplier concentration risks. We believe that our prior experience in selecting high-growth products through our focused product screening process, our track record in driving sales growth for the products in our portfolio, as well as our in-depth understanding of China's pharmaceutical market will enable us to continue to identify products with significant growth potential.

To diversify our revenue stream and expand our product portfolio, in September 2015, we entered into a collaboration agreement with Liaoning Wanjia to be the exclusive service provider for Xinneng Q_{10} in China, for a term of ten years from October 2015 to December 2025. Xinneng Q_{10} is registered with the CFDA as a dietary supplement and is composed of CoQ_{10} . CoQ_{10} is an oil-soluble antioxidant necessary for basic cell functions, can be used as a dietary supplement or as a drug, and is shown to display multiple health benefits. We started servicing Xinneng Q_{10} in December 2015. For more detailed discussion about Xinneng Q_{10}, see "— Our Products — Product Portfolio — Xinneng Q_{10}" below.

Continue to penetrate China's pharmaceutical market by expanding our marketing, promotion and channel management team, utilising distributors closer to patients and increasing our medical institution coverage.

We believe the overall Chinese market and its imported pharmaceutical market will continue to grow rapidly. To fully benefit from the opportunities presented by the market, by early 2016 we intend to grow our in-house marketing, promotion and channel management team from 67 as of 31 October 2015 to approximately 120 employees. By growing our team, we hope to achieve more on-the-ground coverage of local sales networks and move down our sales channel closer to patients. We also plan to increase our sales coverage of hospitals, medical institutions and pharmacies to broaden our network as we expand our product portfolio. We will invest in external professional training courses and invite industry experts to lead seminars at our office, with a view to further enhancing the product knowledge and marketing and promotion capability of our marketing, promotion and channel management team. These initiatives will help us prepare for the future demand of our expanded product portfolio, which we expect will lead to a substantial increase in sales volume.

We plan to use our working capital to establish four regional sales offices covering south China, west China, east China and north China to supervise employees in their respective regions. These regional sales offices will be primarily responsible for selecting and managing distributors, which is currently undertaken by our headquarters in Chengdu, Sichuan Province. We intend to streamline our distributor network and shift focus from provincial level distributors to distributors further down the sales channel to be closer to hospitals and patients, in order to gain more knowledge of local markets, hospital procurement procedures and physician and patient preferences.

As we expand our in-house marketing, promotion and channel management team, we plan to direct them to coordinate with our distributors to raise local physicians' awareness of Taurolite, and to provide trainings to them of Taurolite's therapeutic areas, clinical profiles and benefits. We also intend to collect more clinical feedback of the products we sell from strengthened relationships with local physicians to further understand regional market trends and revise our marketing and promotion plans to suit those trends by participating in academic seminars in hospitals to promote the products in our portfolio.

We believe these initiatives will further improve our flexible and effective marketing and promotion model, allowing us to formulate more tailored strategies and plans that match the attributes of current and future products in our portfolio. Through these measures, we believe we will be able to achieve higher margins and capture the part of the value chain currently retained by our provincial level distributors. This will allow us to take advantage of the significant growth opportunities in, and to deepen our penetration of, China's pharmaceutical market.

Continue to upgrade our information management systems to optimise our marketing, promotion and sales network, to enhance operating efficiencies and to improve cost effectiveness.

We plan to continue investing to maintain and upgrade our information management systems to enhance our operating efficiency. We plan to supplement our existing ERP information management system with an advanced customer relationship management system, or CRM system, to allow us to originate orders automatically once placed online, retrieve up-to-date data on orders, sales and inventory, and manage and monitor our procurement, sales and inventory levels more accurately and efficiently. We believe that by upgrading our information management systems, we will be able to perform more in-depth regional market analyses and provide more timely and accurate data on sales and inventory to our suppliers. We intend to invest approximately RMB5.0 million of our working capital to upgrade our information management systems to better manage our operations and maximise cost effectiveness. We believe that our ERP information management system contributed to our revenue and profit margin growth in the Track Record Period, and that the addition of the new CRM system will further improve the stability, accuracy and efficiency of our overall information management systems. Together, these systems will enable us to better manage our marketing, promotion and sales network, enhance our operating efficiencies and improve our overall operational cost-effectiveness.

Facilitate multi-channel growth and evolve into a vertically-integrated company through investing in our own cold chain facility, research and development base and developing product research and development capabilities.

To better control the safety and quality of our plasma-based product and to reduce warehousing costs, we are constructing an advanced cold chain facility in Shuangliu District, Chengdu, Sichuan Province, which will include advanced climate control technology and a sophisticated quality control system. Chinese regulatory authorities are expected to step up the enforcement of the laws and regulations on GSP certification of cold chain logistics facilities. As a result, there may be fewer qualified facilities available, reducing the supply and availability of certified cold chain warehousing services which are essential for our products. To meet the high safety and quality standards required for storing Human Albumin Solution and to comply with the enhanced regulatory standards, we decided to construct our own cold chain facility to better manage our operational risks relating to the potential shortage of quality and industry standard compliant cold chain facilities in China. We anticipate that our cold chain facility will serve the increased volume in our product portfolio and wider coverage of our rapidly growing network as our business expands, improving operational efficiency and reducing costs. It will also reinforce our status as a leading MPCM services provider by adding quality warehousing to our service offering. The first part of the cold chain facility will be solely for our own use. After the completion of the second part of the facility, we plan to lease out the facility for other domestic and international pharmaceutical companies and their sales agents in the southwestern region of China. By providing these services, we believe that we will be able to successfully compete in the cold chain business, increase our revenue bases and diversify our operations, facilitating multi-channel growth. For details of our cold chain facility, see "— Business Expansion" below.

On the site of the cold chain facility, we will also construct a research and development base, which will further enhance our research and development capabilities and enable us to pursue the development of our own products. See "— Business Expansion" below for details. We plan to continue building research and development capabilities through in-house development and partnering with leading academic and industrial players to introduce new products with higher margins and superior clinical profiles into China, serving as a new growth channel in China's pharmaceutical market. In 2013, we entered into technical consultancy service agreements with both the Institute of Chinese Medical Sciences and Tsinghua University to respectively develop and test Sinco I, a realgar-based chemical medicine for the treatment of acute promyelocytic leukaemia. In 2014, acute promyelocytic leukaemia accounted for 3.3% to 21.2% of the cases of acute leukaemia, a major subcategory of leukaemia, according to the Frost & Sullivan Report. Leukaemia was ranked tenth in terms of incidence rate among all cancers in China, according to the Frost & Sullivan report. The clinical trials for this product are expected to commence in 2017 with commercialisation anticipated between 2022 and 2023. We intend to subcontract the manufacturing of Sinco I to third parties after meeting all requirements for production. In 2012, 2013, 2014 and the first ten months of 2015, our research and development expenditures on this product amounted to nil, RMB0.8 million, RMB1.7 million and RMB2.0 million, respectively. Once launched, this product will supplement our product portfolio and facilitate our multi-channel growth.

If presented with appropriate opportunities, we may also acquire medical, pharmaceutical and biopharmaceutical companies with proprietary intellectual property rights, products or technologies in the plasma-related sectors to complement our current business operations. We currently have not identified any acquisition targets.

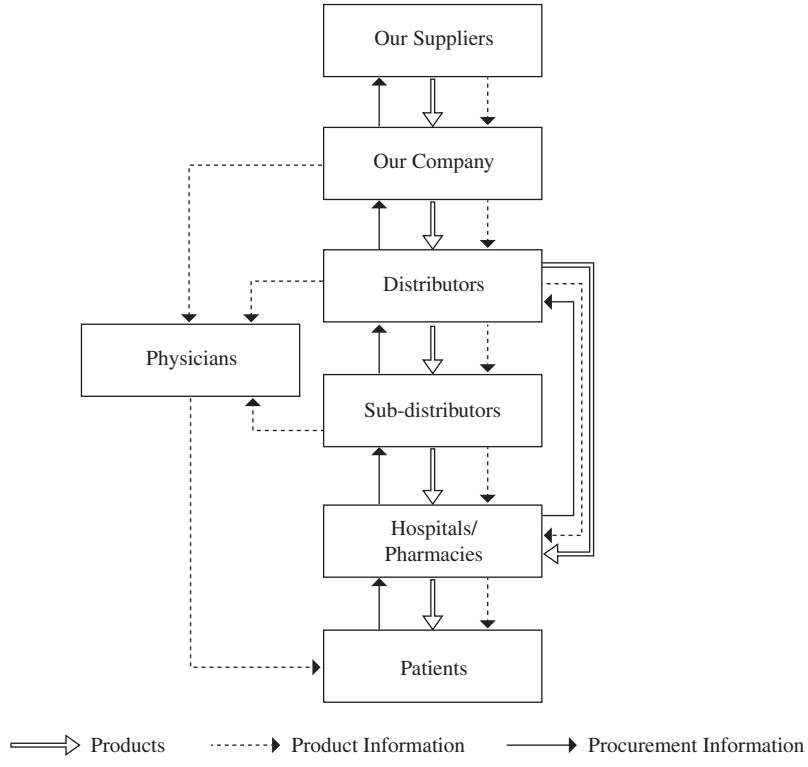
OUR SERVICES

We are the third largest MPCM services provider in the PRC pharmaceutical industry with a market share of 6.4% based on revenue in 2014, according to the Frost & Sullivan Report. China's MPCM services market, which had a market size of RMB14,959.8 million in 2014, is a subset of China's pharmaceutical circulation market and accounted for approximately 1.0% of China's pharmaceutical

circulation market in 2014, according to the Frost & Sullivan Report. We are also China's only MPCM services provider for plasma-based pharmaceuticals, one of the fastest growing markets in China. We mainly provide our integrated services to small- and medium-sized overseas pharmaceutical manufacturers that do not possess independent marketing and promotion capabilities in China. We do not provide co-promotion services to our suppliers, as our suppliers generally do not have their own marketing and promotion teams in China. Our suppliers include Octapharma, one of the world's leading manufacturers of plasma-based pharmaceuticals based on global sales revenue in 2014, according to the Frost & Sullivan Report. Our business is not subject to seasonality. Our services primarily include the following aspects:

- formulating marketing and promotion strategies;
- executing marketing and promotion strategies;
- coordinating and managing cold chain warehousing and delivery services;
- participating in tender processes;
- appointing and managing distributors;
- inventory management; and
- coordinating and managing product registration renewal and first-time product registration.

The diagram below illustrates the typical flow of products, product information and procurement information in relation to our services:



We enter into long-term supply agreements with our suppliers, either directly or indirectly through their sales agents, to market and promote such products nationwide or within a wide geographic area. Our distributors, on the other hand, primarily engage in handling the sales and deliveries to hospitals and medical institutions. We generate revenue through purchasing products from our suppliers and selling them to our distributors across China. Under this business model, the value of the services we provide is reflected in both the purchase price that we negotiate with our suppliers and the sales price we agree with our distributors, rather than pre-agreed sales commissions or marketing, promotion or service fees.

Our services are adapted to suit each different type of product in our portfolio, allowing us to maintain operational flexibility and maximise cost effectiveness. As of 31 October 2015, we had 67 experienced in-house marketing, promotion and channel management employees, more than half of whom have at least five years of professional experience in the sale of pharmaceutical products in China. Our marketing, promotion and channel management department consists of three members from the sales management team, three members from the marketing team, 59 members from the sales team and two members from the tender process team. The sales management team oversees and coordinates the operation of our marketing, promotion and channel management department. We also have a quality control department which supports our marketing, promotion and channel management department for some of our MPCM services, such as warehousing and delivery and inventory management. As of the Latest Practicable Date, 19 members of our in-house team were based in our headquarters in Chengdu, Sichuan Province, and the remaining were on the ground across various provinces, municipalities and autonomous regions in China. We formulate and implement different marketing and promotion strategies tailored to the attributes and market dynamics of each product. For example, we tailor our marketing and promotion plan for Human Albumin Solution to accentuate its high quality and unique application to premature infants. Our services for Octapharma are tailored to focus on effectively managing distributors to achieve market access across China, managing registrations and renewals, providing efficient customs and clearance, coordinating and management services, maintaining high-quality cold chain storage as well as providing timely and cost effective delivery services. Most importantly, we are able to provide dedicated resources for Human Albumin Solution to meet Octapharma's strategic objectives to increase its market share and brand recognition and to capture the expected rapid growth in China's plasma-based pharmaceuticals market. To facilitate sales, we also educate our distributors of the technical information and clinical aspects of Human Albumin Solution. We have chosen Guangzhou Pharmaceuticals and Kelun Pharmaceuticals, two top distributors in the industry, as our main distributors for Human Albumin Solution in order to achieve wide hospital and pharmacy coverage and maximise inventory turnover. After we obtained the right to service Human Albumin Solution in November 2012, the market share in China of Human Albumin Solution sold through us grew from 3.5% in 2013 to 7.3% in 2014.

For Axetine and Medocef, since the market segments to which they belong to are relatively well-established, our services focus on managing a broad distributor network. We monitor our distributors' sales performance each quarter, provide recommendations on the hospital coverage, as well as determine whether to renew agreements with each distributor annually based on our evaluation.

For Taurolite, which is a relatively new product in China's imported pharmaceutical market, we have made concrete plans to organise frequent academic and industrial conferences targeting specialist departments at hospitals to provide trainings to physicians on the therapeutic areas, clinical profiles and uses, benefits and other characteristics of these products.

Formulating Marketing and Promotion Strategies

A total of seven staff members from our sales management team and our marketing team formulate tailored marketing strategies and plans for each product in our portfolio. Our distributors typically are not involved in the formulation and planning of marketing and promotion strategies. We formulate the overall marketing strategies for our products every year, based on which we form our national marketing and promotion plan and a list of target hospitals for specific marketing activities. We review the national marketing and promotion plan semi-annually and the target hospitals quarterly and make adjustments, if applicable. We take various factors into consideration, including national and regional market demand, supply dynamics, competing products, the demographic profile of the relevant patient pool, national prevalence rates, as well as prevailing treatment protocols. More detailed marketing plans are formulated and adopted before we market, promote and sell the product in the Chinese market, and we work closely with our distributors to improve the plans. We provide a detailed marketing plan to each of our distributors, specifying the target hospitals and the marketing and promotion schedules for carrying out more targeted field marketing activities. We select the target hospitals based on a number of factors,

including clinical profiles of our products, product qualities in relations to the regional prevalence rates of illnesses relevant to our products and historical tender success rates. We adjust the detailed marketing plans from time to time to reflect market developments and feedback from our distributors, hospitals and physicians.

For Taurolite, which is a product that the medical professionals in China are less familiar with, our marketing strategies emphasise educating physicians on the clinical profiles and uses, benefits, side effects and other clinical aspects of these products. We provide comprehensive training to our in-house team and distributors to ensure that accurate information is delivered to physicians. We intend to organise and sponsor frequent industrial conferences and academic seminars and other marketing activities to increase the awareness of these products among medical professionals. We plan to hold academic seminars at various medical conferences as well as national and regional pharmaceutical exhibitions. We also plan to hold panel discussions at specialist department in select key hospitals across China.

Our sales management team and our marketing team are pivotal in tailoring the marketing strategies and plans for our products, and we record the costs incurred for formulating marketing and promotion strategies as staff costs under selling and distribution expenses.

Executing Marketing and Promotion Strategies

In order to provide quality services to our suppliers, we carry out marketing and promotion activities through both our in-house team and our distributors. Our marketing activities aim at educating and engaging physicians in discussions on the clinical profiles, therapeutic areas, uses, benefits and side effects of our pharmaceutical products. Our in-house team and our distributors conduct marketing activities on different scales. Our in-house team promotes our pharmaceutical products on a national level through various large-scale marketing activities. Following such general marketing, our distributors carry out more targeted field marketing activities based on the target hospitals and detailed marketing and promotion schedules provided by us. Our in-house team provides guidance and support to our distributors and supervises their marketing activities.

Marketing and Promotion Activities Conducted by Our In-House Team

Our in-house marketing and promotion team, which consists of 53 staff members from our marketing, promotion and channel management team (three from the sales management team, three from the marketing team and 47 from the sales team), executes our marketing and promotion strategies at the national level with large-scale marketing activities. Our in-house team raises and reinforces the awareness of our products among medical professionals by organising and participating in national and large-scale academic seminars, academic and industrial conferences, medical association conferences and exhibitions as well as through publication of articles in medical magazines. Our in-house team also designs and prepares promotion materials for our pharmaceutical products such as product brochures, physician-patient handbooks, flyers, training materials and hand-outs.

For each of our products, our in-house team provides promotion materials, training and sales support to our distributors regarding how to carry out the promotion activities and improve the effectiveness of such promotion. Our in-house team actively supervises the promotion activities of our distributors and collects regular feedbacks from them, based on which we further adjust our marketing and promotion plans. With our highly qualified and experienced staff members, we are able to effectively manage our broad distributor network and communicate with our distributors, physicians and hospitals about our products.

Marketing and Promotion Activities Conducted by Our Distributors

All of our distributors are responsible for assisting our marketing and promotion activities and we did not engage any distributor that was solely responsible for distributing our pharmaceutical products

during the Track Record Period. Under our guidance and supervision, our distributors (or through their sub-distributors) mainly carry out two types of marketing activities at regional level and in a smaller scale:

- Organising academic seminars and lectures in the target hospitals — Our distributors (or through their sub-distributors) organise small-scale academic seminars and lectures in the target hospitals within their respective sales regions to provide trainings to physicians on our pharmaceutical products. In particular, they invite reputable medical specialists to participate in seminar discussions or to lecture on the clinical profiles, uses and therapeutic areas of our pharmaceutical products. They also distribute promotion materials, including product brochures and physician-patient handbooks, to the physicians during such academic seminars and lectures. We provide the promotion materials and the training materials to our distributors and provide assistance in liaising with the participating medical specialists. Our in-house team also participates in such academic seminars and lectures to provide additional support and supervision and collect first-hand feedbacks of such promotion activities.
- Visiting physicians in the target hospitals — Our distributors (or through their sub-distributors) pay individual visits to the physicians in the target hospitals to further enhance the physicians' awareness of our pharmaceutical products. During such visits, they provide the physicians with the most up-to-date information about our products and address questions that the physicians may have about the clinical profiles, uses and therapeutic areas of such products. They also collect from the physicians and their patients' clinical feedback of our products and relay such information to our in-house team, which enables us to further understand the regional market trends and revise our marketing and promotion plans accordingly.

By adopting the above approach, we believe that we are able to fully utilise our distributors' established relationships with physicians and hospitals in their respective designated regions and transfer part of the marketing and promotion expenses that we would otherwise incur to our distributors and subsequently reduce our marketing and promotion expenses. Given that we conduct part of our marketing and promotion activities through our distributors, we must take it into account when negotiating the sale prices of our products with our distributors, which affected our gross profit margin during the Track Record Period.

We have expanded our network of distributors to access over 3,000 hospitals and other medical institutions across China. As of 31 October 2015, sales of the products in our portfolio achieved wide distribution among hospitals nationwide, covering more than 870 Class III hospitals, more than 1,170 Class II hospitals and more than 260 Class I hospitals, in addition to over 700 pharmacies and other medical institutions. The costs and expenses incurred for executing marketing and promotion strategies mainly include staff costs, costs of promotional materials, costs of organising and participating in conferences and travelling expenses under selling and distribution expenses.

Channel Management Services

Our channel management services focus on providing safe warehousing, cold chain storage and competitive delivery services, participating in tender processes, appointing and managing distributors and optimising inventory levels at distributors, hospitals and pharmacies, and collecting, integrating and analysing sales data.

Warehousing and Delivery Services

We currently utilise a third-party warehouse facility through an entrustment agreement and contract with three third-party delivery firms to provide logistics services for our products. Our quality control department, which consisted of eight employees with an average of eight years of experience in

warehousing and logistics as of 31 October 2015, closely monitors the service quality of these firms. Our quality control team coordinates and arranges the transportation and storage arrangements of our products from the customs to our warehouses and ensures that such third-party warehouse and delivery firms are in compliance with GSP requirements. The facilities provide our suppliers with an extensive logistic network that helps ensure the timely and cost-effective handling of products from importation to final delivery. We will be indemnified for any losses arising out of system failures at or disruptions to the facilities. During the Track Record Period and up to the Latest Practicable Date, there were no losses to our inventories caused by failures at the facilities that we utilise and we have not suffered any material disruption to the facilities.

We utilise Guangzhou Pharmaceuticals, an Independent Third Party service provider, to provide us with cold chain delivery services for Human Albumin Solution. Guangzhou Pharmaceuticals is also one of our key distributors since 2013. The temperature monitoring systems used in Guangzhou Pharmaceuticals' climate-controlled vehicles employ advanced technology to implement automatic thermal control and ensure consistent temperature during transport, as Human Albumin Solution must be stored and transported at a temperature between 2 and 25 degrees Celsius. Our PRC legal adviser, Zhong Lun Law Firm, advises us that Guangzhou Pharmaceuticals possesses the requisite licenses to provide cold chain delivery services. With the climate-controlled vehicles, we ensure safe storage and transportation to comply with GSP standards. Our other products do not have strict climate-controlled storage or delivery requirements.

We provide detailed information regarding the delivery, including date, quantity, pick-up location and recipient name and address, to Guangzhou Pharmaceuticals prior to delivery. The cost of cold chain delivery services is calculated, for air freight, based on the weight of goods shipped plus a fixed fee per shipment, and for ground transportation, based on a fixed fee per delivery vehicle to Sichuan. In addition, for both air freight and ground transportation, a scanning fee per item and insurance cost of 0.05% of the total value of goods shipped are levied. We pay Guangzhou Pharmaceuticals by bank transfer within five days after we confirm the monthly invoice issued by Guangzhou Pharmaceuticals. Guangzhou Pharmaceuticals will indemnify us for any delayed delivery and any losses of Human Albumin Solution resulting from mishandling on the part of Guangzhou Pharmaceuticals during transportation. Either Guangzhou Pharmaceuticals or we can terminate the service contract with 30-days written notice. We have access to and are able to appoint alternative Independent Third Party cold chain delivery firms which offer the same services on comparable commercial terms in case Guangzhou Pharmaceuticals is unable to perform its obligations.

We entered into service agreements with our third-party warehouse provider and delivery firms on an annual basis. The third-party warehouse is GSP-qualified and adheres strictly to the warehouse operation protocols that meet GSP standards. The service fees for the third-party warehouse provider include assessment, storage, loading and unloading of products upon arrival of the warehouse which are settled yearly. We renewed the service agreement with the third-party warehouse provider in November 2015 with similar terms for a term of one year. We have access to and are able to appoint alternative third-party warehouses which offer the same services on comparable commercial terms if our current warehouse provider is unable to perform its obligations.

We implement robust monitoring procedures and select reliable service providers to protect the products in storage and in transit. We use customised packaging designs with suitable materials tailored for each product in our portfolio and, for Human Albumin Solution, require our delivery service provider to use temperature-controlled vehicles. In particular, we require in the service agreement with our Human Albumin Solution delivery service provider to use electronic thermometers to monitor the temperature of the product during transportation, and to follow strict operating procedures in the event that the temperature regulating systems in the vehicles malfunction. We require the cold chain delivery firm to deliver our human albumin product to our warehouse in Sichuan. We review both the live temperature data during transit and the summary temperature delivery data upon receipt of each delivery to our

distributors, and have the right to refuse acknowledging shipment if we spot any temperature abnormalities. We will be indemnified by all of our delivery service providers for any losses caused by damage to the products we sell resulted from any failure to comply with shipment condition requirements during transit. Our monitoring procedures have played a critical role in maintaining our safety record and strengthening our reputation as a quality service provider. For risks related to contracting third parties for logistics services, see "Risk Factors — Risks Relating to Our Business — We may experience prolonged delays or significant disruptions to the supply of the products in our portfolio, or an increase in the purchase prices of such products, which may adversely affect our business, financial condition and results of operations."

In 2012, 2013, 2014 and the first ten months of 2015, we incurred nil, RMB1.3 million, RMB1.1 million and RMB0.9 million in utilising warehouse and delivery services from third-party service providers. We did not incur any costs in utilising third-party warehouse and delivery services in 2012, as our inventory was then kept in our office storage facility and our distributors utilised their own delivery services.

To better control safety and quality of the plasma-based product in our portfolio and to reduce future warehousing costs, we are constructing a cold chain facility in Shuangliu District, Chengdu, Sichuan Province. See "— Business Expansion" for more details.

The Tender Processes

According to the Standards of Centralised Procurement of Pharmaceutical Products by Medical Institutions, we, as the general agent of our products in China for providing MPCM services to our suppliers, may submit tenders for the products we service (except for Human Albumin Solution). Human Albumin Solution is procured through hospital self-procurement instead of centralised tender process. In China, products listed on the Insurance Catalogues are procured by public hospitals and other medical institutions through the centralised tender processes. In addition, certain of these pharmaceutical products may be also purchased through hospital self-procurement.

For centralised procurement, the tender process is held typically every one to five years in different provinces and cities with varying terms, procedures and preferences. It is usually organised by government agencies in a certain province or city, or intermediaries. Bids are placed by the manufacturers or their distributors based on the pharmaceuticals listed in the tender documents. A committee of medical experts, chosen randomly from a database of experts approved by the relevant PRC government authorities, assesses the bids, and such bids are based on a number of factors, including bid price, quality of the product offered in the bid, clinical effectiveness, as well as manufacturer's reputation and customer service quality, among others. The successful bidding price in the tender process sets forth the purchase price for a pharmaceutical product by the relevant public hospitals and medical institutions. Once the committee selects a winning bid, the relevant bidder gains the exclusive right to handle sales and deliveries to the public hospitals and medical institutions in certain regions for a period specified in the tender document. All of our products, except for Human Albumin Solution, are mainly sold to the hospitals and other medical institutions through centralised procurement. See the section headed "Regulatory Framework — Regulatory Framework Applicable to the Industry — PRC Laws and Regulations in relation to Centralised Procurement and Tender Process" of this prospectus for further details on the tender process in the PRC.

In addition, the hospital self-procurement model also applies to certain other products listed on Insurance Catalogues, including Human Albumin Solution. Through the hospital self-procurement model, hospitals directly negotiate with pharmaceutical manufacturers and/or distributors for price and volume, typically for pharmaceutical products not required to go through centralised tender processes.

As of 31 October 2015, we had a total of four employees from the public affairs department and sales management team with an average of four years of experience dedicated to participating in various procurement processes across China. We have adopted tailored bidding strategies for each product taking into account their characteristics and technological advantages, and adjust those strategies from time to time to reflect changes in bidding policies and procedures. When we determine our bidding strategies, including bid prices, we refer to the clinical profiles of competing products, the likely market retail prices of products, the prices at which we purchase products from our suppliers, our and our distributors' expected margins, manufacturer's profile as well as local market preferences. Our distributors also assist us in the preparation and submission of tender documents.

Since 2013, we have participated in the tender processes and assisted our suppliers in selecting and managing distributors with proven track records of sales to hospitals. We act as the principal in the tender process in respect of all the imported pharmaceutical products we service. With respect to tenders submitted in 2013, 2014 and the first ten months of 2015, our tender success rate was 100.0%, 82.4% and 100.0%, respectively. We believe that our high levels of tender success rates during the Track Record Period were mainly due to the superior qualities of our products, as well as the experience and expertise of our four-person tender process team. Our products submitted for the tender process during the Track Record Period, namely Axetine, Medocef, Taurolite, TAD and Esafosfina, are widely recognised by the medical professionals as superior to their respective like products in terms of efficacy, safety standards and treatment duration. For example, Axetine and Medocef were originally permitted by the NDRC to adopt independent prices, the pricing mechanism reserved only for pharmaceutical products with high quality and safety standards. Furthermore, Taurolite is the only third generation of oral cholic drug available in China, and TAD and Esafosfina are among the designated drugs procured by the World Health Organisation. In addition to the superior qualities of our products, our tender process team possesses extensive experience and expertise in the tender and procurement processes for pharmaceutical products. Our tender process team analyses the tender documents issued by the government agencies before formulating bidding strategies and prepares the bidding materials. The team also closely monitors the entire tender process and works with other departments to ensure the success of our bids. We have also implemented internal control measures to standardise our management of tender activities and enhance the effectiveness of our tender submissions. The table below sets forth the details of the tender processes:

	Number of total tenders	Number of tenders awarded	Number of tenders which results have been announced	Tender success rate[*]
2013	4	4	4	100.0%
2014	22[**]	14	17	82.4%
First ten months of 2015	14[***]	7	7	100.0%

Note:

[*] Calculated by number of tenders awarded divided by number of tenders the results of which have been announced.

[**] Results are not yet available for five tenders submitted in 2014 for Axetine, Medocef, Taurolite, TAD and Esafosfina in Jiangxi Province. Jiangxi Province announced the updated selection criteria for tender process on 24 November 2015. We have submitted supplemental documents for the five tenders accordingly.

[***] Results are not yet available for seven tenders submitted in the first ten months of 2015 for Axetine in Liaoning Province, Guangxi Province and Beijing, as well as Medocef, Taurolite, TAD and Esafosfina in Beijing. Beijing and Liaoning Province announced their updated selection criteria for tender process on 7 July 2015 and 27 November 2015 respectively. We have submitted supplemental documents for the tenders accordingly.

Appointing and Managing Distributors

In line with industry practice, we appoint distributors in different sales regions to sell and promote our products to hospitals and medical institutions. We had a nationwide network of 170 distributors across 31 provinces, municipalities and autonomous regions in China, as of 31 October 2015. As of 31 October 2015, our distributor network was managed by 51 employees in total, of whom three were from our sales management team and 48 were from our sales team, which seeks to ensure the efficiency, productivity and stability of our distributor network. Our distributors generally are large- and medium-sized pharmaceutical product distributors that cover multiple provinces and major cities, or small-sized distributors with distribution capabilities within their localities. All of our distributors are required by PRC law to obtain pharmaceutical supply permits and GSP certificates. We sell products only to distributors that have obtained the necessary licences and certificates required for distributing pharmaceutical products in China. Our distributors are required to provide us with proof that they have valid GSP certificates and pharmaceutical supply permits. We will contact each of our distributors prior to the expiry of its relevant licence or permit to ensure we are provided with proof that the licence/permit has been renewed, and if satisfactory proof is not provided by a distributor, we will discontinue selling products to such distributor. In 2012, 2013, 2014 and the first ten months of 2015, we discontinued our relationships with nil, 4, 47 and 84 distributors, respectively, due to our efforts to focus our resources to distributors with better sales performance and wider hospital coverage, and because some of these distributors did not fulfil our distributor requirements. During the Track Record Period and up to the Latest Practicable Date, all of our distributors had obtained valid relevant licences or permits when we sold our products.

Our distributors sell the products to hospitals and pharmacies either directly or through their sub-distributors. We are not a party to the contracts between our distributors and hospitals, or between our distributors and their sub-distributors. Based on the information provided by our distributors, there were 390 sub-distributors involved in the sale of our product offerings as of 31 October 2015. Because we are paid directly by our distributors regardless of whether they are able to successfully sell the products to end-patients, our distributors and their sub-distributors are primarily responsible for the invoicing and payment collection process from the end customers. Our network of distributors includes reputable distributors such as Guangzhou Pharmaceuticals and Kelun Pharmaceuticals.

All of our distributors are corporations and Independent Third Parties, except for Kelun Pharmaceuticals, which was one of our shareholders during the Track Record Period. We screen and select our distributors based on various criteria, including the coverage of their existing distribution networks, their reputation, track record, experience, delivery capabilities, financial condition, creditworthiness and the amount of time required to remit payment to us. Save for Mr. Liu Sichuan's interest in Kelun Pharmaceuticals, to the knowledge of our Directors, none of our Company, our subsidiaries, our Shareholders who own more than 5% of our issued share capital, our Directors, our senior management or their respective associates have any past or present relationships (including employment, family or trust relationships) with any of our distributors.

We typically enter into sales agreements that have a one-year term with our distributors. We review the performance of our distributors on a regular basis, based on which we adjust their target hospitals and decide whether to extend the contracts. Our distributors are required to comply with all applicable anti-corruption laws and regulations in business activities, including their interaction with physicians and organisation of academic and industrial conferences. We also require our distributors to use their best efforts to monitor the activities of and ensure compliance by their sub-distributors. We may also terminate relationships with distributors who fail to achieve sales targets, adhere to territorial sales limits or comply with anti-bribery and proper marketing practices or GSP obligations. For details of our agreements with our distributors, see "— Our Customers".

In connection with managing our distribution network, we monitor inventory levels at our distributors monthly and further track the flow of products through our major distributors' online systems and/or monthly sales reports to avoid excess accumulation of inventories in the distribution chain. Because we generally do not accept product returns or replacements, our distributors bear the risks of overstocking. We also have the right to appoint other distributors in a given geographic area if the previously appointed distributor fails to meet its sales targets. In addition, our regional managers generally visit localities served by our sub-distributors on a bi-weekly basis to observe any potential violations of our anti-bribery and good marketing practises, including improper pricing, violations of sales territories, prohibited competition among sub-distributors, and channel stuffing. Our regional managers report their concerns to our distributors, and we will request them to manage and/or rectify the behaviour of their respective sub-distributors due to the distributors' direct contractual relationship with such sub-distributors. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any violation of our anti-bribery policies or the anti-corruption and anti-bribery laws of the PRC by our distributors or their respective sub-distributors.

Additionally, we rigorously manage our credit risk exposure to distributors. Due to the high popularity of the products in our portfolio, we typically ask for full prepayments from our distributors before delivery. Prepayments may be made in cash, as well as in the form of 60-day banks' acceptance bills issued by reputable banks or 90-day letters of credit for distributors with whom we have long-standing business relationships and who have demonstrated sufficient creditworthiness. We are therefore not subject to any material credit risk associated with collecting receivables or distributor termination as we closely monitor our trade receivables to prevent any outstanding receivables of significant amounts. For more information about the terms with our distributors, see "— Our Customers". During the Track Record Period, we did not record any allowance for bad debt arising from trade receivables.

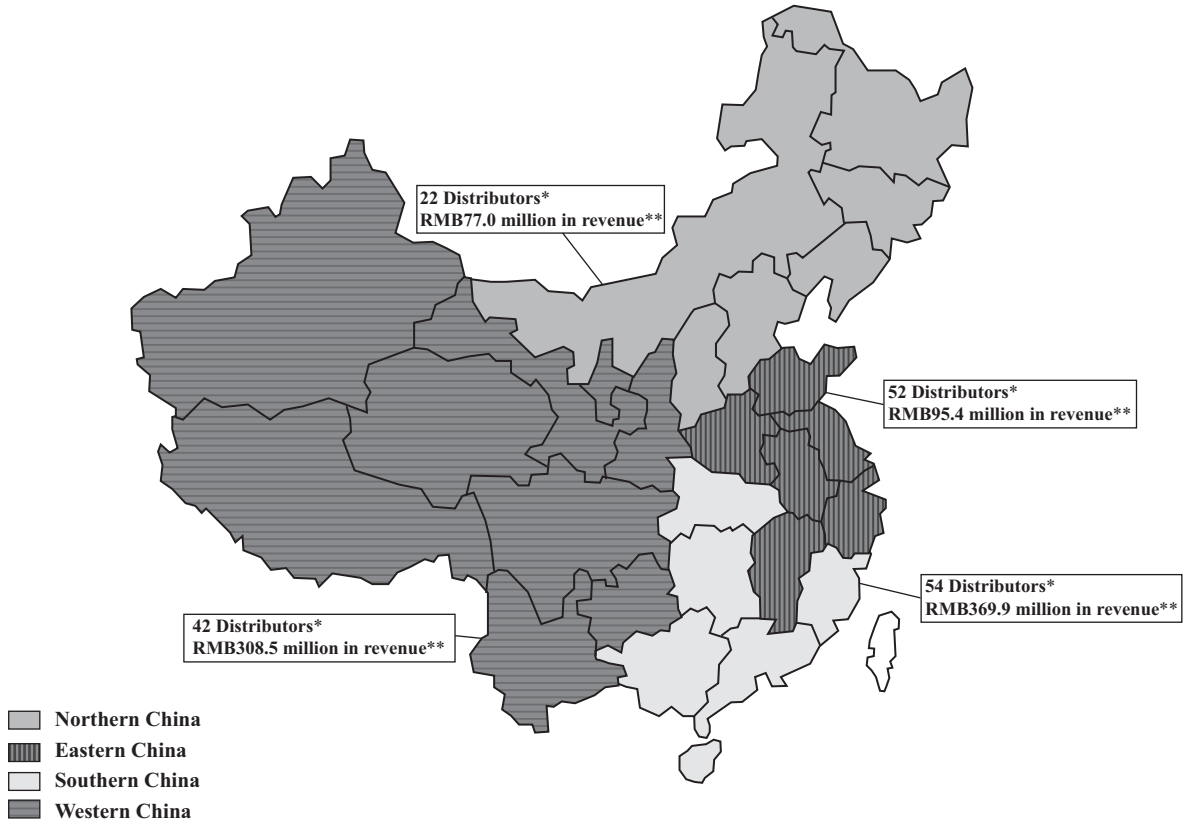
The costs and expenses incurred for appointing and managing distributors are mainly recorded as staff costs and traveling expenses under selling and distribution expenses.

The following table sets forth the total number of our distributors as of the beginning and the end of the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015, respectively:

	As of 31 December			As of 31 October
Distributors	**2012**	**2013**	**2014**	**2015**
Number of distributors at the beginning of period	0	11	165	186
Number of distributors added	11	158	68	68
Number of distributors terminated	0	4	47	84
Number of distributors at the end of period	11	165	186	170

We had 11, 165, 186 and 170 distributors in 2012, 2013, 2014 and the first ten months of 2015, respectively. In 2013, our distributor network expanded substantially as our antibiotics business grew. The network expansion continued in 2014 as we introduced more products into our portfolio, including Human Albumin Solution, Taurolite, TAD and Esafosfina. We discontinued our relationship with nil, 4, 47 and 84 distributors in 2012, 2013, 2014 and the first ten months of 2015, respectively, due to our efforts to focus more resources on distributors with better sales performance and wider hospital coverage, and because some of these distributors did not fulfil our distributor requirements.

The following map shows the number of our distributors by region in China as of 31 October 2015*:



Note:

* Certain distributors have multiple authorised sales regions and are counted only for the region in which these distributors recorded the majority of their revenue.

** For the ten months ended 31 October 2015.

Inventory Management

As of 31 October 2015, we had a team of 16 employees from our quality control department and sales management department who monitor our product inventory. We generally hold sufficient inventory to deliver products in a timely and cost efficient manner. Due to our strong sales and channel management capabilities, our inventory turnover days for the year ended 31 December 2013, 2014 and the ten months ended 31 October 2015 was 58 days, 56 days and 37 days, respectively.

Each year, we formulate a product purchase plan that includes projected purchase volumes for each month. We actively monitor our inventory levels and inventory turnover based on our sales and market demand. After products in our portfolio are sold to our distributors, we further track the flow of products through our major distributors' monthly sales reports or online systems, which allow us to monitor purchases made by hospitals, medical institutions and pharmacies through the distributors. Our distributors are also required to submit their sales reports to us each month, which we use to generate consolidated sales reports. This allows us to monitor inventory levels and make more accurate forecasts concerning the market demand for our product offerings, and to adjust our sales and purchase plans accordingly to substantially reduce the risk of an inventory shortage or accumulation. At the same time, we provide our suppliers with up-to-date sales data on their products, which allows them to adjust their

purchase and sales plans. Our ERP information management system also alerts us if our inventory of any product passes a certain threshold to remind our marketing, promotion and channel management team to expedite its sale.

The costs and expenses incurred for inventory management are mainly recorded as staff costs under selling and distribution expenses and administrative expenses, respectively.

We currently utilise a third-party warehouse in Sichuan Province. For details of our agreements with third-party warehouse providers, see "— Our Services — Channel Management Services — Warehousing and Delivery Services". We have established an inventory control system for our third-party logistics facilities and warehouse in order to destroy expired and damaged products in compliance with relevant regulations. Our pharmaceutical products generally have a shelf life ranging from two to five years. We review the expiration dates of our inventory monthly and make allowance for obsolete and slow-moving inventory items that are no longer saleable in the market. Our control system promptly reports on our product inventory levels to our channel management staff, who monitors inventory levels and makes adjustments for expired and damaged products. All obsolete inventory items, including expired and damaged items, once identified, are stored separately from regular inventory items, and are destroyed under the supervision of the local CFDA agencies periodically. We bear the losses and expenses arising out of obsolete inventory items that have not yet been sold to distributors, but had not experienced any loss or expense due to obsolete inventory during the Track Record Period and up to the Latest Practicable Date.

Coordinating and Managing Product Registration Renewal and First-time Product Registration

Under PRC law, before an overseas pharmaceutical product can be imported and distributed in China, it must be registered with the CFDA. First-time product registration and product registration renewal usually require more than three years and more than three months, respectively, to complete. For certain imported pharmaceutical products, the first-time registration processes include the completion of clinical trials, the cost for which depends on the trials' sample pool sizes and research methodology. Once a pharmaceutical product is successfully registered, the drug licence remains valid for five years, and a renewal application must be filed within six months prior to the expiry date of the existing registration. See the sections headed "Regulatory Framework — Regulatory Framework Applicable to the Industry — PRC Laws and Regulations relating to Pharmaceutical Products — Import of Pharmaceutical Products" of this prospectus for further details.

In 2014, we set up a dedicated in-house team within the public affairs department to coordinate and manage registration renewals, and we intend the team to coordinate and manage first-time registrations for new products in the future. The team consists of two staff who have in-depth experience in managing registrations and renewals and maintain regular contact with CFDA. The team monitors the status of the drug licences of our products and works closely with our suppliers to prepare the application materials for the registrations/renewals. The team directly reports to the general manager of the public affairs department, Mr. Ma Hui, with respect to the team's daily operation. Mr. Ma Hui has more than eight years of professional experience in managing registrations and renewals and considerable knowledge of CFDA rules and in selecting medical institutions for clinical trials. Mr. Huang, our Chairman, also possesses a deep understanding of the regulatory environment of imported pharmaceutical product registrations and renewals.

All of our current imported products were already registered when we entered into the relevant distribution agreements. Where necessary, we will assist the renewal process or handle the product registration after we enter into definitive agreements with our suppliers and obtain the right to act as their service provider in China to market, promote and sell their products. For the renewal of product registration, we monitor the expiry dates of product registrations, liaise with relevant government authorities and assist our suppliers in preparing the reports detailing the import records, clinical usage and any adverse effects of the products within five years after the previous product registration or

renewal. Our suppliers submit the report and bear all the costs involved in the renewal of product registration. During the Track Record Period, we successfully assisted our suppliers in obtaining the product registration renewals for Human Albumin Solution, Axetine, Esafosfina and Medocef in March 2013, February 2014, January 2015 and June 2015, respectively.

We intend to coordinate and manage first-time product registration for our new products that have not yet been registered in China. For product registration, we translate and consolidate the supporting documents for our suppliers, and then select reputable medical institutions and physicians as researchers to run clinical trials if required. After substantial completion of the clinical trials, we recommend a qualified third-party CRO to complete the clinical trial report for submission to CFDA. We actively and closely monitor the performance of CROs that we recommend, and take primary responsibility in responding to any CFDA inquiries on a product's technical information, coordinating with our suppliers to ensure that accurate and up to date information is provided to the CFDA through the CROs.

The following table shows the details of imported drug registration of our pharmaceutical products:

Product	Date of Renewal	Drug Licence No.	PRC Imported Drug Licence Expiry Date
Human Albumin Solution	29 March 2013	S20130030 S20130031	28 March 2018
Axetine	21 February 2014	H20140139 H20140140	20 February 2019
Medocef	5 June 2015	H20150348 H20150349	4 June 2020
Taurolite	15 July 2015	H20150398	14 July 2020
TAD*	11 February 2010	H20100117	10 February 2015
	19 March 2010	H20100204	18 March 2015
Esafosfina	5 January 2015	H20150004	4 January 2020

* *We submitted the application to renew the import drug licenses for TAD on 9 September 2014, approximately six months before the expiry date of TAD's last imported drug licenses, in accordance with the Administrative Measures for the Registration of Pharmaceuticals (藥品注冊管理辦法). CFDA decided to conduct specification validation and verification for TAD and notified us in writing on 25 November 2015 of its request for additional materials for the purpose of the specification validation and verification. See "Regulatory Framework — Regulatory Framework Applicable to the Industry — PRC Laws and Regulations relating to Pharmaceutical Products — Import of Pharmaceutical Products" for more information about specification validation and verification. We are in the process of preparing the relevant materials and plan to submit such materials to CFDA before 9 April 2016, which is the deadline set forth in the notification. We expect to obtain TAD's renewed import drug licenses by the end of the first half of 2016.*

Pursuant to relevant regulations, applicants of product registration renewals may apply for a temporary Import Drug Approval Notice, a one-off permit for imported drugs, no more than twice during the application period. We obtained two temporary Import Drug Approval Notices on 15 March 2015 and 2 April 2015, respectively, for two shipments of TAD during the application period, and we have not imported TAD since. As of the Latest Practicable Date, all of the TAD we purchased had been sold and we did not have any inventory of TAD.

Our suppliers bear the costs and expenses of product registration renewals and first-time product registration, including the costs and expenses for engaging medical institutions and physicians for clinical trials and CROs. Costs incurred for coordinating and managing product registration renewals during the Track Record Period and up to the Latest Practicable Date were mainly recorded as staff costs.

OUR PRODUCTS

Product Sourcing and Screening

Our portfolio includes plasma-based product and products in other fast-growing or sizeable therapeutic areas. We systematically screen and select products from prospective product candidates in the overseas market based on internal research and data collection, our management's contacts in the

pharmaceutical industry, including industrial and trade associations, trade shows and exhibitions, referrals from business partners as well as third-party research reports. We select products that we believe have high growth potential in the Chinese pharmaceutical market.

Our strategic development department, led by Mr. Huang, is primarily in charge of identifying potential product candidates. Once we identify a prospective product candidate, we evaluate the product based on the following criteria:

- *Therapeutic areas, clinical features and safety record*, including, the therapeutic benefits and advantages of the product candidate, manufacturing processes, clinical profiles, prevalence rates of the target diseases, current treatment protocols in China and alternative products in the Chinese pharmaceutical market. We obtain the relevant information from our in-house research. When selecting product candidates, we focus on products that have superior clinical profiles, advanced manufacturing processes and impeccable safety records.
- *Supplier profile*, including the supplier's manufacturing technology, market reputation, track record, creditworthiness and logistics capabilities. We focus on suppliers located in Europe and other developed economies whose regulatory control systems and product quality are generally perceived favourably by Chinese physicians and patients, and especially suppliers that have a leading position in a given therapeutic area.
- *Marketing considerations*, including the extent the product candidate strategically fits in our product portfolio, whether the product is included in Insurance Catalogues eligible for reimbursement under medical insurance programmes, the sales and prices of alternative products in China, and the potential market size, market growth and competitive landscape in China. We choose high quality plasma-based product and products in other fast-growing or sizeable therapeutic areas, so as to leverage our marketing, promotion and sales network.
- *Financial projections*, including the projected revenue and profit that a certain product candidate may contribute to us.

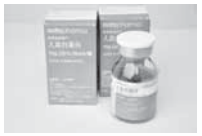
After identifying a suitable product candidate, we negotiate with its supplier to procure the marketing, promotion and channel management rights in the Chinese market by demonstrating our ability to introduce and promote pharmaceutical products in China. We typically examine the various permits, licences or certifications of the product candidate before we enter into relevant agreements.

Product Portfolio

During the Track Record Period, we expanded our product portfolio from two to six. Our product portfolio further expanded to seven products as of the Latest Practicable Date, as we started servicing Xinneng Q_{10} in December 2015. The following table sets forth a breakdown of our revenue by product categories and as a percentage of our total revenue for the periods indicated:

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
							(Unaudited)			
Human Albumin Solution	–	–	251,216	47.2	628,575	66.2	468,190	65.2	551,878	64.9
Antibiotics (Axetine and Medocef)	26,166	100.0	281,264	52.8	307,073	32.3	244,987	34.1	246,984	29.0
Others (Taurolite, TAD and Esafosfina)	–	–	–	–	14,431	1.5	5,241	0.7	51,933	6.1
Total	**26,166**	**100.0**	**532,480**	**100.0**	**950,079**	**100.0**	**718,418**	**100.0**	**850,795**	**100.0**

The following table sets forth certain information on our key products:

Therapeutic Area/Product Category	Product	Use	Product Shelf Life	Supplier	Country of Manufacture	Term of Marketing, Promotion and Sales Rights	Geographic Coverage Granted by Agreements	Drug Licence No.	PRC Imported Drug Licence Expiry Date
Solution for infusion	Human Albumin Solution 	To remedy hypovolemia and hypovolemic shock, abnormally high intracranial pressure, edema and ascites, and to prevent and cure hypoalbuminemia and neonatal hyper-bilirubinemia	36 months	Octapharma AG	Austria	From 29 November 2012 to an indefinite period (subject to annual price negotiations)	China nationwide, except Shanghai and the provinces of Shandong, Jiangsu, Zhejiang, Anhui, Fujian and Jiangxi.	S20130030 S20130031	28 March 2018
Antibiotics	Axetine (Cefuroxime Sodium for injection) (安可欣) (注射用頭孢呋辛鈉) 	Treatment for bacterial infections	Within 24 months after production date	Medochemie Ltd.	Cyprus	From 20 April 2011 to an indefinite period	China nationwide	H20140139 H20140140	20 February 2019

Therapeutic Area/Product Category	Product	Use	Product Shelf Life	Supplier	Country of Manufacture	Term of Marketing, Promotion and Sales Rights	Geographic Coverage Granted by Agreements	Drug Licence No.	PRC Imported Drug Licence Expiry Date
Antibiotics	Medocef (Cefoperazone Sodium for injection) (麥道必) (注射用頭孢哌酮鈉) 	Treatment of bacterial infections	24 months	Medochemie Ltd.	Cyprus	From 20 April 2011 to an indefinite period	China nationwide	H20150348 H20150349	4 June 2020
Gastroenterology . .	Taurolite (Tauroursodeoxycholic acid capsules) (滔羅特) (牛磺熊去氧膽酸膠囊) 	Treatment of hepatobiliary diseases, including gallstone diseases, or cholelithiasis	36 months	Bruschettini S.r.l.	Italy	From January 2014 to March 2023*	China nationwide	H20150398	14 July 2020
Gastroenterology .	TAD (Reduced Glutathione for injection) (泰特) (注射用還原型谷胱甘肽) 	Treatment and prophylaxis of intoxications from ethyl alcohol, organophosphorus and several groups of drugs, as well as cell damages and liver damages	36 months	Biomedica Foscama Industria Chimico Farmaceutica S.p.A.	Italy	From January 2014 to March 2023*	China nationwide	H201000117** H201000204 **	10 February 2015** 18 March 2015**

Therapeutic Area/Product Category	Product	Use	Product Shelf Life	Supplier	Country of Manufacture	Term of Marketing, Promotion and Sales Rights	Geographic Coverage Granted by Agreements	Drug Licence No.	PRC Imported Drug Licence Expiry Date
Cardiology	Esafosfina (Fructose 1,6-diphosphate for injection) (愛賽福) (注射用1,6-二磷酸果糖) 	Treatment of hypophosphatemia and chronic diseases including alcohol intoxication, malnutrition and hypophosphatemic respiratory failure	60 months	Biomedica Foscama Industria Chimico Farmaceutica S.p.A.	Italy	From January 2014 to March 2023*	China nationwide	H20150004	4 January 2020
Dietary supplement	Xinneng Q_{10} (Coenzyme Q_{10} tablets) 	Enhance immunity system	24 months	Liaoning Wanjia Pharmaceutical Technology Co., Ltd.	China	From October 2015 to December 2025	China nationwide	Guoshijianzi G20110639***	29 September 2016***

* *Vast Surplus entered into a sole distribution agreement with Trendful, the exclusive sales agent for the supplier in China, in December 2013, pursuant to which Vast Surplus obtained the exclusive right to service the relevant product in China for a consideration of RMB50.4 million. We purchased the relevant product from Trendful through Vast Surplus and provided services to the product in 2014. We entered into distribution transfer agreements and distribution authorisation agreements with Vast Surplus in 2015, whereby we were transferred the exclusive service right by Vast Surplus for a term starting from January 2015 and to be expired in March 2023, with respect to each of Taurolite, TAD and Esafosfina at a total consideration of RMB45.4 million. For more information of our arrangement with Vast Surplus, see "History, Reorganisation and Corporate Structure — Distribution Transfer Agreements between Vast Surplus and Hong Kong Prosperous."*

** *We submitted the application to renew the product registration for TAD on 9 September 2014, approximately six months before the expiry date of TAD's last imported drug licences, in accordance with the Administrative Measures for the Registration of Pharmaceuticals (藥品註冊管理辦法).*

CFDA decided to conduct specification validation and verification for TAD and notified us in writing on 25 November 2015 of its request for additional materials for the purpose of the specification validation and verification. See "Regulatory Framework — Regulatory Framework Applicable to the Industry — PRC Laws and Regulations relating to Pharmaceutical Products — Import of Pharmaceutical Products" for more information about specification validation and verification. We are in the process of preparing the relevant materials and plan to submit such materials to CFDA before 9 April 2016, which is the deadline set forth in the notification. We expect to obtain TAD's renewed import drug licenses by the end of the first half of 2016.

Pursuant to relevant regulations, applicants of product registration renewals may apply for a temporary Import Drug Approval Notice, a one-off permit for imported drugs, no more than twice during the application period. We obtained two temporary Import Drug Approval Notices on 15 March 2015 and 2 April 2015, respectively, for two shipments of TAD during the application period, and we have not imported TAD since. As of the Latest Practicable Date, all of the TAD had been sold and we did not have any inventory of TAD.

*** *Xinneng Q_{10} is registered as a dietary supplement in the CFDA.*

Human Albumin Solution

Human Albumin Solution is a human albumin product manufactured by Octapharma. It is used to remedy hypovolemia and hypovolemic shock, abnormally high intracranial pressure, edema and ascites, and to prevent and cure hypoalbuminemia and neonatal hyper-bilirubinemia. Among all human albumin products in the market, Human Albumin Solution is the only product which can be used in premature infants due to its low content of aluminium-ion compared with other products, according to the Frost & Sullivan Report.

The market for human albumin products in China grew at a CAGR of 22.0% from 2010 and 2014 and had total sales of RMB10,827.4 million in 2014, according to the Frost & Sullivan Report. Human Albumin Solution was included in Part B of the National Insurance Catalogue and was the fourth best-selling human albumin product in the PRC in 2014 with a market share of approximately 9.6% by revenue.

In 2014 and the first ten months of 2015, we sold 2.1 million bottles and 1.8 million bottles of Human Albumin Solution, through 16 and 10 distributors, respectively, including Guangzhou Pharmaceuticals and Kelun Pharmaceuticals, two large distributors with nationwide strong reputation and hospital coverage, in 24 provinces, municipalities and autonomous regions in China. We generated revenue of RMB251.2 million, RMB628.6 million and RMB551.9 million from the sale of Human Albumin Solution in 2013, 2014 and the first ten months of 2015, respectively.

For more details about our distribution arrangement of Human Albumin Solution, see "— Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Octapharma."

During the Track Record Period, our purchase price of Human Albumin Solution was relatively high (which was mainly driven by the imbalance between the limited supply of and the high demand for human albumin products in China) while our sale price of Human Albumin Solution was capped by the pricing ceiling historically imposed by the PRC government on human albumin products, which affected our gross profit margin during the Track Record Period.

Axetine (Cefuroxime Sodium for injection) (安可欣) (注射用頭孢呋辛鈉)

Axetine is cefuroxime sodium for injection, manufactured by Medochemie. The market for injectable cefuroxime sodium antibiotics in China grew at a CAGR of 8.6% from 2010 and 2014 and had total sales of RMB2,079.2 million in 2014, according to the Frost & Sullivan Report. Axetine is a basic pharmaceutical product in Part A of the National Insurance Catalogue and was one of the most popular injectable cefuroxime sodium products in the PRC in 2014 with a market share of approximately 27.4% by revenue.

In April 2011, we entered into a sole distribution agreement with Deutsche Sinomed, the exclusive sales agent of Axetine and Medocef, manufactured by Medochemie, in China to become the exclusive service provider for Axetine in China until the arrangement is terminated by either party with notice six months prior to the next year. In 2014 and the first ten months of 2015, we sold 21.7 million bottles and 16.9 million bottles of Axetine, respectively, through 123 and 127 distributors, respectively, in 23 and 26 provinces, municipalities and autonomous regions in China, respectively. We generated revenue of RMB25.9 million, RMB238.2 million, RMB258.0 million and RMB201.4 million from the sale of Axetine in 2012, 2013, 2014 and the first ten months of 2015, respectively.

For more details about our distribution arrangement of Axetine, see "— Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Medochemie."

The gross profit margin of Axetine is relatively low as the injectable cefuroxime sodium product market in China is highly competitive in terms of pricing, according to Frost & Sullivan, which affected our gross profit margin during the Track Record Period.

Medocef (Cefoperazone Sodium for injection) (麥道必) (注射用頭孢哌酮鈉)

Medocef is cefoperazone sodium for injection, manufactured by Medochemie. The market for cefoperazone sodium antibiotics, including fixed dose combinations of cefoperazone sodium and sublactam sodium, in China grew at a CAGR of 11.0% from 2010 and 2014 and had total sales of RMB2,370.5 million in 2014, according to the Frost & Sullivan Report. Medocef was included in eight Provincial Insurance Catalogues.

In April 2011, we entered into a sole distribution agreement with Deutsche Sinomed to become the exclusive service provider for Medocef in China until the arrangement is terminated by either party with six month notice prior to the next year. In 2014 and the first ten months of 2015, we sold 4.2 million bottles and 3.9 million bottles of Medocef, respectively, through 61 and 51 distributors, respectively, in 15 and 18 provinces, municipalities and autonomous regions in China, respectively. We generated revenue of RMB0.3 million, RMB43.1 million, RMB49.1 million and RMB45.6 million from the sale of Medocef in 2012, 2013, 2014 and the first ten months of 2015, respectively.

For more details about our distribution arrangement of Medocef, see "— Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Medochemie."

The gross profit margin of Medocef is relatively low as the injectable cefoperazone sodium product market in China is highly competitive in terms of pricing, according to Frost & Sullivan, which affected our gross profit margin during the Track Record Period.

Taurolite (Tauroursodeoxycholic acid capsule) (滔羅特) (牛磺熊去氧膽酸膠囊)

Taurolite is a tauroursodeoxycholic acid, or TUDCA, capsule, manufactured by Bruschettini. Taurolite is used for the treatment of gallstone diseases, or cholelithiasis, a prevalent disease in China with a 7% incidence rate. Taurolite is a third generation oral cholic acid drug that contains tauroursodeoxycholic acid, which is more water solvent than the first and second generations of oral cholic acid drugs. Tauroursodeoxycholic acid is thus more readily absorbed by patients and dissolved cholesterol stones and at a faster rate than the second generation of oral cholic acid drug. As of the Latest Practicable Date, there are no competing products under the same generic name for Taurolite, making it the only third generation of oral cholic acid drug currently available in China.

The total market for TUDCA drugs in China grew at a CAGR of 25.1% from 2010 and 2014 and had total sales of RMB101.5 million in 2014, according to the Frost & Sullivan Report. Taurolite is included in ten Provincial Insurance Catalogues and had a market share of approximately 9.8% by revenue in the oral cholic acid drugs market in 2014.

In 2014 and the first ten months of 2015, we sold 28,000 packs and 306,897 packs of Taurolite through one and five distributors, respectively, in 31 provinces, municipalities and autonomous regions in China. We lowered the sale price of Taurolite in 2015 primarily due to a significant decrease in the cost of Taurolite following our acquisition of the exclusive right to service Taurolite in China in March 2015 and our plan to increase the market share of this product. We generated revenue of RMB6.0 million and RMB36.1 million from the sale of Taurolite in 2014 and the first ten months of 2015, respectively.

For more details about our distribution arrangement of Taurolite, see "— Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Bruschettini and Foscama."

TAD (Reduced Glutathione for injection) (泰特) (注射用還原型谷胱甘肽)

TAD is reduced glutathione for injection, manufactured by Foscama. It is used for the treatment and prophylaxis of intoxications from ethyl alcohol, organophosphorus and several groups of drugs (anticancer chemotherapeutic agents, antitubercular drugs, neuroleptics, antidepressants and acetaminophen), as well as cell damage from ionising radiations and liver damage. Reduced glutathione protects the liver by reducing the activity of free radicals in the liver, as well as strengthening the detoxification ability of the liver.

The market for reduced glutathione products in China grew at a CAGR of 19.8% from 2010 and 2014 and had total sales of RMB2,659.7 million in 2014, according to the Frost & Sullivan Report. TAD is included in Part B of the National Insurance Catalogue and had a market share of approximately 1.1% by revenue in 2014.

In 2014 and the first ten months of 2015, we sold 308,000 bottles and 1.4 million bottles of TAD, respectively, through one distributor, Guangzhou Pharmaceuticals, in 31 provinces, municipalities and autonomous regions in China. We lowered the sale price of TAD in 2015 primarily due to a significant decrease in the cost of TAD following our acquisition of the exclusive right to service TAD in China in March 2015 and our plan to increase the market share of this product. We generated revenue of RMB4.0 million and RMB12.6 million from the sale of TAD in 2014 and the first ten months of 2015.

For more details about our distribution arrangement of TAD, see "— Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Bruschettini and Foscama".

Esafosfina (Fructose 1,6-diphosphate for injection) (愛賽福) (注射用1,6-二磷酸果糖)

Esafosfina, manufactured by Foscama, was the only imported injectable fructose 1,6-diphosphate approved by the CFDA in China as of the Latest Practicable Date for treating hypophosphatemia and chronic diseases, including alcohol intoxication, malnutrition and hypophosphatemic respiratory failure. Clinical studies demonstrated that Esafosfina significantly improved respiratory functioning for pneumonia and reduced the likelihood of heart failure in children, and that it is effective in treating liver damage for patients with viral hepatitis and vertebrobasilar ischemia.

The market for injectable fructose 1,6-diphosphate in China grew at a CAGR of 19.8% from 2010 and 2014 and had total sales of RMB639.9 million in 2014, according to the Frost & Sullivan Report. Esafosfina is included in Part B of the National Insurance Catalogue and had a market share of approximately 3% based on revenue in 2014, according to the Frost & Sullivan Report.

In 2014 and the first ten months of 2015, we sold 69,000 bottles and 51,360 bottles of Esafosfina through one and four distributors, respectively, in 31 provinces, municipalities and autonomous regions in China. We generated revenue of RMB4.4 million and RMB3.2 million from the sale of Esafosfina in 2014 and the first ten months of 2015. We lowered the sale price of Esafosfina in 2015 primarily due to a significant decrease in the cost of Esafosfina following our acquisition of the exclusive right to service Esafosfina in China in March 2015 and our plan to increase the market share of this product.

For more details about our distribution agreement of Esafosfina, see "— Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Bruschettini and Foscama."

Xinneng Q_{10}

To diversify our revenue stream and expand our product portfolio, in September 2015, we entered into a collaboration agreement with Liaoning Wanjia to be the exclusive service provider in China for Xinneng Q_{10}, from October 2015 to December 2025. Xinneng Q_{10} is composed of Coenzyme Q_{10}, an oil-soluble antioxidant essential for basic cell functions and is especially abundant in liver, kidney and pancreas. Coenzyme Q_{10} can be used as a dietary supplement or as a drug. According to the Frost & Sullivan Report, research studies have shown multiple health benefits related to the intake of Coenzyme Q_{10}, including improved heart and liver functions, alleviation of post-chemotherapy adverse effects and prevention of complications from diabetes and kidney failures, Alzheimer's disease and Parkinson's disease. For market information about Coenzyme Q_{10}, see "Industry Overview — Pharmaceutical Market in China — Overview of Coenzyme Q_{10} Market in China." Xinneng Q_{10}, registered as a dietary supplement with the CFDA, is not included in any of the Insurance Catalogues or the Catalogues of Essential Pharmaceuticals.

We believe that physicians and patients will likely have a preference for Xinneng Q_{10} over other Coenzyme Q_{10} because of Xinneng Q_{10}'s superior qualities as a result of Liaoning Wanjia's patented manufacturing technology for integrating supramolecular and immediate release techniques. Compared with Coenzyme Q_{10} products available in China without such patented technology, the active ingredient of Xinneng Q_{10} can be absorbed more effectively by patients, according to a clinical study conducted by Shenyang Pharmaceutical University.

According to the Frost & Sullivan Report, the PRC Coenzyme Q_{10} products market is fragmented. With our experience in formulating and executing marketing pharmaceutical products, we believe that we are able to leverage our current distribution network for the distribution of Xinneng Q_{10}. As Xinneng Q_{10} has superior qualities and its health benefits are valuable to many patients who use the other pharmaceutical products we currently service, we believe that our distributors are able to effectively promote the clinical profiles and usage of Xinneng Q_{10} to physicians, who will likely in turn recommend Xinneng Q_{10} to patients who may benefit from the product, should they consider it an appropriate product for their patients' therapeutic needs. We expect that these patients will purchase Xinneng Q_{10} at retail drug stores, health and beauty retail stores or other pharmacies, which will procure Xinneng Q_{10} from our distributors. After raising the awareness of physicians and patients about Xinneng Q_{10}'s health benefits to patients with critical illnesses, such as cardiovascular diseases, nervous system diseases and cancers, we plan to further promote Xinneng Q_{10} to a boarder group of consumers for other aspects of its health benefits. Therefore, we do not expect to incur material additional costs in marketing and promoting Xinneng Q_{10}. We started servicing Xinneng Q_{10} in December 2015.

For more details about our distribution agreement of Xinneng Q_{10}, see "— Our Product Suppliers — Our Supply Arrangements — Supply Arrangement with Liaoning Wanjia."

Product Pipeline

Sinco I (Class I chemical medicine)

We have engaged Institute of Chinese Medical Sciences to develop "Sinco I", a realgar-based chemical medicine intended to treat acute promyelocytic leukaemia. We intend to apply for Sinco I to be classified as a class I chemical medicine, a category of new medicine which has never been launched in China or other countries according to the Frost & Sullivan Report. Please see the section headed "— Research and Development" for detailed discussion of this product in pipeline.

PRICING

Prior to 1 June 2015, pharmaceutical products that we sold were all included in the Insurance Catalogues, and each of them was subject to price controls by way of maximum retail prices. Maximum retail prices on pharmaceutical products, effective before 1 June 2015, were the maximum prices at which pharmaceutical products may be sold to patients through hospitals and pharmacies, and were determined based on profit margins that the relevant government authorities deemed reasonable, the product type, quality and production costs, and the prices of substitute pharmaceutical products. Prior to 1 June 2015, we set the prices at which we sold pharmaceutical products to our distributors by taking into account factors such as the successful bidding prices with hospitals and medical institutions, our purchase costs from suppliers, our gross profit margins, and the margins for our distributors. There was usually a reasonable gap between the maximum retail price and the average price at which we sell to distributors. See the section headed "Regulatory Framework — Regulatory Framework Applicable to the Industry — Pricing Control" of this prospectus for further details of PRC price controls prior to 1 June 2015. In October 2014, the NDRC issued a consultation paper to local state bureaus of commodity prices, indicating that the existing price controls over certain pharmaceuticals, including plasma-based product, may be relaxed. In May 2015, the NDRC issued a Notice on Publishing and Circulating the Opinions on Facilitating the Pharmaceutical Pricing Reform. According to the Notice, starting from 1 June 2015, the price ceilings imposed on each pharmaceutical product in our portfolio would be abolished, with these

products subject to a more market-based guiding pricing mechanism to be established by medical insurance bureaus and other relevant authorities. As of the Latest Practicable Date, we did not observe any material negative effect or material fluctuation in our operations or the selling prices of the pharmaceutical products we offer due to the new pricing mechanism. See the section headed "Risk Factors — Risks Relating to Our Business — There is uncertainty regarding the impact of the new guiding pharmaceutical pricing mechanism on the pricing of our product offerings" for more detailed discussion on the abolishment of price controls and the new guiding pricing mechanism.

As of the Latest Practicable Date, four of the products in our portfolio, namely Human Albumin Solution, Axetine, TAD and Esafosfina, were included in the National Insurance Catalogue, and the remaining two products, Medocef and Taurolite, were included in the relevant Provincial Insurance Catalogues. Each of them would be subject to the guiding pricing mechanism to be established. As patients are eligible for a full or partial reimbursement under the national and provincial public medical insurance programmes, sales volumes of pharmaceutical products generally see substantial increase once they are included in the Insurance Catalogues.

All of our pharmaceutical products, have been and will continue to be sold to our distributors and onsold by our distributors to hospitals and pharmacies at prices lower than the maximum retail prices, to allow a profit margin for the hospitals and pharmacies.

In addition, most of the products in our portfolio are required to be selected through a tender process in order for them to be purchased by public hospitals and medical institutions. See the sections headed "— Our Services — Channel Management Services — The Tender Processes" and "Regulatory Framework — Regulatory Framework Applicable to the Industry — PRC Laws and Regulations in relation to Centralised Procurement and Tender Processes" of this prospectus for further details of how we participate in tender processes for the products we sell and the PRC public tender process in general. The successful bidding prices are the hospital purchase prices, which is a consideration for us when we determine prices for the products we sell to our distributors.

Our pricing terms with distributors are flexible and negotiable upon changes in the cost of products from our suppliers, which allow us to maintain a reasonable profit margin upon any increases in price of products and to mitigate any foreign exchange risks. For further discussion on foreign exchange risks, see "Risk Factors — Risks Relating to Our Business — Exchange rate fluctuations of the U.S. dollar or the Euro may affect our cash flow, financial position and results of operations."

OUR PRODUCT SUPPLIERS

We purchase imported pharmaceutical products from suppliers and generate revenue by on-selling them to our distributors. Our suppliers have granted us the rights to market, promote and manage sales channels for their products in China. Under our business model, the value of the services we provide are reflected in both the purchase price that we negotiate with our suppliers and the sales price we agree to with our distributors, rather than pre-agreed sales commissions or marketing, promotion or service fees.

We select our suppliers primarily based on our product screening results. For more information on our product screening criteria, see "— Our Products — Product Sourcing and Screening."

Our Supply Arrangements

We have established stable relationships, directly or indirectly through sales agents, with all of our suppliers, including Octapharma, one of the leading global manufacturers of plasma-based pharmaceuticals based on global sales revenue with 9.6% market share in China's human albumin market in 2014, having its headquarters in Switzerland and manufacturing facilities in various countries in Europe, Medochemie, the manufacturer with a global reach of a wide range of pharmaceuticals, including popular antibiotics, Bruschettini, a leading manufacturer of third-generation oral cholic acid products in Italy, as well as Foscama, a renowned manufacturer of drugs for the treatment of cardiovascular and metabolism diseases.

We began acting as the exclusive service provider in China for Medochemie in 2011, and we became a service provider for Octapharma in China in November 2012 (and were confirmed to be the exclusive service provider for Human Albumin Solution in 24 provinces, municipalities, and autonomous regions in August 2015) as well as the exclusive service provider for Bruschettini and Foscama in China in January 2015. As of the Latest Practicable Date, we provided MPCM services in China for each of the seven products in our portfolio.

The following table sets forth the material terms of our agreements with our current suppliers:

Supplier (and Products)	Minimum Sale or Purchase Requirement	Current service term	Other key terms
Octapharma (Human Albumin Solution)	Purchase of 80% (for the first three months) of a six-month forecast updated by supplier monthly	Since November 2012 and continuing indefinitely, subject to, among others, annual price negotiations	Supplier may terminate if we fail to meet the minimum purchase requirement or fail to reach agreement on annual purchase price terms
Medochemie (Axetine and Medocef)[1]	None	Since April 2011 and continuing indefinitely, unless terminated	Either party may terminate with six months' prior notice
Bruschettini (Taurolite)	Sale of one million units per year and increasing annually until reaching four million units in April 2018	Initial term from January 2014 to March 2023, then continuing indefinitely thereafter if minimum sale requirement is met[2]	Supplier may terminate if we fail to meet the minimum sales requirement
Foscama (TAD and Esafosfina)	Sale of 700,000 and 450,000 units, respectively per year, and increasing annually until reaching 1.5 million and 2.5 million units, respectively, in April 2018	Initial term from January 2014 to March 2023, then continuing indefinitely thereafter if minimum sale requirement is met[2]	Supplier may terminate if we fail to meet the minimum sales requirement
Liaoning Wanjia (Xinneng Q_{10})	Subject to negotiation	Initial term from October 2015 to December 2025[3]	Either party may terminate by giving written notice to the other

1 *We have purchased products through Deutsche Sinomed, the exclusive sales agent of Axetine and Medocef, manufactured by Medochemie, in China, since April 2011.*

2 *We purchased products through Vast Surplus in 2014 until February 2015 and through Trendful, the exclusive sales agent of Bruschettini and Foscama in China since March 2015.*

3 *We started servicing Xinneng Q_{10} in December 2015.*

We typically settle payments with our suppliers with 30-day or 90-day letters of credit. We have at times engaged Sichuan Tiansheng Medical Instruments Co., Ltd., (四川天盛醫療器械有限責任公司) or Tiansheng, in 2012 and 2013 and China MEHECO Co., Ltd., or MEHECO (中國醫藥健康產業股份有限公司), both Independent Third Parties, since 2013 as our import agents for antibiotics products when we did not have sufficient bank credit lines to issue letters of credit for payments to Deutsche Sinomed. Zhong Lun Law Firm, our PRC legal adviser, advises us that both of our import agents possessed the requisite licenses for importing pharmaceutical products into China (including a GSP certificate, a Customs Declaration Registration Certificate and an Archival Filing and Registration of Foreign Trade Business) at the relevant time during the Track Record Period and that our engagement of the import agents during the Track Record Period complied with all applicable PRC laws and regulations. Under such arrangements, the import agents import the products from our suppliers and settle the payments on our behalf, manage customs clearance and pay the costs related to the import. The import agents purchase products for us on a back-to-back basis. They enter into purchasing contracts with Deutsche Sinomed only after receiving details of our orders on the quantity and expected delivery date of the products, and we in turn purchase the products from these import agents. The import agents charge a premium of 0.5% of the total amount paid to Deutsche Sinomed. We prepay 30% of the contract amount to the import agents upon the placement of the order with Deutsche Sinomed and settle the remaining amount before the letters of credit issued by the import agents to Deutsche Sinomed are due. In 2012, 2013, 2014 and the first ten months of 2015, we purchased RMB26.0 million, RMB141.6 million, RMB130.7 million and RMB137.7 million of products from the import agents, respectively.

During the Track Record Period and up to the Latest Practicable Date, none of our distribution agreements was terminated by our suppliers, nor did we lose any right to act as the exclusive or non-exclusive service provider for any of our suppliers. Furthermore, we did not have any disputes with our suppliers during the Track Record Period and up to the Latest Practicable Date. We believe this is due to our consistent adherence to the terms of our agreements with suppliers, including our preservation of product quality and maintenance of proper marketing practices, as well as meeting required sales targets.

Under applicable PRC laws, we may be liable for product liability claims by the end-patients of the products we sell. In the event that the PRC authorities find us liable for a product defect subject to a claim, we may seek compensation from suppliers of the product under PRC law. All of our major suppliers provide us with product warranties and make rigorous representations as to the quality of their products delivered to us. They also agree to indemnify us for any damages arising out of product quality, with this clause being subject to a ceiling of 10 million swiss francs in the case of Octapharma. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any product liability claims for the products in our portfolio.

Supply Arrangements with Octapharma

We act as the MPCM services provider for Human Albumin Solution in China and we intend to continue a long-term business relationship with Octapharma. We became acquainted with the representatives of Octapharma's Beijing branch through an industry seminar in April 2010. After over six months of due diligence and selection process, Octapharma chose us to be their MPCM service provider out of over ten candidates in 2012 to service Human Albumin Solution in China. We market and promote Human Albumin Solution in all the provinces, municipalities and autonomous regions of China, except Shanghai and the provinces of Shandong, Jiangsu, Zhejiang, Anhui, Fujian and Jiangxi. For the years ended 31 December 2013 and 2014 and the ten months ended 31 October 2015, we purchased RMB338.5 million, RMB437.8 million and RMB463.8 million of Human Albumin Solution from Octapharma, respectively. During the same periods, our purchases accounted for 55.7%, 60.1% and 62.8% of the volume of Human Albumin Solution sold by Octapharma to its service providers in China, respectively, according to the PRC Customs' data for Octapharma's Human Albumin Solution. In August 2015, Octapharma confirmed our exclusive right to service Human Albumin Solution in these regions. In addition, we entered into a supplemental agreement to the distribution agreement in October 2015 with Octapharma whereby Octapharma acknowledged that (i) it expects to increase the volume of Human Albumin Solution to be delivered to us from 2015 to 2019, (ii) annual price negotiations would be conducted in such a manner as to ensure, to the extent commercially practicable to Octapharma, that we receive a reasonable profit margin broadly in line with our historical profit margins and (iii) a six-month notice period is required for either us or Octapharma to terminate the distribution agreement, if the parties cannot agree on the purchase price of Human Albumin Solution for the next year.

We and Octapharma meet quarterly to discuss, among other things, the sales data of and the marketing and promotion plans for Human Albumin Solution, as well as the estimate supply amount of Human Albumin Solution for the next quarter. We have consistently fulfilled our product sales targets and have a working relationship with Octapharma that would take significant time and energy to redevelop with a new service provider. The distribution agreement sets forth the specifications of Human Albumin Solution for which we provide our services, the purchase price that we pay for this product as well as new pricing methodology if the NDRC introduces changes in pricing policies that affect this product. The purchase price is agreed to in a side letter every year. To the best knowledge of the Directors, during the Track Record Period, Octapharma's sale price of Human Albumin Solution to us was comparable to that to Octapharma's other service provider in China. We paid a one-off security deposit equivalent to one-month of forecasted sales to Octapharma upon signing the agreement in November 2012. Octapharma has refunded approximately 25% of the security deposit every six months in the form of products starting from July 2013. We have received products with a value equal to the total security deposit as of June 2015. We utilise Guangzhou Pharmaceuticals for customs clearance of Human Albumin

Solution. In 2012, 2013, 2014 and the first ten months of 2015, we paid nil, RMB0.5 million, RMB1.2 million and RMB1.5 million to Guangzhou Pharmaceuticals for their customs clearance service.

Under the distribution agreement, Octapharma provides us with Human Albumin Solution that is of first class commercial quality and has a minimum of 24 months remaining shelf life at the time of its delivery to us. Octapharma does not accept product returns due to expiry of shelf life. Octapharma also provides us with its production forecast of Human Albumin Solution for the next six months, of which the production forecast for the first three months is binding, or the Binding Forecast. Subject to certain conditions, each month we purchase from Octapharma not less than 80%, and Octapharma supplies us up to 120%, of the product quantity specified in the Binding Forecast. There is no penalty if we fail to purchase or Octapharma fails to supply the sales volume set forth in the Binding Forecast. However, Octapharma has the right to terminate the distribution agreement if we fail to purchase at least 80% of the sales volume set forth in the Binding Forecast, which may be considered as a breach of the distribution agreement, unless we cure the breach within 30 days after Octapharma issues a written request for remedying the breach. Other than the Binding Forecast, our distribution agreement with Octapharma does not include any sales targets. During the Track Record Period, we discussed and reached a mutual consent with Octapharma on the annual supply volume each year. The supply during the year would not deviate substantially from the agreed volume. We also furnish our marketing plans for Human Albumin Solution to Octapharma every six months.

We use our best efforts to ensure that our customers only receive the highest quality of Human Albumin Solution, and we commit to supplying our customers with Human Albumin Solution with at least 18 months of remaining shelf life. We bear all costs related to the marketing, promotion and sale of Human Albumin Solution in China. In addition, we are obligated not to manufacture, market, sell or distribute any product that competes with Human Albumin Solution.

Both Octapharma and we have the right to terminate the distribution agreement if we fail to agree to a purchase price each year. In addition, either Octapharma or we may terminate the contract immediately if the other party fails to cure any material breach of the distribution agreement within 30 days after a written request to remedy the breach is issued. Octapharma may terminate the distribution agreement if: (i) we undergo a change of control; (ii) we acquire control of a third party which engages in the manufacturing, marketing, selling or distributing of a product in competition with Human Albumin Solution; (iii) we breach any of their key terms of the distribution agreement, including failure to comply with the non-compete clause and credit terms, sales outside China, failure to inform Octapharma of our marketing plan, material regulatory changes or proceedings relating to Human Albumin Solution and failure to comply with minimum purchase requirements; or (iv) we bribe or offer any other incentives to any of Octapharma's staff or associate. A six-month notice period is required for either us or Octapharma to terminate the distribution agreement, if the parties cannot agree on the purchase price of Human Albumin Solution during the annual price negotiations. During the annual price negotiations in 2013, we and Octapharma agreed to raise our purchase price of Human Albumin Solution for the year 2014. Octapharma did not raise our price of Human Albumin Solution for the year 2015. The Directors confirm that we and Octapharma have agreed on the new purchase price of Human Albumin Solution for 2016, which is the same as the purchase price for 2015.

Given the impact of the recent depreciation of the RMB against the U.S. dollar on our cost of sales attributable to the sales of Human Albumin Solution, we have notified Octapharma that we plan to conduct price adjustment discussions for Human Albumin Solution at the next quarterly meeting, which is scheduled in March 2016. Octapharma has acknowledged the impact of RMB's depreciation on our gross profit margin and agreed to discuss the pricing of Human Albumin Solution at the upcoming quarterly meeting. Nevertheless, we note that (i) the discussions regarding the pricing of Human Albumin Solution at the upcoming quarterly meeting will be subject to the foreign exchange rates at the time; and (ii) there is no assurance that such discussions will have an outcome that is satisfactory to us.

We did not pay any fees to Octapharma to obtain the distribution right of Human Albumin Solution.

Supply Arrangements with Medochemie

We have acted as the exclusive service provider for Medochemie's two antibiotics products, Axetine and Medocef, in China, since April 2011. We have entered into a sole distribution agreement with Deutsche Sinomed, the exclusive sales agent of Axetine and Medocef, manufactured by Medochemie, in China, which is for an indefinite term, unless either party provides termination notice six months prior to the next year. There are no minimum purchase amounts or sales targets for Axetine and Medocef. The purchase price, pricing terms and product quantities we source from Deutsche Sinomed is determined on a quarterly basis.

Under the sole distribution agreement, we can distribute products that have the same common names as Axetine and Medocef, but in different dosage, specification or volume, if they are either manufactured by Medochemie and/or supplied by Deutsche Sinomed.

Under the sole distribution agreement, Deutsche Sinomed agrees to ensure that all the products it supplies to us are of high quality and comply with the standards established by the European Union and Chinese regulators. It also promises that none of the products it supplies to us will have less than two-thirds of their maximum shelf life remaining. We are permitted to exchange defective products and Deutsche Sinomed will bear the expenses in relation to return and exchange under the sole distribution agreement. Deutsche Sinomed also indemnifies us against any administrative or civil liability in connection with product quality.

Given the impact of the recent depreciation of the RMB against the U.S. dollar on our cost of sales attributable to the sales of Axetine and Medocef, we and Deutsche Sinomed have agreed to lower our purchase prices of Axetine and Medocef. The new purchase prices of Axetine and Medocef, which became effective in November 2015, are expected to substantially offset the impact of the recent depreciation of the RMB on our cost of sales attributable to the sales of these two products.

We did not pay any fees to Medochemie to obtain the distribution rights of Axetine and Medocef.

Supply Arrangements with Bruschettini and Foscama

We have acted as the exclusive service provider in China for Taurolite manufactured by Bruschettini as well as TAD and Esafosfina manufactured by Foscama since January 2015. Vast Surplus entered into sole distribution agreements with Trendful in December 2013, which were amended and supplemented in March 2015. Trendful is the exclusive sales agent for Bruschettini and Foscama in China with respect to Taurolite, TAD and Esafosfina, respectively. Under the sole distribution agreements, the exclusive service right will last for two five-year terms, beginning in 2014, to be automatically renewed between the two terms and turned into right for an indefinite term in the 11th year if contractually obligated annual minimum sales targets are achieved.

The following table set out the annual minimum sales targets for the corresponding periods as set out in the sole distribution agreements with Trendful and Vast Surplus:

	January 2014 – March 2015	April 2015 – March 2016	April 2016 – March 2017	April 2017 – March 2018	April 2018 – March 2019
Bruschettini					
Taurolite.....	320,000 boxes*	1,000,000 boxes	1,500,000 boxes	2,500,000 boxes	4,000,000 boxes
Foscama					
TAD	600,000 boxes*	700,000 boxes	1,000,000 boxes	1,150,000 boxes	1,500,000 boxes
Esafosfina	190,000 boxes*	450,000 boxes	1,100,000 boxes	1,600,000 boxes	2,500,000 boxes

* We were transferred the exclusive service rights to service Taurolite, TAD and Esafosfina by Vast Surplus in 2015.

We entered into distribution transfer agreements and distribution authorisation agreements with Vast Surplus in 2015, whereby Vast Surplus transferred to us the exclusive service rights for a term of nine years, starting from January 2015 and to be expired in March 2023, with respect to each of Taurolite, TAD and Esafosfina at a total consideration of RMB45.4 million, being the original consideration paid by Vast Surplus minus amortisation. Each agreement also sets forth the purchase price and order quantity for each year from 2015 to 2023, in amounts equal to the sales target for the corresponding year. We bear all the expenses related to providing MPCM services to the products, and undertake to expand the market and meet sales targets for the products. We expect to be able to recover the RMB45.4 million we paid to Vast Surplus in two years, based on the sales targets of the products.

Under each of the sole distribution agreements, Trendful agrees to ensure that all the products it supplies to us are of high quality and comply with the standards of the European Union and Chinese regulations. If the products fail to meet the standards, Trendful undertakes to arrange for re-inspection of the products by National Institute for the Control of Pharmaceutical and Biological Products, and if the failure is confirmed by the re-inspection, Trendful will supply new products to us and bear all the related expenses. Trendful also promises that all the products it supplies to us have at least 24 months shelf life (and no less than 40 months shelf life for Esafosfina) remaining at the time of their arrival at Chinese port. Trendful also indemnifies us against any administrative or civil liability in connection with product quality. If the exchange rate between the RMB and the U.S. dollar or the Euro as set forth in each of the sole distribution agreements exceeds 5%, we and Trendful will adjust our purchase of the relevant product accordingly.

Due to the delay in renewing TAD's imported drug licenses, to clarify the parties' rights and obligations under the sole distribution agreement for TAD, we and Trendful entered into a memorandum of understanding on 25 December 2015, which provides that neither we nor Trendful will be deemed to be in breach of the sole distribution agreement for TAD if Trendful fails to supply us the minimum amount of TAD for the period between 1 April 2015 to 31 March 2016 as set forth in the sole distribution agreement due to the delay in renewing TAD's imported drug licenses. Based on such memorandum of understanding and given that we expect to receive TAD's renewed imported drug licenses by the end of the first half of 2016, the Directors are of the view that there had been no impairment on our intangible assets as of 31 October 2015.

Our sole distribution agreements with Trendful are subject to annual review. The sole distribution agreements will be renewed for the following year if we have met the annual sales targets and do not otherwise breach such sole distribution agreements. Otherwise, Trendful has the right to terminate or revise the sole distribution agreements.

Given that the price adjustment mechanism in the sole distribution agreements between us and Trendful has been triggered by the recent depreciation of the RMB against the U.S. dollar, we and Trendful have agreed to lower our purchase prices of TAD and Esafosfina. The new purchase prices of TAD and Esafosfina, which became effective in January 2016, are expected to partially offset the impact of the recent depreciation of the RMB on our cost of sales attributable to the sales of these two products.

Supply Arrangement with Liaoning Wanjia

Under the collaboration agreement, Liaoning Wanjia and we mutually agree on the annual sales target and may adjust the product price upon major changes in market or production conditions. We will place orders with Liaoning Wanjia a month ahead of the scheduled delivery, and will pay 50% of the order as prepayment, with the balance being paid upon satisfactory receipt of the product. In addition to bearing the costs of promotion and marketing, we will also supervise our distributors in complying with good marketing practice and anti-bribery regulations. We also cannot sell Xinneng Q_{10} outside of China, as well as manufacture or distribute competing products of Xinneng Q_{10} during the term of the agreement. Liaoning Wanjia will bear the cost of transportation and delivery to us, provide the promotional materials and product training to us, guarantee the products to have a shelf-life of at least 18 months prior to arriving at our warehouse and ensure that the product meets the quality standards set forth by government authorities.

We have priority to renew the collaboration agreement with Liaoning Wanjia if we meet the annual sales targets and settle all of our payments with Liaoning Wanjia. There is no notice period for terminating the collaboration agreement with Liaoning Wanjia.

Reliance on Suppliers

During the Track Record Period and up to the Latest Practicable Date, our purchases from our four overseas suppliers and one domestic supplier, either directly or indirectly through their sales agents, accounted for all of our total purchases. To the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of the issued share capital of our Company have any interest in any of our suppliers. In 2012, our purchases of products from Medochemie accounted for 100% of our total purchases and our sales of Medochemie products in aggregate amounted to RMB26.2 million, representing all of our revenue in 2012. In 2013, 2014 and the first ten months of 2015, our sales of products from Medochemie accounted for 52.8%, 32.3% and 29.0% of our total revenue for the respective years. In 2013, 2014 and the first ten months of 2015, our sales of Octapharma products represented 47.2%, 66.2% and 64.9% of our total revenue for the respective years. In 2014 and the first ten months of 2015, our sales of Taurolite, TAD and Esafosfina accounted for 1.5% and 6.1% of our total revenue, respectively.

Mutually Beneficial Collaboration with Octapharma

We believe that our business collaboration with Octapharma is mutually beneficial, as Octapharma and we are aligned to increase the sales volume of Human Albumin Solution in China. As set forth in our supplemental agreement with Octapharma, Octpharma expects to increase the minimum volume of Human Albumin Solution to be delivered to us between 2015 and 2019, which is in line with Octapharma's plan to expand its presence in China.

Octapharma has appointed an exclusive Human Albumin Solution service provider in each of the provinces, municipalities and autonomous regions in China. Octapharma also expressed that it does not propose to appoint any additional Human Albumin Solution service provider or otherwise change its current service provider relationships in China in the foreseeable future, including the exclusive rights of its current service providers in the respective provinces, municipalities and autonomous regions. In addition, Octapharma expressed that it does not intend to establish its own sales force in China in the foreseeable future. As a result, we believe that we will remain as Octapharma's exclusive service provider in the 24 provinces, municipalities and autonomous regions in China in the near future.

Suppliers' Need for MPCM Services in China

We provide our integrated services to small- and medium-sized overseas pharmaceutical companies that do not have their own on-the-ground marketing and promotional capabilities in China. Small- and medium-sized overseas pharmaceutical companies face a number of challenges in attempting to participate in China's rapidly growing pharmaceutical market. These challenges include the difficulties of navigating China's complex system of tender process participation, hospital procurement and CFDA registrations and renewals, the high costs associated with establishing in-house marketing and promotion teams and a sales network with wide geographic reach, as well as the particularities of selling in local markets. It would not be cost-efficient for small- and medium-sized overseas and domestic pharmaceutical companies, such as our current foreign suppliers (Octapharma, Medochemie, Bruschettini and Foscama), to build and maintain their own on-the-ground in-house marketing, promotion and sales channel management capabilities. Such companies generally elect to engage a domestic integrated provider of a broad range of services, such as our Company, to assist in marketing and selling their products in China.

Our integrated services enable small- and medium-sized foreign pharmaceutical companies to have a quick and in-depth access to China's pharmaceutical market. We participate in tender processes and assist our suppliers in selecting and managing reputable distributors with proven track records of selling to hospitals, and coordinating and managing first-time product registrations and renewals. We conduct research on the tenders, prepare relevant documents and determine the bidding prices before submission. We provide our suppliers with access to our distributor network, which covers most provinces, municipalities and autonomous regions in China and a substantial number of hospitals and other medical institutions, including more than 870 Class III hospitals. We also deploy an experienced team of marketing and promotion personnel with in-depth local knowledge to work with our distributors and promote our product offerings among physicians through academic seminars and industrial conferences.

Stable Relationships with Suppliers

We believe that our relationships with our foreign suppliers are stable, as we provide them access to the growing Chinese market with steady sales growth. In particular, Octapharma has been continually enhancing its business collaboration with us, as evidenced by the confirmation of our exclusive right in August 2015 and the supplemental agreement we entered into with Octapharma in October 2015. See "— Our Product Suppliers — Our Supply Arrangements — Supply Arrangements with Octapharma" for details of our agreements with Octapharma. We believe that the amendment and the supplemental agreement indicate a high level of sustainability of our relationship with Octapharma and offer us a significant level of protection and comfort during the annual price negotiations. On the other hand, we believe that Octapharma's gestures demonstrate its commitment and support to foster a long-term relationship with us. During the Track Record Period and up to the Latest Practicable Date, we demonstrated satisfactory sales performance and achieved steady sales growth for each of the products we service, so suppliers did not need to seek additional service providers to meet their sales targets. Our service offerings are competitive with those of our peers, and switching service providers would also expose our suppliers to unnecessary costs and risks. As a result, our suppliers have been willing to renew their contracts with us and have also benefitted from such arrangements with us.

Efforts to Diversify Product Portfolio

We also are continuously monitoring the market for new products, and intend to diversify our product offerings by servicing products from new suppliers, which is consistent with our track record. Among other things, we (i) obtained the exclusive right to distribute Taurolite, TAD and Esafosfina in March 2015, (ii) have engaged the Institute of Chinese Medical Sciences to develop Sinco I, and (iii) entered into an agreement with Liaoning Wanjia in September 2015 to become the exclusive service provider for Xinneng Q_{10} in China. Our revenue from sales of products other than Human Albumin Solution increased from RMB281.3 million in 2013 to RMB321.5 million in 2014, and from RMB250.2 million in the ten months ended 31 October 2014 to RMB298.9 million for the ten months ended 31 October 2015. Our revenue from sales of Human Albumin Solution as a percentage of our total revenue decreased from 65.2% for the ten months ended 31 October 2014 to 64.9% for the ten months ended 31 October 2015, despite an increase of RMB83.7 million in the our revenue from sales of Human Albumin Solution for the same periods. We believe our MPCM services will continue to attract more small- and medium-sized overseas pharmaceutical companies which are looking to access the China pharmaceutical market, and that we will be able to continue to diversify our product and supplier base.

For a discussion of the risks associated with any supplier concentration, see the section headed "Risk Factors — Risks Relating to Our Business — We currently source all the products in our portfolio from five suppliers, either directly or indirectly through their sales agents. Failure to maintain relationships with our existing suppliers or their sales agents or increase the number of our suppliers may materially and adversely affect our business, financial condition and results of operations".

OUR FACILITY PROVIDERS AND THIRD-PARTY DELIVERY FIRMS

We currently utilise a third-party warehouse facility and contract with third-party delivery firms to provide logistics services for all of our products. For details of our agreements with third-party logistic service providers, see "— Our Service — Channel Management Services — Warehousing and Delivery Services". We closely monitor the service quality of such firms and will be indemnified for any losses arising out of system failures at or disruptions to the facilities. In 2012, 2013, 2014 and the first ten months of 2015, the cost of utilising warehouse and delivery services amounted to nil, RMB1.3 million, RMB1.1 million and RMB0.9 million, respectively. We did not incur any costs in utilising third-party warehouse and delivery services in 2012, as our inventory was then kept in our office storage facility and our distributors utilised their own delivery services. During the Track Record Period and up to the Latest Practicable Date, there were no material losses to our inventories caused by failures at the cold chain facilities that we utilise and we have not suffered any material disruption to the cold chain facilities.

OUR CUSTOMERS

We have a seller-buyer relationship with our distributors, pursuant to which we sell our pharmaceutical products to our distributors, who onsell the products to hospitals and pharmacies either directly or through their sub-distributors. We closely manage and monitor our distributor network. Even though we are not a party to the contracts entered into between our distributors and hospitals, nor between our distributors and their sub-distributors, we typically provide recommendations to our distributors on the hospital coverage, in relation to the onward sales of the products in our portfolio. We also formulate marketing and promotion strategies for the products in our portfolio to facilitate sales through our distributors. Selling products through our distributors' network that we closely manage allows us to use individual distributors' sales points and logistics centres to primarily cover the local markets that we target, and also minimises operational risks associated with directly selling to hospitals in China, including relatively rigid payment arrangements by hospitals and logistical challenges.

As of 31 December 2012, 2013, 2014 and 31 October 2015, we had 11, 165, 186 and 170 distributors, respectively. Each sales contract entered into between us and a distributor specifies, among other things, that such distributor is only allowed to sell products in a designated region. We minimise cannibalisation risk by actively managing our distributor network to ensure that the designated regions of our distributors do not overlap with each other. Our distributors are responsible for selling our products to the hospitals and medical institutions directly or through their sub-distributors. Our distributors and their sub-distributors help promote our products to hospitals and other medical institutions at regional level and in smaller-scale. Our distributors are obligated to provide us with market information, as well as feedback, complaints and adverse reactions reported about our products from the hospitals and patients. We have maintained stable relationships with most of our distributors. During the Track Record Period, we have not had any material disputes with, nor were we a party to any material legal or arbitration proceedings with, any of our distributors.

We enter into a sales contract with all of our distributors. The sales contracts typically have a term of one year and provide for renewals by mutual agreement. We enter into contracts with each distributor separately, and the terms and conditions of those contracts are separately negotiated and may vary from one such distributor to another. We generally decide whether to renew the sales contract with a distributor based on our evaluation of its performance in the prior year.

The sales contracts set forth the types and specifications of products, sales territory, sales prices and other general terms and conditions. The sales prices are determined by negotiation between us and the distributor. We set minimum sales targets for our distributors of antibiotics products, but not for our distributors of Human Albumin Solution, Taurolite, TAD and Esafosfina. There is no minimum purchase amount for our distributors. Our distributors are required to sell our product offerings within the designated regions and are not allowed to procure or sell products which are in direct competition with our products. We retain the right to terminate the sales contracts if the distributor sells products beyond

its designated regions and fails to cure the breach after receiving our notice, if the distributor or its sub-distributors violate our anti-bribery policies, or if the distributor fails to make any payments payable to us seven days after such payments become due. We only accept product returns that are related to product quality.

For distributors of Human Albumin Solution, the sales contracts set forth the benchmark volume of Human Albumin Solution we are required to deliver but there is no minimum delivery or purchase requirement in the contracts.

For antibiotics distributors, we retain the right to terminate the sales contract and/or enter into new sales contracts with other distributors in a given geographic area if the previously appointed distributor fails to meet the minimum sales targets in three consecutive months. The sales prices are determined by negotiations between us and the distributor.

We provide marketing and promotional materials as well as product training to our distributors. The distributors are not allowed to sell or market our products using our name without our permission. We require our distributors of Human Albumin Solution to submit a sales plan detailing their target hospitals and sales forecast every six months. For Taurolite, TAD and Esafosfina, our distributors are responsible for customs clearance, storage and delivery to the hospitals and medical institutions of the products. We are generally required under the sales contracts to ensure sufficient supply of products to our distributors. In addition, we also are required to notify our distributors when the packaging and storage requirements of these products are changed by the relevant suppliers.

The sales contracts between us and our key distributors, including Guangzhou Pharmaceuticals, Kelun Pharmaceuticals and Guangzhou Zirui Pharmaceutical Co., Ltd., all of which were among our top five customers in 2014 and the first ten months of 2015, contain terms similar to those in the sales contracts between us and our other distributors. We renew the sales contracts with our key distributors annually. To enhance and provide additional security to the business collaboration between us and our key distributors, we have entered into long-term strategic cooperation agreements with them. Such agreements are framework agreements specifying the parties' intention to maintain a longer-term business relationship. Our PRC legal adviser, Zhong Lun Law Firm, advises us that the long-term strategic cooperation agreements entered into between us and our key distributors are legally binding and enforceable against the parties under PRC laws. Each of the long-term strategic cooperation agreements has a term of five years. Under each such agreement, (i) we and the key distributor agree to maintain stable business relationship and give each other priority consideration in connection with business opportunities; (ii) we and the key distributor are not allowed to assign, pledge, lease or otherwise transfer the strategic cooperation arrangement to third parties; (iii) each party shall indemnify the other party for damages caused by its business relationship with a third party; (iv) we are required to notify the key distributor of any technical information updates relating to our products to facilitate its sales; (v) neither party can terminate the long-term strategic cooperation agreement during its term unless it obtains the other party's written consent; (vi) the key distributor shall provide written notification a month before the long-term strategic cooperation agreement expires for renewal of such agreement. We believe that the long-term strategic cooperation agreements demonstrate the parties' commitment to foster a stable business relationship and are beneficial to both us and our key distributors. We believe that it is a common practice in China's MPCM services industry for a MPCM services provider to enter into framework agreements with its key distributors to strengthen their business collaboration.

We actively monitor the inventory levels at our distributors and track the flow of products through our distributors' sales reports and/or online inventory tracking systems. See "— Our Services — Channel Management Services — Inventory Management" above for further details of our inventory management services.

Due to the high popularity of the products in our portfolio, we typically ask for full prepayments from our distributors before delivery. Prepayments may be made in the form of cash prepayments, as well as in the form of banks' acceptance bills issued by reputable banks or 90-day letters of credit for certain of our distributors with whom we have long-standing business relationships and who have demonstrated sufficient creditworthiness. As prepayments are in the form of cash or bills or letters of credit issued by reputable banks, we are not subject to any material credit risk associated with the collection of receivables and distributor termination. During the Track Record Period, we did not record any allowance for bad debt arising from trade receivables. Given that we demand full prepayment from our distributors, we must take it into account when negotiating the sale prices of our products with our distributors, which affected our gross profit margin during the Track Record Period.

We require our distributors to comply with all applicable anti-corruption laws and regulations in business activities, including their interaction with physicians and organisation of academic and industrial conferences. We do not require our distributors to obtain our approval for appointing their respective sub-distributors or have contractual relationships with such sub-distributors. However, we contractually require our distributors to use their best efforts to monitor the activities of and ensure compliance by their sub-distributors. The sub-distributors are responsible for carrying out the marketing and promotion plan to the hospitals, report any product feedbacks or complaints from the hospitals and patients and submit quarterly sales flow data to our distributors. The sub-distributors can only sell the products within their designated regions at prices agreed by our distributors. Our distributors are responsible for supervising the business practice of their respective sub-distributors and managing the cannibalisation risk among their respective sub-distributors. We also contractually require our distributors to ensure that the sub-distributors comply with our anti-bribery policies and good marketing practices. For certain distributors, we also require them to provide a deposit to ensure performance of their obligations under their agreements with us. In addition, we require our distributors to provide monthly sales flow data in order to better monitor our product sales. Our regional managers generally visit localities served by our sub-distributors on a bi-weekly basis and report their concerns to our direct distributors. We will request our distributors to manage and/or rectify the behaviour of sub-distributors due to the distributors' direct contractual relationship with such sub-distributors. For detailed discussion on the management of our distributors and monitoring of their conducts, see "— Internal Control" below.

In 2012, 2013, 2014 and the first ten months of 2015, aggregate sales to our five largest customers, each of whom is a distributor, accounted for 93.3%, 52.7%, 59.1% and 64.5% of our revenue, and sales to our largest customer accounted for 45.5%, 18.3%, 21.1% and 22.5% of our revenue, for the respective periods. Our five largest distributors in the first ten months of 2015 were Guangzhou Pharmaceuticals, Kelun Pharmaceuticals, Guangzhou Ningbang Pharmaceuticals Company Limited (廣州寧邦藥業有限公司), Guangzhou Zirui Pharmaceutical Co., Ltd. and Chengdu Ruitai Pharmaceuticals Company Limited (成都瑞泰藥業有限公司). The length of our relationship with our customers ranges from one to approximately four years. All of our customers are independent third parties, except for Kelun Pharmaceuticals, which was one of our shareholders during the Track Record Period, and are licenced pharmaceutical distribution companies. In 2012, 2013, 2014 and the first ten months of 2015, sales to Kelun Pharmaceuticals amounted to nil, RMB97.7 million, RMB181.2 million and RMB153.7 million, which were all on an arm's-length basis and on normal commercial terms. To the knowledge of our Directors, none of our Directors except for Mr. Liu Sichuan's interest in Kelun Pharmaceuticals, their respective associates or any shareholder who owns more than 5% of the issued share capital of our Company have any interest in any of these customers. During the Track Record Period, there was no concentration of sales to our distributors and other customers who were or are related to each other, nor were we party to any material disputes with any of our distributors.

The tables below set forth our top five customers for the periods indicated:

For the ten months ended 31 October 2015

Rank	Customer	Background	Credit terms (days)	Years of relationship with us [(1)]
1	Guangzhou Pharmaceuticals	Primarily engage in the storage and wholesale of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash or banks' acceptance bill	3
2	Kelun Pharmaceuticals	Primarily engage in the wholesale of Western medicine and Chinese medicine	Full prepayment by cash or banks' acceptance bill	3
3	Guangzhou Ningbang Pharmaceutical Company Limited	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment	Full prepayment by cash	1
4	Guangzhou Zirui Pharmaceutical Co., Ltd.	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	3
5	Chengdu Ruitai Pharmaceuticals Company Limited	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	2

Note:

(1) Rounded to the nearest whole year as of 31 October 2015

For the year ended 31 December 2014

Rank	Customer	Background	Credit terms (days)	Years of relationship with us [(1)]
1	Guangzhou Pharmaceuticals	Primarily engage in the storage and wholesale of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash or banks' acceptance bill	2
2	Kelun Pharmaceuticals	Primarily engage in the wholesale of Western medicine and Chinese medicine	Full prepayment by cash or banks' acceptance bill	2
3	Guangzhou Zirui Pharmaceutical Co., Ltd.	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	2

For the year ended 31 December 2014

Rank	Customer	Background	Credit terms (days)	Years of relationship with us [1]
4	Beijing Rui Compro Pharmaceutical Co., Ltd. ……	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	2
5	Guangzhou Juyuan Pharmaceuticals Company Limited (廣東聚源藥業有限公司) ……	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	3

Note:

(1) Rounded to the nearest whole year as of 31 December 2014

For the year ended 31 December 2013

Rank	Customer	Background	Credit terms (days)	Years of relationship with us [1]
1	Kelun Pharmaceuticals ……	Primarily engage in the wholesale of Western medicine and Chinese medicine	Full prepayment by cash or banks' acceptance bill	1
2	Guangzhou Pharmaceuticals ……	Primarily engage in the storage and wholesale of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash or banks' acceptance bill	1
3	Guangdong Juyuan Pharmaceuticals Company Limited (廣東聚源藥業有限公司) ……	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	2
4	Guangdong Dongfang Uptodate & Special Medicine Co. ……	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	1
5	Guangzhou Zirui Pharmaceutical Co., Ltd. ……	Primarily engage in the wholesale and retail of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	1

Note:

(1) Rounded to the nearest whole year as of 31 December 2013

For the year ended 31 December 2012

Rank	Customer	Background	Credit terms (days)	Years of relationship with us [1]
1	Guangdong Juyuan Pharmaceuticals Company Limited (廣東聚源藥業有限公司)	Primarily engage in the wholesale of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	1
2	Suzhou Zhongxin Pharmaceuticals Company Limited (宿州中信藥業有限公司)	Primarily engage in the storage and wholesale of Western medicine, Chinese medicine and medical equipment and devices	Full prepayment by cash	1
3	Guangdong Hengxingrong Pharmaceuticals Company Limited (廣東恆杏榮藥業有限公司)	Primarily engage in the distribution of Western medicine and Chinese medicine	Full prepayment by cash	1
4	Guangdong Hengdongyuan Pharmaceuticals Company Limited (廣東恆東源藥業有限公司)	Primarily engage in the wholesale and retail of Western medicine and Chinese medicine	Full prepayment by cash	1
5	Naqu Snow Mountain Pharmaceutical Co., Ltd. (那曲雪山醫藥有限公司)	Primarily engage in the wholesale and retail of Western medicine and Chinese medicine	Full prepayment by cash	1

Note:

(1) Rounded to the nearest whole year as of 31 December 2012

SALES AND MARKETING

As we are engaged in the MPCM services industry for overseas and domestic pharmaceutical companies, sales and marketing is one of the central components of our services. See "— Our Services — Formulating Marketing and Promotion Strategies", "— Our Services — Executing Marketing and Promotion Strategies" and "— Our Services — Channel Management Services" above for details of our sales and marketing activities.

BUSINESS EXPANSION

In anticipation of our business expansion and more stringent regulation on the storage of plasma-based pharmaceuticals due to the underdevelopment of cold chain facilities in the region, according to the Frost & Sullivan Report, we are constructing a cold chain facility and a research and development base in Shuangliu District, Chengdu, Sichuan Province with a total construction area of 87,000 square metres. To our best knowledge, Chengdu is currently applying to be an import port for biopharmaceutical products, including plasma-based pharmaceutical products. Once Chengdu obtains such approval, we will be able to handle the customs clearance for Human Albumin Solution in Chengdu, which will increase our needs for cold chain storage services in Chengdu. Similarly, the demand for cold chain storage services in western China is also expected to increase significantly following Chengdu becoming an import port for biopharmaceutical products. We are constructing the cold chain facility to meet growing demand for cold chain storage, better control of safety and quality of the plasma-based product and reduce future warehousing costs in our portfolio. The facility will be GSP certified and equipped with advanced climate control technology and a sophisticated quality control system. The cold

chain facility will be constructed in two phases with a total construction area of 87,000 square metres. The first phase of the premises, which includes 15,000 square metres of cold chain storage, will be solely for our own use and upon completion of the second phase, which will include 25,000 square metres of cold chain storage and 47,000 square metres of research and development base, we may provide cold chain storage services for pharmaceutical products to third parties. We completed the construction of the first phase of the premises in December 2015 and expect to complete the construction of the second phase by the end of 2018.

In 2012, 2013, 2014 and the first ten months of 2015, we incurred nil, RMB1.3 million, RMB1.1 million and RMB0.9 million for warehouse and delivery services from third-party service providers. We did not incur any costs for third-party warehouse and delivery services in 2012, as our inventory was then kept in our office storage facility and our distributors utilised their own delivery services.

We plan to construct a building with a construction area of 47,000 square metres as our research and development base during the second phase of the construction of the premises in 2017. The research and development base will be equipped with advanced equipment and facilities for the testing and further development of Sinco I, the product we are currently developing, and other potential products. We expect to commence usage of the research and development base by the end of 2018.

We invested RMB64.7 million in constructing the cold chain facility and the research and development base as of 31 October 2015. We plan to further invest RMB48.9 million, RMB21.0 million and RMB21.0 million in 2016, 2017 and 2018, respectively. The effects of the depreciation charges resulting from our business expansion after the Listing are expected to be RMB1.5 million, RMB1.9 million, RMB1.9 million and RMB3.9 million in 2016, 2017, 2018 and 2019, respectively. We expect to invest a total of RMB156.3 million in constructing the cold chain facility and the research and development base, an estimated RMB76.3 million of which was invested in constructing the first phase and was funded through our internal financial resources. The remaining RMB80.0 million is allocated to the second phase, of which RMB4.0 million is expected to be used for the construction of the research and development base, and is expected to be funded through external financing. We plan to utilise 14% of the net proceeds from the Global Offering (being approximately HK$45.5 million (assuming an Offer Price of HK$0.96 per Offer Share, being the mid-point of the proposed Offer Price range)) for constructing the cold chain facility and the research and development base and the remaining capital expenditure need will be funded through our internal financial resources. We will not apply any proceeds from the Global Offering to the development of our cold chain facility until we have rectified certain non-compliance incident. See "— Non-Compliance Matters" for more details.

COMPETITION

We primarily face competition from other MPCM services providers and from other pharmaceutical products.

The Chinese MPCM services market for pharmaceuticals consists of a number of independent third-party service providers. We compete with other pharmaceutical service providers to obtain the right to act as the exclusive or non-exclusive service provider for overseas pharmaceutical manufacturers to promote and onsell their products to distributors in China. We believe that we compete on the basis of our service quality. According to the Frost & Sullivan Report, we are the third largest MPCM services provider in the PRC pharmaceutical industry with a market share of 6.4% based on revenue in 2014, as well as China's only MPCM services provider for plasma-based pharmaceutical. China's MPCM services market, which had a market size of RMB14,959.8 million in 2014, is a subset of China's pharmaceutical circulation market and accounted for approximately 1.0% of China's pharmaceutical circulation market in 2014, according to the Frost & Sullivan Report. We have maintained our leading position in plasma-based pharmaceuticals since 2013. We have proven capabilities to introduce products into new markets and drive their sales in China, as also demonstrated by the growth in the sales of Axetine and Medocef.

The table below illustrates the key industry players and their respective market shares by revenue as well as therapeutic areas of focus and pharmaceutical products in 2014, according to the Frost & Sullivan Report:

Rank	Key Industry Player	Revenue in 2014 (RMB million)	Therapeutic Areas of Focus or Pharmaceutical Products*	Market Share
1	China Medical System Holdings Limited	2,945	Central nervous system, gastroenterology, cardiovascular and respiratory	19.7%
2	China Pioneer Pharma Holdings Limited	1,540	Ophthalmology	10.3%
3	***Sichuan Sinco Pharmaceuticals Co., Ltd.***	***950***	***Plasma-based products and antibiotics***	***6.4%***
4	China NT Pharma Group Company Limited ...	865	Oncology and antibiotics	5.8%
5	Eddingpharm International Holdings Ltd.** ...	790	Nutrition, oncology and respiratory	5.3%

* *Therapeutic areas of focus or pharmaceutical products that account for 10% or more of such company's total revenue.*

** *Based on Frost & Sullivan's estimates.*

Source: Frost & Sullivan Report

We also compete for market share with other pharmaceutical products in our therapeutic areas of focus. Our product offering reflects our strategic focus on products in fast growing or sizeable therapeutic areas, such as plasma-based pharmaceuticals, as well as our product screening criteria that include, among other things, the degree of difficulty which competitors may face when marketing similar products in China. Human Albumin Solution competes with several other human albumin products manufactured by both overseas and domestic suppliers and ranked fourth in China's human albumin market with a market share of 9.6% in terms of revenue in 2014, but we successfully helped to increase its aggregate sales in China since we became its service provider, from RMB884.8 million in 2013 to RMB1,039.4 million in 2014, according to the Frost & Sullivan Report.

The remaining products in our portfolio face competition from both domestic and imported products. Among them, there are no competing products under the same generic name for Taurolite, making it the only third generation of oral cholic acid drug currently available in China. For more information about the market shares of our products, see "Industry Overview".

QUALITY CONTROL

We maintain a stringent quality control system, as required by the GSP standards and procedures, and we devote significant attention and resources to quality control of the pharmaceutical products in our portfolio. Our quality control system provides quality standards and operating procedures for different aspects of our business, including product purchases, quality inspections before products are admitted to our warehouse and quality checks before products exit our warehouse. As of the Latest Practicable Date, we employed three personnel, two of which are registered pharmacists with over 10 years of experience in quality control department of pharmaceutical companies, responsible for monitoring our quality control. Four of our employees are dedicated to monitoring storage conditions and inventory of the products. Our management is also actively involved in setting and adjusting our quality control policies and procedures.

We source and procure the products in our portfolio mainly from overseas suppliers that we believe have strong product quality control systems and proven track records. All imported pharmaceutical product candidates are required to pass a quality inspection by the PRC government authorities before they can be registered for import and sale into China. Shipments of imported products are also subject to inspection by relevant departments of health, state pharmaceutical administrative bureaus and port examination agencies in the PRC, as applicable. We carefully select logistics companies to ensure product quality during the transportation of the products. During the Track Record Period and up to the Latest Practicable Date, none of our products had been subject to any product recall or product liability claims related to product quality or safety.

We store products by product type and production date so that they are shipped on a first-in-first-out basis. We also store products in different rooms at the warehouse we utilise on their temperature and humidity requirements. For example, we set and continuously monitor the temperature of our cold storage room to be 2 to 25 degrees Celsius, to ensure the consistent quality of our plasma-based product. We store our inventory at our warehouse and logistics centre in warehousing facilities which we utilise in Chengdu, Sichuan Province, allowing us to centralise logistics management and deliver products across the country in an efficient and cost effective manner. Our third-party warehouse is designed to ensure the maintenance of suitable storage conditions for the quality and safety of the products we sell, and complies with GSP standards. Our quality inspectors inspect the products in the warehouse on a monthly basis, and conduct quality checks again before the products are shipped to customers. We will also be indemnified if any product damage occurs due to failure by the operator of our third-party warehousing facility to comply with warehousing requirements. We also have adopted stringent policies and procedures to dispose of products with expired shelf life, and rigorously monitor our inventory to prevent the delivery of such products to customers. For products whose shelf life has expired, we destroy them under supervision of the local CFDA agencies.

PRODUCT WARRANTY AND RETURN

Under our sales contracts, we are generally responsible for the delivery of the products we sell to the distributors at our own expense. Our distributors are required to inspect the products upon delivery, at which point the risks relating to damage to the products are transferred from us to the distributors. As we strive to ensure that the products we sell are shipped to distributors prior to the expiration of their shelf life, we do not accept product returns or replacements for obsolete inventory items. We only accept returns and exchanges in the case of quality defects. During the Track Record Period and up to the Latest Practicable Date, we did not record any impairment loss to inventory due to product returns and exchanges. See "— Our Customers" above for details of our return policies and warranties provided in connection with product sales to our customer distributors.

RESEARCH AND DEVELOPMENT

To further increase our profit margin, broaden our revenue streams and diversify our product portfolio, we entered into technical consultancy service agreements with the Institute of Chinese Medical Sciences and Tsinghua University, respectively, in November 2013, to develop and test "Sinco I", a realgar-based chemical medicine intended to treat acute promyelocytic leukaemia. Sinco I is derived from the ore realgar, which is composed mainly of the compound tetraarsenic tetrasulfide (As_4S_4). As_4S_4 has been indicated for the treatment of acute promyelocytic leukaemia. Sinco I is classified as a class I chemical medicine, a category of new medicine which has never been launched in China or other countries. The approval process of a class I chemical medicine usually takes more than eight years, involving investigational new drug application and multiple phases of clinical studies before commercial launch. In 2014, acute promyelocytic leukaemia in China accounted for between 3.3% and 21.2% of all cases of acute leukaemia, a major subcategory of leukaemia, according to the Frost & Sullivan Report. Leukaemia was ranked tenth in terms of incidence rate among all cancers in China, according to the Frost & Sullivan Report. The development of Sinco I is being led by our executive Director, Professor Zhang Zhijie of the Institute of Chinese Medical Sciences, and a team of 10 researchers.

The expansion into the development of Sinco I is part of our strategy to facilitate multi-channel growth and evolve into a vertically-integrated MPCM services provider. We plan to enhance our research and development capabilities and pursue the development of our own products, which will provide a pipeline of quality pharmaceutical products with promising growth potentials to our MPCM services business. In addition, by introducing new products with higher margins and superior clinical profiles, such as Sinco I, into the China market, we aim to realise the full potential of our distribution network and our expertise in the MPCM services market. We expect to rely on our existing distribution network and customer base to a considerable degree to service Sinco I and to build up additional distribution channels

for Sinco I by leveraging our reputation and expertise in the MPCM services market. In addition, our management believes that the profit margin of manufacturing pharmaceuticals is considerably higher than that of providing MPCM services. We also believe that Sinco I has strong growth prospects given the current market for treatments of acute promyelocytic leukaemia, and thus we are sponsoring its development and commercialisation as the first proprietary drug to be added to our product portfolio. For more details of the competitive landscape of Sinco I, see "Industry Overview — Pharmaceutical Market in China — Pharmaceutical Markets of Selected Therapeutic Areas in China — Oncology and Haematology — Sinco I".

We expect that the pre-clinical research and pilot experiments for Sinco I will be completed by December 2016. We and Professor Zhang's team plan to apply for permission to begin clinical trials in 2017, which are expected to be completed by 2022. Following completion of such clinical trials, we aim to apply for Sinco I's new-drug certificate between 2022 and 2023. Currently we intend to subcontract the manufacturing of Sinco I to third parties after meeting all requirements for production.

We expect at least one patent to result from the development of Sinco I. As of the Latest Practicable Date, the rights relating to one authorised patent for Sinco I has been transferred to us from the Institute of Chinese Medical Sciences. We have assigned four personnel to assist Professor Zhang in managing the project with respect to clinical trials, patent applications and manufacturing processes, including two researchers with over 13 years of experience in the production and quality control of pharmaceuticals, one with a master's degree in clinical pharmacology specialising in the design and implementation of pharmaceutical testing and the other with a bachelor's degree in business administration with a concentration on pharmaceutical laws and in charge of drafting reports and registration-related affairs.

We do not directly undertake research and development work. We have contracted with and been sponsoring the Institute of Chinese Medical Sciences for the technical research and development of Sinco I, including the experimentation, clinical trials and preparation of registration materials, for a fee of RMB1.3 million, which was paid by us shortly after we entered into the contract with the Institute of Chinese Medical Sciences in November 2013. The Institute of Chinese Medical Sciences is a renowned academic institute in China specialising in traditional Chinese medicine and mineral drugs, and since 1983 has operated the World Health Organisation's traditional medicine cooperation centre. The rights to any technical achievements resulting from the work done under the contract between us and the Institute of Chinese Medical Sciences belong to us, including the rights to patent such achievements. We have contracted with the School of Life Sciences of Tsinghua University to perform the experimental verification work for Sinco I for a fee of RMB200,000. Tsinghua University is among China's elite universities with an international reputation as a technical research centre. In 2012, 2013, 2014 and the first ten months of 2015, our research and development expenses to develop Sinco I were nil, RMB0.8 million, RMB1.7 million and RMB2.0 million, respectively. We expect the total cost of developing Sinco I to be RMB38.6 million (RMB8.0 million on pre-clinical trial research and RMB30.6 million on three phases of clinical trials), which is expected to be funded by our working capital. Upon the completion of clinical trials, we expect to incur RMB0.4 million for the application of the drug production permit for commercial production, which is also expected to be funded by our working capital. We expect that RMB30.6 million on clinical trials and application of the drug production permit for commercial production will be capitalised and RMB8.0 million on pharmaceutical and toxicological experiments will be recognised as expenses. Once launched, Sinco I is expected to supplement our product portfolio and facilitate our multi-channel growth. As of the Latest Practicable Date, we do not have plans to develop other pharmaceutical products.

Despite the expansion into the pharmaceutical development area, we have not changed our business model in any material way since our inception and do not intend to do so in the foreseeable future. We believe that such expansion can be integrated into and will significantly complement our existing MPCM services business. We will continue to focus a majority of our resources and staff on our MPCM services business with the aim to further penetrating China's pharmaceutical market.

EMPLOYEES

As of 31 December 2012, 2013, 2014 and 31 October 2015, we had 15, 36, 93 and 125 full-time employees, respectively. The table below sets forth a breakdown of our total number of employees by function as of 31 October 2015:

Function	Number of employees
Marketing, promotion and channel management	67
Management, finance and administration	45
Purchasing, warehousing, logistics and quality control	13
Total	125

We enter into written employment contracts with each of our employees. Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. We recruit our employees based on a number of factors such as their work experience, educational background and the needs of the vacancies. We provide regular training to our employees to strengthen staff commitment and improve staff knowledge about our Company, our product offerings and our MPCM services. Our Directors believe that our relations with our employees are amenable.

The remuneration packages of our employees generally include salary and certain welfare and other benefits, which is performance based. We conduct periodic performance reviews of our employees. As required by applicable PRC regulations, we contribute to and participate in various employee benefit plans maintained by municipal and provincial governments, including housing fund and pension, medical, maternity and unemployment benefit plans, among others, including making contributions to the employee benefit plans at specified percentages of their compensation, up to an amount specified by the respective local government authorities where we operate our businesses.

The total amount of our staff costs including directors' remuneration in 2012, 2013, 2014 and the first ten months of 2015 were RMB1.0 million, RMB3.0 million, RMB6.2 million and RMB7.0 million, respectively.

To prevent corrupt practices and other malpractice among our employees, we have set up stringent internal control policies including marketing and promotion expense reimbursement policies, books and records maintenance policies and anti-corruption guidance that govern our employees' conduct and practice. Non-compliance with such rules and guidelines may result in the employee's dismissal. Furthermore, as part of our internal control policy, we have established robust policies and procedures on monitoring our daily operations, including stringent internal rules on expenditure pre-approvals and reimbursements for marketing and promotion activities. In addition, employees' expenses will only be approved with the support of valid official receipts.

Our Directors and PRC legal adviser, Zhong Lun Law Firm, have confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable employment laws and regulations in all material respects and there were no outstanding material labour related legal proceedings or administrative penalties against us.

INTERNAL CONTROL

We are engaged in the business of providing MPCM services to overseas and domestic pharmaceutical companies whose products are being sold to public hospitals, a line of business that could be susceptible to the risk of certain corrupt or improper practices that carry severe penalties under PRC law. We have established a set of internal control policies and rules to prevent corrupt and improper conducts, including measures against bribing in order to facilitate sales, rules governing record keeping for proper accounting of selling expenses as well as reimbursement policies to prevent misuse of corporate funds. In particular, we have taken measures to ensure compliance with anti-bribery laws and regulations since our inception. During the Track Record Period, we regularly reviewed and enhanced our internal control policies and eventually adopted written internal control measures regarding the compliance with anti-bribery laws and regulations by our distributors/sub-distributors and our employees in September 2014 and January 2015, respectively. Below is a summary of the internal control measures we have implemented or plan to implement:

- We have formed an internal control and corporate governance committee exclusively comprising of our independent non-executive directors. Mr. Chow Siu Lui, our independent non-executive director and a renowned expert on the corporate governance of public companies, serves as chairman of this committee. Mr. Chow is currently chairman of the Mainland Development Strategies Advisory Panel of the Hong Kong Institute of Certified Public Accountants, and previously served as a member of the Listing Committee of the Hong Kong Stock Exchange and the Dual Filing Advisory Group of the Securities and Futures Commission. He chairs our internal control and corporate governance committee to oversee the compliance matters of the Group, including our internal control system and enforcement of our internal policies and rules. We have also set up an internal control task force team dedicated to the daily management of our internal control system, which reports to our internal control and corporate governance committee.

- We have established comprehensive measures against corrupt conducts, including anti-bribery policies, staff training programmes, as well as setting up an internal mechanism for reporting improper conducts. Our anti-bribery policies prohibit our directors, senior management, employees, consultants, advisers, agents or any other person acting on our behalf from providing any cash or other valuable items to obtain business or favourable treatment to any government officials, or to any third party with the knowledge that such cash or valuable items will be given to government officials. We have also set up book keeping procedures to prevent misuse of corporate funds and improper transactions. We will take disciplinary actions against any employees who violate these anti-bribery policies, including termination of employment, and will terminate the relevant agreements with any business partners who we find to have violated these policies. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any violation of our anti-corruption policies by our employees.

- In addition to the anti-bribery policies, we have formulated comprehensive policies on management of expenses incurred in the course of business conducts, including sales operations. We segregate the duties of book and record keeping and selling expense management from daily sales operations. Our accounting department is responsible for examining receipts and handling selling expense reimbursement while our marketing, promotion and channel management team is required to submit proper receipts in connection with sales operation within a certain time frame in order to get reimbursed. Our audit department further reviews the accounting department's reimbursement approvals from time to time to make sure that our employees did not engage in any corrupt conduct. Our financial controller and deputy general manager set the relevant thresholds for each selling expense and approve such expense prior to its occurrence. Selling expenses exceeding the relevant thresholds will not be reimbursed. For example, a standard reception for business partners

should not exceed RMB700. Through this segregation of duties, it will be more difficult for our employees to carry out any corrupt, fraudulent or other improper actions.

- We have established and put in place comprehensive rules governing the management of our distributors, including the following aspects:
  - In the agreement we enter into with each of our distributors, we require the distributor to undertake not to engage in any corrupt conduct, including giving kickbacks to hospitals or any employee at hospitals to facilitate sales of the products that we offer, engaging in improper actions to obtain commercial advantage or opportunity when assisting us in providing MPCM services to our suppliers, bribing public officials with gifts, extravagant dinners, entertainments, sponsored leisure trips or in any other way. Our distributors have undertaken to instruct their sub-distributors to undertake to do the same.
  - We vet the qualifications and track record of distributors by reviewing their licences and permits and any records for fraudulent or improper conduct.
  - We require our marketing, promotion and channel management team to make bi-weekly visits and daily phone calls to our distributors and understand how they conduct daily operations, in order to monitor their compliance with relevant anti-corruption laws and regulations as well as to prevent them from selling beyond their authorised sales territories.
  - We require our distributors to use their best efforts to monitor the activities of and ensure compliance by their sub-distributors. We have contractually required our distributors to ensure that the sub-distributors comply with good marketing practices. Our regional managers generally visit localities served by our sub-distributors on a bi-weekly basis and report their concerns to our direct distributors. We will request our distributors to manage and/or rectify the behaviour of sub-distributors due to the distributors' direct contractual relationship with such sub-distributors.
  - We have set up a hotline for our distributors and their sub-distributors to report their complaints or concerns. Upon forming any concern over the conduct of a sub-distributor, we will promptly request the responsible distributor to look into the matter and rectify the conduct of such sub-distributor, if the concern turns out to be valid.
  - We evaluate our distributors every quarter based on a number of criteria including their sales performance.
- We have established a system for handling complaints and investigations. We have set up dedicated telephone and e-mail hotlines in our internal policies and rules, and have circulated them to all of our employees as well as our consultants, advisers, agents, representatives and any other external parties that have business relationships with us. We accept named and anonymous complaints. We provide protection to the whistleblowers and prohibit any revenge actions.
- Our senior management meets every quarter to discuss general compliance matters of the Group, including compliance with anti-corruption laws and regulations as well as internal policies and other internal control matters. We conduct risk assessment on a regular basis. We evaluate the risks of bribery, inappropriate financial reporting, misuse of corporate funds and improper selling expenses. We revise our internal policies and rules as appropriate following the conclusion of our risk assessment.

- We convene ad hoc meetings in case of serious events of violations, whether the violations take place at our headquarters, in our regional offices or on the ground with our local sales force. If corrupt or fraudulent activities are found within the Group, whether discovered through senior management meetings or whistleblower reports, we would ensure that such activities be properly investigated and concluded with written reports. Such reports will be submitted to our internal control and corporate governance committee for review. Our internal control and corporate governance committee reviews such report and will require our senior management to take further actions including revising internal policies and take enforcement actions as it deems appropriate.
- We require all of our employees to receive training on compliance with anti-corruption laws and regulations and our internal policies. In addition to circulating our internal policies and rules to all departments, we provide our employees with training sessions on the relevant laws and regulations as well as our internal policies. Our directors and management have received extensive trainings on anti-corruption laws conducted by external counsels.
- We engaged Guotai Junan Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after Listing, regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the Use of Proceeds stated in this prospectus after Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.
- We plan to continue to optimise our internal control system and engage a globally leading internal control consultant for a period of one year after the Listing to provide us with continuous monitoring of our compliance and internal control matters. Our internal control consultant is expected to report to our independent directors on a quarterly basis with updates on our ongoing efforts to ensure rigorous internal control. If desired, we may engage the internal control consultant for more years after the Listing. We plan to engage Ernst & Young (China) Advisory Limited as our internal control consultant to advise us on internal control after the Listing. We also plan to engage Shearman & Sterling as our external legal counsel to advise us on corporate compliance matters after the Listing.
- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations, in particular those relating to land title, after the Listing.
- We have adopted a streamlined review and approval policy which provides that internal approval for commencing construction on a piece of land shall not be given until after the land use rights certificate and all of the required construction permits are obtained.

NON-COMPLIANCE MATTERS

The following table sets forth our material non-compliance incident during the Track Record Period and the measures we have adopted or propose to adopt to rectify the non-compliance.

Non-compliance incidents	Reason	Legal consequence and potential maximum penalties	Remedies
As of the Latest Practicable Date, we were unable to obtain the land use rights certificate and the other permits required for the construction of our cold chain facility and research and development base before construction commenced. The premises are currently under construction in Shuangliu District, Chengdu, Sichuan Province.	We commenced construction of the premises without obtaining the required land use rights certificate from local authorities because we were unfamiliar with the relevant laws and regulations when construction commenced.	As advised by our PRC legal adviser, Zhong Lun Law Firm, an entity using land without approval may be ordered by the land administration departments of the PRC government to return such lands and be subject to a fine of no more than RMB30 per square metre of the lands concerned; and the structures and installations built on such lands shall be confiscated. We may be imposed a fine of not exceeding RMB225,000 by the relevant PRC authorities based on the gross floor area of 7,500 square metres of the land concerned. Our PRC legal adviser also advised that in the absence of the planning permit for land construction (建設用地規劃許可證), the planning permit for project construction (建設工程規劃許可證) and the construction permit (施工許可證) for the buildings, we may be imposed a fine not exceeding RMB4.8 million by the relevant PRC authorities, i.e. 12% of the total construction cost.	As at the Latest Practicable Date, no administrative sanctions, fine or penalty had been taken or imposed by the relevant authorities with respect to lack of the land use rights certificate or lack of the required permits. All requisite procedures have commenced with the local bureaus of land and resources, planning and management, and construction. As of the Latest Practicable Date, we have obtained confirmations from Shuangliu County Land Resources Bureau (雙流縣國土資源局), Shuangliu County Urban-Rural Construction Bureau (雙流縣城鄉建設局) and Shuangliu County Planning Bureau (雙流縣規劃管理局) confirming that we are in the process of obtaining the land use rights certificate and the relevant construction permits and had no record of penalties imposed by such authorities. In addition, in a written confirmation dated 21 October 2015, Shuangliu County Land Resources Bureau further confirmed that it does not plan to confiscate the structures and installations built on the land in question or impose any fine or other administrative penalty on us. Our PRC legal adviser, Zhong Lun Law Firm, advises us that according to the Land Administration Law of the PRC, if a lower-level land resources authority fails to impose fines or other penalties for non-compliance with Land Administration Law of the PRC within its jurisdiction, a higher-level land resources authority has the authority to order such lower-level land resources authority to impose fines or other penalties in accordance with the Land Administration Law of the PRC or directly impose fines or other penalties.

Non-compliance incidents	Reason	Legal consequence and potential maximum penalties	Remedies
			As a result, Zhong Lun Law Firm is of the view that the Land and Resources Department of Sichuan Province (四川省國土資源廳) has the authority to order Shuangliu County Land Resources Bureau to confiscate or demolish the structures and installation built on our land or otherwise penalise or fine us for the non-compliance incident, or directly impose fines or other penalties on us. As of the Latest Practicable Date, no administrative sanctions, fine or penalty had been taken or imposed by the Land and Resources Department of Sichuan Province with respect to the non-compliance incident, and no notice or announcement had been issued by the Land and Resources Department of Sichuan Province to revoke the written confirmations issued by Shuangliu County Land Resources Bureau to us. On 27 November 2015, the Sole Sponsor and Zhong Lun Law Firm conducted an interview with the Real Estate Registration Bureau (不動產登記局) of the Land and Resources Department of Sichuan Province and presented the written confirmation issued by Shuangliu County Land Resources Bureau on 21 October 2015 during the interview. The interviewee confirmed to the Sole Sponsor and Zhong Lun Law Firm that according to applicable PRC laws and regulations, the land resources bureau at the county level has the administrative authority over the land administration matters within its jurisdiction, including but not limited to the issuance of land use rights certificates. During the interview, the interviewee did not express any disagreement with, or doubt about, the written confirmation issued by Shuangliu County Land Resources Bureau on 21 October 2015. Zhong Lun Law Firm is of the view that the interviewee is competent to issue the aforementioned confirmation.

Non-compliance incidents	Reason	Legal consequence and potential maximum penalties	Remedies
			Based on the confirmation obtained from the Land and Resources Department of Sichuan Province, the written confirmations issued by Shuangliu County Land Resources Bureau, and in accordance with the aforementioned PRC laws and regulations, Zhong Lun Law Firm advises us that: (i) Shuangliu County Land Resources Bureau has the administrative authority over land administration matters within its jurisdiction under the supervision of the Land and Resources Department of Sichuan Province; and (ii) the risk of the written confirmations issued by Shuangliu County Land Resources Bureau being revoked by higher-level government authorities is remote. Based on all the confirmations issued by competent PRC government authorities, Zhong Lun Law Firm advised us that (i) there is no legal impediment to our obtaining the land use rights certificate and the required construction permits and (ii) the risk of us being penalized or fined by the relevant government authorities is remote. Moreover, our Controlling Shareholders have agreed to indemnify us for any losses or any penalties that may be imposed on us for such non-compliance incident until the completion of the cold chain facility and any future losses (including all losses suffered by the Company in the event the cold chain facility is confiscated and/or removed by the relevant government authorities) and penalty. Because our applications for the land use rights certificate and the construction permits are currently being reviewed by the relevant government authorities, the timing of which is beyond our control, we are unable to guarantee that the land use rights certificate and/or the construction permits will be obtained before Listing. Based on our conversations with the relevant government authorities, we expect to receive the land use rights certificate and the construction permits by the first half of 2016.

Non-compliance incidents	Reason	Legal consequence and potential maximum penalties	Remedies
			To ensure that our application of the proceeds from the Global Offering in relation to the development of our cold chain facility and research and development base is compliant with applicable laws and regulations, we undertake that we will not apply any such proceeds to the construction of such premises until and unless we receive the land use rights certificate and all of the requisite construction permits. We will also make proper and timely public announcements after Listing to give updates on the receipt of the land use rights certificate and the construction permits and make relevant disclosure in our interim/annual reports, as appropriate. In addition, although we completed the construction of the first phase of the premises in December 2015, we will not use the completed premises or start the construction of the second phase of the premises until and unless the non-compliance incident is fully rectified. We are currently using, and will continue to use, third-party warehouse facilities to store our pharmaceutical products in the near future until we obtain the land use rights certificate and the construction permits. As a result, a delay in putting the completed part of our premises into use will not interfere with our business operations.

Based on the foregoing, our Directors believe that the non-compliance incident will not have a material adverse impact on our business, financial condition and results of operations. Our Directors are also of the view that the non-compliance incident was an isolated event, which was primarily due to the unfamiliarity of the relevant legal requirement by our handling staff in the PRC.

Our Directors confirm that we have taken reasonable steps to improve our internal control system. We have since implemented a more enhanced systematic approval procedure in evaluating prospective investments, which include the purchase and acquisition of operating assets, companies and securities, in order to improve internal control and prevent non-compliance in the future. Our legal director, with 38 years of legal experience, assesses the legitimacy and legality of the target investment by performing due diligence it deems necessary to ensure the prospective investment is in compliance with relevant local and national laws and regulations. We will not proceed with any investment opportunity without approval from our legal director. All of our prospective investments must obtain approvals from multiple departments within our Company, with major investment decisions requiring approval of the Board. Our Directors are of the view, and the Sole Sponsor concurs, that the enhanced internal control measures adopted by us are adequate and effective in significantly reducing the risk of future non-compliance with the relevant legal and regulatory requirements. In addition, the Sole Sponsor, after considering the above, concur with our Directors' view that our Directors have the character, experience, and integrity and the

level of competence required of a director under Rules 3.08 and 3.09 of the Listing Rules and our Company and business is suitable for listing under Rule 8.04 of the Listing Rules.

INSURANCE

We believe that our insurance coverage is adequate for our operations. Since it is not required by applicable PRC laws and regulations, and consistent with the usual industry practise in China, we do not carry any business interruption or product liability insurance or third-party liability insurance. As of the Latest Practicable Date, we have not initiated or been the subject of any material insurance claims. See "Risk Factors — Risks Relating to Our Business — Our business, financial condition and results of operations could be materially and adversely affected if there are complaints, product liability claims or product recalls against the products in our portfolio, or against products comparable to them."

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had three pending trademark applications in the PRC related to our corporate logo. We do not own any registered trademarks or copyrights. We have two domain names in the PRC. We also have four patents in the PRC, one of which is in connection with the research and development sponsored by us of a Chinese medical drug for the treatment of leukaemia, Sinco I. Details of our intellectual property rights are set forth under the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" set out in Appendix VII to this prospectus.

We do not own any registered trademarks, copyrights or patents relating to the imported pharmaceutical products that we market, promote and sell in China. We may market certain pharmaceuticals in the future that are products of the research and development sponsored by us under our own trademarks.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations, and we had complied with all applicable intellectual property laws and regulations in all material respects. Each of our Directors has confirmed that he or she was not aware of any incidents of intellectual property rights infringement, or restrictions with respect to our uses of intellectual property rights which would have a material adverse effect on our operations in the PRC.

LAND AND PROPERTIES

Owned Properties

We currently own office spaces with a total gross floor area of 3,545.0 square metres in Chengdu, Sichuan Province. We have obtained building ownership certificates for all of our properties. Our two residential properties of approximately 783.7 square metres in Shuangliu District, Chengdu, Sichuan Province have not obtained land use rights certificates, because the developer of the properties has not yet divided the state-owned land use rights of the larger land parcel on which the development is situated into separate land use rights for our properties. We do not believe these properties are crucial to our operations as we do not use these properties for our core business activities and they are readily replaceable.

Properties Under Construction

We are currently constructing a cold chain facility and a research and development base on a parcel of land with a site area of approximately 40,000 square metres in Shuangliu District, Chengdu, Sichuan Province. As of the Latest Practicable Date, we were unable to obtain the land use rights certificate and other permits required for the construction of such premises before construction commenced. For details of the land use rights with respect to this parcel of land, see "— Non-Compliance Matters" above.

Leased Properties

As of the Latest Practicable Date, we leased and occupied a total of three properties with a total gross floor area of approximately 1,057 square metres for offices and storage. Our lease agreements for offices and storage typically have a term of ten months to two years and five years, respectively. The following table sets forth a summary of the properties leased by us:

Address	Use of Property	Approximate Gross Floor Area (Square Metres)
No. 4408A, 44th Floor, 183 Queen's Road Central, Cosco Tower, Hong Kong	Office	89
No. 1, Gongbuminsu Street, New District of Bayi Town, Linzhi, Tibet	Office and storage	100
Office Building, No. 1-4, Linzhi Biotechnology Park, Bayi Town, Linzhi, Tibet	Storage	868
Total		**1,057**

In addition, we have entered into entrustment agreements with our warehouse service provider with respect to our inventories and two service providers to temporarily store products during customs clearance.

See the property valuation report set out in Appendix IV to this prospectus for further details regarding our properties.

HEALTH AND WORK SAFETY

We strive to provide a safe working environment to our employees. We have implemented internal policies and rules to maintain effective health and work safety control for our operational premises such as our offices, which includes:

- occupational safety measures — we require our employees to observe and adhere the safety regulations of the workplace. We also maintain work a safety checklist as preventive measures for related accidents;
- fire control and management rules — we have guidelines for handling fire accidents and evacuation plans. Our employees are required to participate in fire drills and are briefed on the instruction to use fire extinguisher;
- emergency management rules — we brief our employees on the rules and guidelines for emergency incidents; and
- accidents reporting rules — we have policies for handling and reporting accidents.

The Directors confirmed that during the Track Record Period, there was no material accident in the course of our Group's operations which involved personal or property damages, or compensation paid to employees.

ENVIRONMENTAL MATTERS

We are primarily engaged in marketing, promoting and managing sales channel for imported pharmaceutical products, a line of business that generally does not have material impact on the environment. During the Track Record Period, we did not incur any material cost of compliance with applicable environmental laws and regulations, and we do not expect to incur any.

We are constructing our cold chain facility and research and development base located in Shuangliu District, Chengdu, Sichuan Province. Construction and operation of these premises are governed by national, provincial and local environmental laws and regulations. For further information on the environmental laws and regulations governing our operations, see "Regulatory Framework" to this prospectus. Prior to commencement of the construction, we were required to, among other things, file an environment assessment report and obtain the permission of relevant environment protection bureau. Upon completion, our premises will be subject to environment inspection. The primary wastes generated from the operation of our premises will be waste water, and we have obtained the response letter from Shuangliu County Water Authority in relation to our request to dispose waste water when our premises commence operation.

We have not been subject to any penalty or claim by any regulatory authorities of competent jurisdiction for any breach of or non-compliance with applicable environmental laws or regulations. Each of our Directors has confirmed that, during the Track Record Period and up to the Latest Practicable Date, he or she was not aware of any material non-compliance by us with any applicable environmental laws or regulations in the PRC.

LEGAL MATTERS AND PROCEEDINGS

We are subject to regular inspections, examinations, inquiries and audits by regulatory authorities and required to obtain and renew certain permits, licences and certifications for providing MPCM services for imported pharmaceutical products. During the Track Record Period and up to the Latest Practicable Date, we did not fail any of such inspections, examinations, inquiries or audits, nor were we found to have violated any applicable laws and regulations relating to maintenance and renewal of permits, licences and certifications.

We may from time to time become subject to legal or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, no material litigation, claim or administrative proceedings was known to our Directors to be pending or threatened against us.

LICENCES AND PERMITS

As our PRC legal adviser has advised, other than the events set out in the section headed "— Non-Compliance Matters," we have obtained all the permits, licences and approvals required by applicable laws and regulations necessary for our operations within the PRC, and our operations have complied in all material respects with all applicable laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth key pharmaceutical licences, permits and certificates that we hold, their respective expiry dates and scopes:

Holder of Licence, Permit or Certificate	Name of Licence, Permit, or Certificate	First Commencement Date	Expiry Date	Scope of Licence, Permit or Certificate
Sichuan Sinco Pharmaceuticals Co., Ltd.	GSP Certificate	3 May 2011	12 August 2020	The certified business scope covers biochemical medicine, traditional Chinese medicine materials, traditional Chinese medicines (decoction pieces), biological products (excluding biological products for prevention), chemical active pharmaceutical ingredients, antibiotic active pharmaceutical ingredients, traditional Chinese medicines, chemical drug preparations, and antibiotic preparations.
	Pharmaceutical Supply Permit (Renewed on 29 November 2012 and amended on 9 September 2014 due to the addition of Chinese medicine as part of our business scope)	3 September 2010	12 August 2020	The permitted business mode is wholesale. The business scope is the wholesale provision of biochemical medicine, traditional Chinese medicine materials, traditional Chinese medicines (decoction pieces), biological products (excluding biological products for prevention), chemical active pharmaceutical ingredients, antibiotic active pharmaceutical ingredients, traditional Chinese medicines, chemical drug preparations, and antibiotic preparations.
	Internet Drug Information Service Compliance Certificate	3 June 2014	2 June 2019	The registration of our website domain
	Archival Filing and Registration of Foreign Trade Business Operators	5 July 2011	N/A	Registration as a foreign trade business operator
	Certificate of Registration for Declaration of Import and Export Goods (Renewed on 31 March 2014)	30 August 2012*	31 March 2017	The certified business scope covers import and export of goods. Given the nature of our business, the certificate is equivalent to business licence

* *Prior to 30 August 2012, we utilised services from two Independent Third Parties to handle product imports and customs.*

HEDGING

As of the Latest Practicable Date, we had not employed any hedging strategies or policies. Our finance department monitors the market daily for any substantial fluctuation in foreign exchange rates. We will continue the monitoring effort and strive to minimise foreign exchange risks.

We endeavour to negotiate purchasing terms with our suppliers that allow for purchase price flexibility in the event of unforeseen fluctuations in the foreign exchange rate. We also negotiate for selling price flexibility with our distributors, giving us the option to pass on increased costs due to foreign exchange fluctuations. For the risks related to the absence of our hedging strategies or policies, see "Risk Factors — Risks Relating to Our Business — Exchange rate fluctuations of the U.S. dollar or the Euro may affect our cash flow, financial position and results of operations."

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), Risun, wholly-owned by Mr. Huang, will hold approximately 65.625% of our issued share capital. Therefore, Risun and Mr. Huang will continue to be our controlling shareholders after the Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates (other than our Group) after the Global Offering.

Management Independence

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors.

We consider that our Board and senior management will function independently from each of our Controlling Shareholders because:

- each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and our Shareholders as a whole and must not allow any conflict between his/her duties as a Director and his/her personal interests;
- the three independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;
- each of our Directors will not vote in any board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular board meeting; and
- we have established an internal control mechanism to identify related party transactions and connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the paragraph headed "— Corporate Governance" below.

Based on the above, our Directors are satisfied that they are able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholders and their respective associates after the Listing.

Operational Independence

We do not share operation team, facilities and equipment with our Controlling Shareholders and their respective associates. We have independent access to suppliers and clients and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient workforce to operate independently from our Controlling Shareholders and their respective associates. Our Directors are of the view that there is no operational dependence by us on the Controlling Shareholders or their respective associates.

Financial Independence

We have an independent financial system and a finance team which are responsible for our own treasury functions. We have made, and will continue to make, financial decisions based on our own business and financial needs. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. We are financially independent of our Controlling Shareholders and their respective associates.

Within the Track Record Period, we received certain financial assistance from Mr. Huang, which primarily includes:

(a) Loans and advances from Mr. Huang — Please refer to note 20 in the Accountants' Report set out in Appendix I to this prospectus for the amount of shareholder's loan granted by Mr. Huang to Hong Kong Prosperous for its business development during the Track Record Period. All of the outstanding loans due to Mr. Huang from the Group have been settled by issue and allotment of 10,000,000 Shares on 28 May 2015; and

(b) Personal guarantee from Mr. Huang for certain bank loans and trade credit facilities (together, "**Guaranteed Credit Facilities**") — As at the Latest Practicable Date, such Guaranteed Credit Facilities included (i) RMB80 million in trade credit facilities valid from 29 January 2016 to 28 January 2017 granted by China Merchants Bank to us, which were also jointly guaranteed by Sichuan Kelun Industrial Group Co., Ltd and Mr. Huang and the balance of which was RMB51.5 million; and (ii) a one-year bank loan in the aggregate amount of RMB36 million granted by Bank of Chengdu to us and guaranteed by Mr. Huang. For details of our outstanding loans and trade credit facilities, see the section headed "Financial Information – Indebtedness" in this prospectus and note 24 in the Accountants' Report set out in Appendix I to this prospectus.

The Guaranteed Credit Facilities will not be released before Listing and the Company will give irrevocable instructions to use approximately 33% of the net proceeds from the Global Offering (assuming an Offer Price of HK$0.96 per Offer Share, being the mid-point of the proposed Offer Price range) to repay the Guaranteed Credit Facilities as follows: (i) approximately RMB36 million of loans due to Bank of Chengdu; and (ii) approximately RMB51.5 million being the utilised trade credits to China Merchants Bank as at the Latest Practicable Date, and the Guaranteed Credit Facilities will be released then. We primarily used the proceeds of these loans in our operations and general working capital. For more details on the proposed use of proceeds from the Global Offering, see the section headed "Future Plans and Use of Proceeds" in this prospectus. For details of our outstanding loans, please refer to the section headed "Financial Information — Indebtedness" in this prospectus.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders upon Listing.

RULE 8.10 OF THE LISTING RULES

Each of the Controlling Shareholders and Directors confirms that as at the Latest Practicable Date, none of them or any of their respective associates had any interest in a business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules. See also "History, Reorganisation and Corporate Structure — Distribution Transfer Agreements between Vast Surplus and Hong Kong Prosperous."

NON-COMPETITION UNDERTAKING

On 1 February 2016, our Controlling Shareholders entered into a Deed of Non-competition in favour of our Company (for itself and on behalf of all members of the Group), pursuant to which they have undertaken, subject to and except as mentioned in this prospectus, that they, would not, and would procure that none of their associates (other than any member of our Group) will directly or indirectly, engage in any business which competes or is likely to compete, directly or indirectly, with our Group's business as described in this prospectus in the PRC or any other places in which our Group carries on business (the "**Restricted Business**").

If there is any new business opportunity in the Restricted Business, the Controlling Shareholders shall refer such new business opportunity to our Group within seven (7) days. Such business opportunity shall have first been offered or made available to us and be considered by our independent non-executive Directors or its committees which do not have a material interest in the business opportunity. Each of the Controlling Shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless our Board or its committees had declined in writing or failed to respond within six (6) months after being notified of such opportunity, extendable at the request of the independent non-executive Directors.

The aforesaid undertakings do not apply to any investment or interest in units or shares of, inter alia, any company which engages in any Restricted Business where such investment or interest does not exceed 5% of the outstanding voting shares of the relevant company, provided that such investment or interest does not grant the Controlling Shareholders and/or their associates (other than any member of our Group) any right to control the composition of the board of directors or managers of such company nor any right to participate, directly or indirectly, in the management of such company. The non-competition undertakings and the rights and obligations thereunder are subject to and conditional upon the Global Offering becoming unconditional as specified under the section "Structure of the Global Offering" in this prospectus.

The obligations of the Controlling Shareholders under the Deed of Non-competition will remain in effect until:

(i) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange (except for temporary suspension of trading of the Shares); or

(ii) the relevant Controlling Shareholders and/or their associates (other than any member of our Group) cease to hold, whether directly or indirectly, 30% or more of the voting rights of our Company, whichever occurs first.

CORPORATE GOVERNANCE

Our Company will adopt the following corporate governance measures to manage any potential or actual conflicts of interests between us and our Controlling Shareholders and to safeguard the interests of our Shareholders:

- our Directors operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract, arrangement, connected transactions or other proposal in which he/she or any of his/her associates is materially interested; and
- pursuant to the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interests between us and our Controlling Shareholders, and to protect minority Shareholders' rights after the Listing.

Save for paragraph A.2.1 of the CG Code (see "Directors and Senior Management — Compliance with Corporate Governance Code" for more details), our Company expects to comply with the CG Code which sets out principles of good corporate governance in relation to, among others, the Directors, Chairman, board composition, appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in the interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from the CG Code in our corporate governance report which will be included in our annual report.

The table below sets forth information regarding our current Directors and our other senior management members:

DIRECTORS

Name	Age	Date of appointment as Director	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Huang Xiangbin	49	16 March 2015	11 April 2011	Chairman, Executive Director and Chief Executive Officer	• Responsible for overall strategic planning and operation management • Chairman of the nomination committee
Ms. Zhang Zhijie	47	2 June 2015	25 November 2013	Executive Director and Vice President for Technics	• Responsible for new pharmaceuticals research and development • Member of the remuneration committee
Mr. Chow Siu Lui	54	21 September 2015*	21 September 2015*	Independent non-executive Director	• Responsible for supervising the activities and decisions of the audit committee, giving strategic advice and making recommendations on the operations and management of our Group • Chairman of the audit committee and internal control and corporate governance committee and member of the nomination committee
Mr. Wang Qing	51	21 September 2015*	21 September 2015*	Independent non-executive Director	• Responsible for supervising the activities and decisions of the remuneration committee, giving strategic advice and making recommendations on the operations and management of our Group • Chairman of the remuneration committee and member of the audit committee and internal control and corporate governance committee
Mr. Liu Wenfang	77	21 September 2015*	21 September 2015*	Independent non-executive Director	• Responsible for giving strategic advice and making recommendations on the operations and management of our Group • Member of the audit committee, internal control and corporate governance committee, remuneration committee and the nomination committee

* *effective on 1 February 2016*

SENIOR MANAGEMENT

Name	Age	Date of appointment as Senior Management	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Li Zhizheng ...	42	2 June 2015	14 July 2011	Senior Vice President	• Responsible for the strategic planning and investment management of our Group
Mr. Li Yifan	36	2 June 2015	1 February 2015	Chief Financial Officer	• Responsible for the Group's overall financial strategy planning, internal control system management, and investment and financing management
Mr. Liu Guowei ...	39	2 June 2015	1 December 2014	Vice President for Operations	• Responsible for the Group's overall operations
Ms. Wu Yue	36	2 June 2015	29 December 2014	Director of Sales	• Responsible for the Group's sales and marketing
Mr. Peng Fei	42	2 June 2015	21 April 2011	Financial Controller	• Responsible for overall finance management
Mr. Hu Haibin	43	2 June 2015	18 April 2011	Deputy Director of Sales	• Responsible for the Group's marketing management
Ms. Bai Ling	36	2 June 2015	11 April 2011	Assistant to the Chief Executive Officer	• Responsible for the Group's internal management
Mr. Li Xianghong	31	2 June 2015	7 April 2011	Deputy Director of Sales	• Responsible for the Group's marketing and promotion of the Human Albumin Solution, Taurolite, TAD and Esafosfina

BOARD OF DIRECTORS

The Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening Shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

Executive Directors

Mr. Huang Xiangbin (黃祥彬), aged 49, founder of our Group, has been the Chairman and an executive Director of our Group since April 2011, and is mainly responsible for overall strategic planning and operation management. Mr. Huang has served as the executive director of Sichuan Sinco Pharmaceuticals since April 2011, mainly responsible for the strategic planning and operation management. Prior to joining our Group, Mr. Huang was the director and chairman of Vast Surplus since November 2004 up until now, mainly responsible for strategic planning and operation of Vast Surplus. After Vast Surplus transferred its exclusive distribution rights to service Taurolite, TAD and Esafosfina to Hong Kong Prosperous in March 2015, it has no other business operations. Since then, Mr. Huang has been devoting a majority of his time to our Group's business. In addition, Mr. Huang was also a founder, chief executive officer and director of Ruixin since February 2004 up until now, when Sichuan Sinco Pharmaceuticals was established. The principal business of Ruixin was consultation in the pharmaceuticals industry, which included testing and sampling new pharmaceutical products, providing marketing and promotion services as well as assisting in obtaining regulatory approvals and registrations for pharmaceutical products. However, the pharmaceutical products serviced by Ruixin were mainly traditional Chinese medicine extracts, which are different from those of the pharmaceutical products

serviced by the Group. Ruixin was not engaged in any business which competed or was likely to compete, either directly or indirectly, with the Group's business. Furthermore, Ruixin was jointly owned as to 50% by Mr. Huang and 50% by Mr. Chen Xiangui and was never a member of the Group which was readily disposable for corporate reorganisation solely based on Mr. Huang's decision. Eventually, as the management of Ruixin began to focus on the business development of the Group since Mr. Huang incorporated Sichuan Sinco Pharmaceuticals in 2011, Ruixin did not have any business or operations, which subsequently led to the passing of the shareholders' resolutions on September 22, 2015 to voluntarily dissolve Ruixin.

Mr. Huang worked in the Drug Inspection Institute of Guangyuan (廣元市藥品檢驗所) from July 1988 to July 2004 as pharmacist in charge of drug quality research as well as collection and delivery of drug safety information.

Mr. Huang had been a director of Beijing Guangtong Shidai Medical Consulting Company Limited (北京廣通時代醫藥投資顧問有限公司) ("**Beijing Guangtong**"), a limited liability company established in the PRC in 2003, since its establishment up until 2004. Prior to the revocation of its business license, Beijing Guangtong was owned as to 50%, 40% and 10% by Mr. Huang, Mr. You Fei and Mr. You Hao respectively. Both Mr. You Fei and Mr. You Hao are Independent Third Parties. Mr. Huang confirmed that at the time of the revocation of the business license of Beijing Guangtong, he was not involved in the daily operation of Beijing Guangtong as he was focusing on the development of Ruixin's business. To the best of Mr. Huang's knowledge, Beijing Guangtong had ceased attending annual inspection (年檢) as Beijing Guangtong had no business operation, resulting in its business license being revoked subsequently on 26 November 2004. Mr. Huang confirmed that there is no wrongful act on his part leading to the revocation and he is not aware of any actual or potential claim that has been or will be made against him as a result of the revocation.

Mr. Huang obtained a master's degree in EMBA from Shanghai Jiao Tong University (上海交通大學) in December 2008 and graduated from the MBA programme of Renmin University (中國人民大學) in August 2002. He also obtained a bachelor's degree in botanical resources (野生植物資源) from Jilin Agriculture University (吉林農業大學) in July 1988. Mr. Huang has been studying in the Université Paris — Dauphine under the Executive Doctorate in Business Administration (EDBA) program since December 2013.

Ms. Zhang Zhijie (張志傑), aged 47, joined our Group in November 2013 and is an executive Director and vice president for technics of our Company, mainly responsible for new pharmaceuticals research and development. Prior to joining our Group, Ms. Zhang successively served as a postdoctoral fellow of the research center, an associate chief physician (starting from July 2013) and a research fellow (starting from December 2014) of the pharmacognosy study center of the Institute of Chinese Medical Sciences from July 2008 up until now, and was responsible for the coordination and management of the daily researches of the pharmaceutical research centre and was also involved in the process of setting up the pharmaceuticals research centre. Although Ms. Zhang is concurrently working at the Institute of Chinese Medical Sciences, she is heavily involved in the Group's research and development programme. Ms. Zhang is leading the Group's Sinco I programme as a research fellow for the Institute of Chinese Medical Sciences. Details of such programme are set out in the section headed "Business — Research and Development" of this prospectus.

The Directors are of the view that Ms. Zhang has been and will continue to be able to allocate sufficient time to fulfill her duties and responsibilities as an executive Director of the Company based on the following reasons: (i) as Ms. Zhang is responsible for overseeing the Group's new pharmaceuticals research and development, her position as a researcher at the Institute of Chinese Medical Sciences, in particular her involvement in the development of Sinco I, is directly related to her role as an executive Director of the Company. By working as a researcher at the Institute of Chinese Medical Sciences, Ms. Zhang is, at the same time, also fulfilling her responsibilities as an executive Director of the Company; (ii) to enable Ms. Zhang to allocate sufficient time to carry out her duties as the Company's executive

Director, the Group has assigned four personnel to assist Ms. Zhang with the development of Sinco I with respect to clinical trials, patent applications and manufacturing processes, including two researchers each with over 13 years of experience in the production and quality control of pharmaceuticals, a researcher with a master's degree in clinical pharmacology specialising in the design and implementation of pharmaceutical testing and a researcher with a bachelor's degree in business administration focusing on pharmaceutical laws who is in charge of drafting reports and registration-related matters; and (iii) Ms. Zhang has been diligently attending the board meetings held by the Company since she was appointed as an executive Director of the Company. In the event that Ms. Zhang is unable to attend a board meeting in person, according to the Articles of Association of the Company, she is able to participate in such board meeting by way of telephone conference.

Ms. Zhang served as the general manager of Zhaoye Bio-Technology Co., Ltd (兆業生物科技有限公司), a subsidiary of Nanjing Xiaoying Pharmaceuticals Group Co., Ltd (南京小營藥業集團有限公司), from July 2006 to October 2008, mainly responsible for new drug research and development. She has also engaged in national research projects, which involved contributing to the testing of mineral medicine and its quality control. Ms. Zhang was the co-editor of two books and published several research papers in national and international academic journals. Ms. Zhang has also been awarded Second Prize for Science and Technology by the China Association of Chinese Medicine in November 2005. Ms. Zhang obtained her Ph.D degree in June 2006 from Nanjing University of Chinese Medicine (南京中醫藥大學). Ms. Zhang worked as a pharmacist in Henan Provincial Pingdingshan City Chinese Medicine Hospital (河南省平頂山市中醫院) from September 1990 to August 2003. She obtained a bachelor's degree in Chinese medicine from Henan University of Traditional Chinese Medicine (河南中醫學院) in July 1990.

Independent non-executive Directors

Mr. Chow Siu Lui (鄒小磊), aged 54, was appointed as an independent non-executive Director of our Company with effect from 1 February 2016.

Mr. Chow currently holds or once held directorship in the following companies listed on the Hong Kong Stock Exchange:

Name of listed company	Stock exchange and stock code	Position held	Period
Universal Medical Financial & Technical Advisory Services Company Limited.....	Hong Kong Stock Exchange: 2666	Independent non-executive director	June 2015 – Present
Fullshare Holdings Limited.....	Hong Kong Stock Exchange: 607	Independent non-executive director	December 2013 – Present
Kong Shum Union Property Management (Holding) Limited ...	Hong Kong Stock Exchange: 8181	Independent non-executive director	February 2015 – October 2015
NWS Holdings Limited.....	Hong Kong Stock Exchange: 659	Independent non-executive director	March 2012 – June 2012

Mr. Chow has extensive experience in fund raising and initial public offering activities in Hong Kong, as well as accounting and financial related areas. From April 2012 to present, he works as the managing director of the private equity team in VMS Investment Group (HK) Ltd., where he is responsible for providing advice on issues regarding fund raising, pre-IPO group restructuring and due diligence exercises for investment projects. Prior to that, Mr. Chow was with KPMG Hong Kong for about 28 years until December 2011 and was admitted as one of its partners in 1995. He was then mainly responsible for IPO advisory services and assisted fund raising activities in local and overseas stock exchanges.

Mr. Chow is the chairman of the professional development committee of the Hong Kong Institute of Chartered Secretaries ("**HKICS**") and also the chairman of the Mainland Development Strategies Advisory Panel of the HKICPA.

Mr. Chow obtained a professional diploma in accountancy from the Hong Kong Polytechnic University (formally known as Hong Kong Polytechnic), in November 1983. By profession, he is a member of the Association of Chartered Certified Accountants, HKICS and the HKICPA.

Mr. Wang Qing (汪晴), aged 51, was appointed as an independent non-executive Director of our Company with effect from 1 February 2016, mainly responsible for supervising and providing independent judgement to the Board. Mr. Wang Qing worked at Dalian University of Technology (大連理工大學) from April 2003 up until now. Mr. Wang Qing served as an associate professor when he first joined Dalian University of Technology and was later promoted to professor in November 2010 and he was responsible for research and development and teaching. From July 1986 to September 1997, Mr. Wang Qing worked as a pharmacist supervisor at Liaoning Provincial Medical Company Limited (遼寧省藥材有限責任公司), where he was responsible for drugs inspection and evaluation and participated in research and technical renovation.

Mr. Wang Qing obtained his Ph.D. in treatment therapy system at Kyushu Institute of Technology (九州工業大學) in Japan in March 2003 and a master's degree in treatment therapy system at Kyushu Institute of Technology in March 2000. Mr. Wang Qing obtained his bachelor's degree in medicinal plants at Jilin Agricultural University (吉林農業大學) in July 1986.

Mr. Liu Wenfang (劉文芳), aged 77, was appointed as an independent non-executive Director of our Company with effect from 1 February 2016, mainly responsible for supervising and providing independent judgement to the Board. Prior to joining our Group, from February 2011 to present, he serves as an independent director of China Biologic Products, Inc. (泰邦生物製品有限公司), a company listed on NASDAQ (stock code: CBPO). From 2007 to 2011, Mr. Liu Wengfang worked as a chief consultant at Sichuan Yuanda Shuyang Pharmaceuticals Co., Ltd (四川遠大蜀陽藥業股份有限公司) where he was responsible for research and promoting new theories and applications in the medical field. From 2000 to 2007, he served as the chief engineer and director of Hualan Biological Engineering Inc. (華蘭生物工程股份有限公司) where he was responsible for supervising the manufacturing process and quality management. From May 1998 to May 1999, he served as the chief engineer of Guiyang Qianfeng Bio Manufacture Company (貴陽黔峰生物製品有限責任公司) where he was responsible for research and developing new products. From 1978 to 1998, he worked in the Institute of Blood Transfusion, Chinese Academy of Medical Sciences (中國醫學科學院輸血研究所) and was engaged in the segregation and purification of blood and protein and research, development and quality analysis of blood products.

He obtained a bachelor's degree majoring in biochemistry from the Shenyang Institute of Applied Ecology, Chinese Academy of Sciences (中國科學院瀋陽應用生態研究所) (formally known as the Institute of Forestry and Soil Sciences) in August 1963.

We have entered into service agreements with each of our executive Directors and have issued letters of appointment to each of our independent non-executive Directors. The term of each of the service agreements and letters of appointment with our Directors is three years.

Save as disclosed in this prospectus, each of our Directors has confirmed that he or she has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus and there is no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

Mr. Li Zhizheng (李志征), aged 42, joined our Group in July 2011 and was appointed as a Senior Vice President responsible for strategic planning and investment management of the Company in June 2015. Mr. Li served as a deputy general manager of Great Holdings Limited (國瑞泰控股有限公司) from November 2010 to June 2011, and was responsible for the operations management of the company. From September 2005 to October 2010, he held various positions in Dong Shang International Holdings Limited (東尚國際控股有限公司), including manager of the finance department, assistant to the chairman and general manager of the company's subsidiary, mainly responsible for finance management, investment management and operation management. Mr. Li served as the manager of the audit department of Beijing Zhong Tian Yong Xin Certified Public Accountants (北京中天永信會計師事務所) from May 2003 to August 2005, responsible for audit management. He also served as the audit manager of Beijing Jiaxin Da Sheng Certified Public Accountants (北京嘉信達盛會計師事務所) from February 2000 to April 2003, responsible for project audit management. He was qualified as a Chinese Certified Public Accountant in December 2000, and obtained an EMBA degree from Shanghai Jiao Tong University (上海交通大學) in December 2009.

Mr. Li Yifan (李一帆), aged 36, joined our Group in February 2015 and was appointed as the Chief Financial Officer of the Company in June 2015, mainly responsible for overall financial strategic planning, internal control system management, and investment and financing management of the Group. Mr. Li has over 10 years of experience in accounting and financial management. Before joining the Company, Mr. Li worked at China Polymetallic Mining Limited, a company listed on the Hong Kong Stock Exchange (stock code: 02133) from March 2011 to January 2015, and last served as the deputy chief financial officer responsible for financial accounting and management. From February 2005 to February 2011, he successively served as an auditor of the Shenzhen branch and senior auditor of the Chengdu branch of Ernst & Young Hua Ming LLP. Mr. Li obtained a master of science degree in Finance from University of Stirling in January 2005 and graduated from Southwestern University of Finance and Economics (西南財經大學) in July 2002 with a bachelor's degree in management. He has been a Chinese Certified Public Accountant since January 2012.

Mr. Liu Guowei (劉國衛), aged 39, joined our Group in December 2014 and was appointed as the Vice President for Operations of the Company in June 2015, mainly responsible for the overall operations of the Group. Mr. Liu has 16 years of experience in operations and human resources management. Prior to joining the Group, from January 2009 to September 2014, he was the managing director and principal consultant of Beijing Talenbridge International Management Consulting Service Co., Ltd. (北京太博睿智國際管理咨詢服務有限公司), responsible for daily operations management. From August 2007 to December 2008, Mr. Liu served as human resources director of Beijing Longfor Property Company Limited (北京龍湖置業有限公司), mainly responsible for human resources management of the group. From July 2005 to July 2007, Mr. Liu served as vice president of Stronghold Holding Group Co., Ltd. (思創厚德控股集團有限公司), mainly responsible for operations and human resources management. From January 2004 to July 2005, Mr. Liu served as human resources manager of Aramark Service Industries (China) Co., Ltd., responsible for human resources management. From June 1999 to January 2004, Mr. Liu worked as the supervisor of the global employee service centre team and leadership and talent supply team under the human resources department of Motorola (China) Electronics Limited, responsible for daily human resources management and key sales personnel recruitment. In June 2012, Mr. Liu obtained an EMBA degree from Shanghai Jiao Tong University (上海交通大學). In July 1999, Mr. Liu graduated from Qufu Normal University (曲阜師範大學) with a bachelor's degree in English education.

Ms. Wu Yue (吳玥), aged 36, joined our Group in December 2014 and was appointed as the Director of Sales of our Company in June 2015, mainly responsible for sales and marketing of the Group. Prior to joining our Group, Ms. Wu served as a business manager of southwest region and northwest region of Baxter Healthcare Trading (Shanghai) Co., Ltd. (百特醫療用品貿易(上海)有限公司) from October 2014 to December 2014, responsible for business management. She served as a regional business manager of Jin Bao Shen Nursing Products (Shanghai) Co., Ltd. (金寶腎護理產品(上海)有限公司) from June 2013 to September 2014, mainly responsible for business management. Ms. Wu served as a senior regional business manager of Becton Dickinson Medical Devices (Shanghai) Co., Ltd. (碧迪醫療器械(上海)有限公司) from November 2008 to June 2013. Ms. Wu worked at Pfizer Investment Co., Ltd. where she served as regional manager of commercial and retail business department from September 2004 to October 2008. Ms. Wu received a bachelor's degree in accounting from Southwestern University of Finance and Economics (西南財經大學) in June 2004.

Mr. Peng Fei (彭飛), aged 42, joined our Group in April 2011 and was appointed as the Financial Controller of our Company in June 2015, mainly responsible for overall finance management. Prior to joining our Group, Mr. Peng served as the finance manager of Ruixin from September 2004 to March 2011, responsible for finance management. Mr. Peng Fei also served as the finance staff of the Third Construction Section of the Factory Construction Engineering Bureau, the Ministry of Railway and China Railway Construction Engineering Group North Project Co., Ltd (鐵道部建廠工程局第三工程處、中鐵建工集團北方工程有限公司) from September 1991 to August 2004, mainly responsible for the company's finance management. Mr. Peng received a bachelor's degree in accounting from Southwestern University of Finance and Economics (西南財經大學) in December 2006. Mr. Peng also obtained the qualification of Registered Tax Agent issued by Sichuan Provincial Human Resources Department (四川省人事廳) in April 2009, and obtained the licence as a senior accountant from Chengdu Reform Leading Group of Professional Title in April 2013.

Mr. Hu Haibin (胡海濱), aged 43, joined our Group in April 2011 and was appointed as the Deputy Director of Sales of the Company in June 2015, mainly responsible for marketing management of the Group. Mr. Hu Haibin has over 10 years of experience in sales management. Before joining the Group, from June 2004 to March 2011, Mr. Hu served as sales manager of Ruixin and was mainly responsible for its sales management. From August 1995 to May 2004, Mr. Hu served as project manager of Sichuan Yuan Zhou Information Technology Company Limited (四川遠洲信息科技有限公司), responsible for project management. Mr. Hu Haibin received an associate degree in economic information and computer application from Sichuan Economic Management Cadre Institute (四川省經濟管理幹部學院) in July 1995.

Ms. Bai Ling (白玲), aged 36, was appointed as the Assistant to the Chief Executive Officer in June 2015. She has over 10 years of experience in corporate management. Ms. Bai joined the Group in April 2011 and is mainly responsible for the internal management of Sichuan Sinco Pharmaceuticals. She served as the manager of administration and personnel department, human resources department as well as the sales and management department of the Group. Before joining the Group, from September 2003 to March 2011, Ms. Bai served as the manager of the administration and personnel department of Ruixin, and was mainly responsible for its administration and personnel management. Ms. Bai received a bachelor's degree in accounting from Chengdu University of Technology (成都理工大學) in June 2004.

Mr. Li Xianghong (李相宏), aged 31, was appointed as the Deputy Director of Sales of the Company in June 2015 and has over 7 years of experience in sales and marketing management. Mr. Li joined the Group in April 2011 and was mainly responsible for the marketing and promotion of the Human Albumin Solution and three newly imported products (Taurolite, TAD and Esafosfina) of Sichuan Sinco Pharmaceuticals. Before joining Sichuan Sinco Pharmaceuticals, from July 2009 to March 2011, Mr. Li served as the sales manager of Ruixin, mainly responsible for products sales. From May 2007 to May 2009, Mr. Li served as regional manager of Jiangsu Chinese Pharmaceutical Technology Development Corporation (江蘇省中醫藥科技發展總公司) and was mainly responsible for its

management of sales in southwest region of the PRC. From April 2006 to April 2007, Mr. Li served as the sales representative of Changzhou Fangyuan Pharmaceutical Co., Ltd. (常州方圓製藥有限公司) and was mainly responsible for its management of regional sales. Mr. Li graduated from Chengdu University of Technology and received degree in numerical control machining technology in June 2006.

COMPANY SECRETARY

Ms. Ko Wing Yu (高潁妤), aged 48, was appointed as the joint company secretary of the Company since April 2015 and has over 10 years of experience of management in the pharmaceuticals industry.

Before joining the Group, from January 2013 to April 2015, Ms. Ko served as the general manager of Vast Surplus, and was mainly responsible for its daily operation. From August 2011 to January 2013, Ms. Ko worked at Industrial Securities (HK) Financial Holdings Limited (興證(香港)金融控股有限公司) as an administrative manager. From October 2002 to August 2011, Ms. Ko served as the deputy general manager of Vital Group Holdings Limited (維奧集團控股有限公司) (currently known as CGN Mining Company Limited whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 1164)). From January 2001 to September 2002, Ms. Ko was not under any employment. From November 1994 to December 2000, Ms. Ko served as the general manager of Yinli Foreign Investors Golf Club Company Limited (銀利外商高爾夫球俱樂部有限公司), and was mainly responsible for building the golf course and its daily management and planning. Ms. Ko Wing Yu graduated from Coventry University and received a bachelor's degree in Accountancy in November 2012.

Ms. Wong Sau Ping (黃秀萍) is a joint company secretary of the Company. Ms. Wong is a senior manager of the Listing Services Department of TMF Hong Kong Limited (a fellow subsidiary of KCS Hong Kong Limited). She has over 14 years of experience in the company secretarial field. Ms. Wong had worked for one of the four largest international audit firms, where she served large and well-known companies listed on the Hong Kong Stock Exchange. Ms. Wong holds a bachelor degree in business administration and a master degree in professional accounting and information system. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administration in the United Kingdom.

BOARD COMMITTEE

Audit Committee

We established an audit committee on 1 February 2016 with effect from the Listing, with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, the internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Our audit committee currently comprises Mr. Chow Siu Lui, Mr. Liu Wenfang and Mr. Wang Qing, all of whom are our independent non-executive Directors. Mr. Chow Siu Lui is the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee on 1 February 2016 with effect from the Listing, with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include, among others, (i) making recommendations to the Board on the remuneration policy and structure for our Directors' and senior management and on the establishment of a formal and transparent procedure for developing a remuneration policy; (ii) reviewing

and approving our management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual Directors and senior management.

Our remuneration committee currently comprises Mr. Wang Qing and Mr. Liu Wenfang, our independent non-executive Directors, and Ms. Zhang Zhijie, our executive Director. Mr. Wang Qing is the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee on 1 February 2016 with effect from the Listing, with written terms of reference in compliance with Code Provisions A.5.1 and A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary responsibilities of the nomination committee include making recommendations to the Board on the appointment of members of our Board.

Our nomination committee currently comprises Mr. Huang, our Chairman and executive Director, and Mr. Liu Wenfang and Mr. Chow Siu Lui, our independent non-executive Directors. Mr. Huang is the chairman of the nomination committee.

Internal Control and Corporate Governance Committee

We established an internal control and corporate governance committee on 1 February 2016 with effect from the Listing. The primary duties of the internal control and corporate governance committee are to assist the Board in providing an independent view of internal control and corporate governance matters.

The internal control and corporate governance committee currently comprises Mr. Chow Siu Lui, Mr. Liu Wenfang and Mr. Wang Qing, all of whom are our independent non-executive Directors. Mr. Chow Siu Lui is the chairman of the internal control and corporate governance committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for the three years ended 31 December 2014 and the ten months ended 31 October 2015 were approximately RMB101,000, RMB1,464,000, RMB302,000 and RMB185,000, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals, including Directors, for the three years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015 were approximately RMB313,000, RMB2,413,000, RMB1,428,000 and RMB1,183,000, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015. No Director has waived or has agreed to waive any emoluments during the three years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015.

Under the arrangements presently in force, the estimated aggregate remuneration of the Directors for the year ended 31 December 2015, excluding discretionary bonus, is approximately RMB462,500.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see note 8 to our consolidated financial information included in the Accountants' Report set out in Appendix I to this prospectus and "Statutory and General Information" set out in Appendix VII to this prospectus.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Code Provision A.2.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person, and the division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Company deviates from this provision because Mr. Huang performs both the roles of the Chairman of the Board and the chief executive officer of the Company. Mr. Huang with established market reputation in the PRC pharmaceuticals industry is the founder of the Group and has extensive experience in business operation and management in general. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company.

Under the leadership of Mr. Huang, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practises of the Company.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

i. before the publication of any regulatory announcement, circular or financial report;

ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;

iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

iv. 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 will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

So far as our Directors are aware, immediately following the completion of the Reorganisation and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Number of Shares held/interested immediately prior to the Global Offering	Approximately percentage of Shareholding immediately prior to the Global Offering	Number of Shares held/interested immediately after the Global Offering	Approximate percentage of Shareholding immediately after the Global Offering
Risun[(2)]	Beneficial owner	1,050,000,000(L)	87.5%	1,050,000,000(L)	65.625%
Mr. Huang[(2)]	Interest in controlled corporation	1,050,000,000(L)	87.5%	1,050,000,000(L)	65.625%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Risun is owned as to 100% by Mr. Huang, who is therefore deemed to be interested in 65.625% of the issued share capital of our Company.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised and issued share capital in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

	Number of Shares	HK$
Authorised share capital:		
Shares	3,800,000,000	380,000
Issued and to be issued, fully paid or credited as fully paid:		
Shares in issue as of the date of this prospectus	1,200,000,000	120,000
Shares to be issued pursuant to the Global Offering	400,000,000	40,000
Total	1,600,000,000	160,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MEETING

Pursuant to the Cayman Islands Companies Law and the terms of the Company's Memorandum and Articles of Association, the Company may from time to time by ordinary resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may reduce its share capital or any capital redemption reserve by special resolution. For details, see "Summary of the Memorandum and Articles of Association and Cayman Companies Law — 2. Articles of Association — 2.5 Alteration of capital" in Appendix VI in this prospectus. Pursuant to the Cayman Islands Companies Law and the terms of the Company's Memorandum and Articles of association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to "Summary of the Memorandum and Articles of Association and Cayman Companies Law — 2. Articles of Association — 2.4 Variation of rights of existing shares or classes of shares" in Appendix VI in this prospectus.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme which will be effective upon Listing. Potential participants will include Directors and employees of any member of our Group, as well as certain other persons that the board of Directors considers have contributed or will contribute to our Group.

The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix VII to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme); and

(ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the sub-section headed "— General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the section headed "Statutory and General Information — A. Further Information about the Group — 5. Resolutions in writing of our Shareholders" in Appendix VII to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering", our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 6. Repurchases of our own securities" in Appendix VII to this prospectus.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the section headed "Statutory and General Information — A. Further Information about Our Group — 5. Resolutions in writing of our Shareholders" in Appendix VII to this prospectus.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto as of and for the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015 included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRS. The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are the third largest MPCM services provider in the PRC pharmaceutical industry with a market share of 6.4% based on revenue in 2014, according to the Frost & Sullivan Report. China's MPCM services market, which had a market size of RMB14,959.8 million in 2014, is a subset of China's pharmaceutical circulation market and accounted for approximately 1.0% of China's pharmaceutical circulation market in 2014, according to the Frost & Sullivan Report. We are also China's only MPCM services provider for plasma-based pharmaceuticals, one of the fastest growing segments in China's pharmaceutical market. According to the Frost & Sullivan Report, China's plasma-based pharmaceutical market grew at a CAGR of 23.2% from 2010 to 2014, which is faster than the CAGRs of both the overall China pharmaceutical market and the imported pharmaceutical market during the same period. Driven by the unmet demand for plasma-based pharmaceuticals, favourable government initiatives, market developments as well as technological improvements in the manufacturing process in China, the plasma-based pharmaceutical product market is forecasted by the Frost & Sullivan Report to grow at a CAGR of 22.4% from 2015 to 2019.

Our experienced management team has a deep understanding of China's imported pharmaceutical market, especially for plasma-based pharmaceuticals. We have developed and implemented a rigorous and proven screening process to identify product candidates that offer strong market potential in China's imported pharmaceutical market. Our product portfolio is populated by a selection of imported pharmaceutical products in the plasma segment as well as other fast-growing or sizeable segments in China. The growth of some of the market segments to which our portfolio products belong, namely oncology and haematology, has exceeded the overall growth of pharmaceuticals in China during the past five years.

Our products include Human Albumin Solution, which is a human albumin product. Human albumin is the largest component of China's plasma-based pharmaceuticals market with a 55.8% market share by sales value in 2014, according to the Frost & Sullivan Report, and was the only plasma-based pharmaceutical allowed to be imported into and sold in China as of the Latest Practicable Date. According to the Frost & Sullivan Report, the imported human albumin market in China grew at a CAGR of 30.8% from 2010 to 2014 and is expected to increase at a CAGR of 19.8% from 2015 to 2019, surpassing the historical and forecasted growth of China's overall pharmaceutical market.

We purchase Human Albumin Solution from Octapharma, one of the world's leading manufacturers of plasma-based pharmaceuticals based on global sales revenue in 2014 according to the Frost & Sullivan Report. In 2012, 2013, 2014 and the first ten months of 2015, products from Octapharma accounted for nil, 47.2%, 66.2% and 64.9% of our revenue. For the years ended 31 December 2013 and 2014 and the ten months ended 31 October 2015, we purchased RMB338.5 million, RMB437.8 million and RMB463.8 million of Human Albumin Solution from Octapharma, respectively. During the same periods, our purchases accounted for 55.7%, 60.1% and 62.8% of the volume of Human Albumin Solution

sold by Octapharma to its service providers in China, respectively, according to the PRC Customs' data for Octapharma's Human Albumin Solution. Human Albumin Solution is currently the only human albumin product which can be prescribed to premature infants, and was the fourth best-selling human albumin product in China with a market share of 9.6% in 2014, according to the Frost & Sullivan Report. From 2013 to 2014, our sales of Human Albumin Solution grew at a rate of 150.2% and accounted for 3.5% and 7.3% of all human albumin product sales in China in the respective years, according to the Frost & Sullivan Report.

We are the only MPCM services provider for plasma-based pharmaceuticals in China, according to the Frost & Sullivan Report. Our services are highly sought after by small- and medium-sized overseas pharmaceutical companies that do not have their own on-the-ground marketing and promotion capabilities in China. Our services include formulating and executing marketing and promotion strategies, channel management services, facilitating participation in tender processes, appointing and managing distributors, inventory management and coordinating and managing product registration renewals and first-time product registration.

We enter into long-term agreements with our suppliers, either directly or indirectly through their sales agents, with a view to secure rights to market and promote their products nationwide or within a defined geographic area. We generate profits by purchasing products from our suppliers and on-selling them to our distributors across China. Under this business model, the value of the services we provide is reflected in the difference between the purchase price that we negotiate with our suppliers and the sales price that we agree to with our distributors, rather than in pre-agreed sales commissions or marketing, promotion or service fees.

We have currently secured the rights to service the following products:

- In April 2011, we entered into a sole distribution agreement with Deutsche Sinomed, the exclusive sales agent of Axetine and Medocef in China, manufactured by Medochemie, to act as the exclusive service provider for these two products.
- In November 2012, we entered into a long-term distribution agreement with Octapharma, subject to annual price negotiations, to service Human Albumin Solution in China, and since then we have been the sole service provider for the product in 24 provinces, municipalities and autonomous regions in China (a pharmaceutical wholesaler unaffiliated with us has been selling Human Albumin Solution in China since 2004 and currently has the exclusive right to sell Human Albumin Solution in the remaining seven provinces, municipalities and autonomous regions in China). In August 2015, Octapharma confirmed our exclusive right to service Human Albumin Solution in these regions. In addition, we entered into a supplemental agreement to the distribution agreement in October 2015 with Octapharma whereby Octapharma acknowledged that (i) it expects to increase the volume of Human Albumin Solution to be delivered to us from 2015 to 2019, (ii) annual price negotiations would be conducted in such a manner as to ensure, to the extent commercially practicable to Octapharma, that we receive a reasonable profit margin broadly in line with our historical profit margins and (iii) a six-month notice period is required for either us or Octapharma to terminate the distribution agreement, if the parties cannot agree on the purchase price of Human Albumin Solution for the next year.
- We purchased Taurolite, TAD and Esafosfina from Vast Surplus in 2014 and obtained the exclusive rights to service these products in China from Trendful, the exclusive sales agent of Bruschettini and Foscama in China, through Vast Surplus in March 2015.
- In September 2015, we became the exclusive service provider of Xinneng Q_{10} for Liaoning Wanjia in China for a term of ten years from October 2015 to December 2025.

Our revenue grew from RMB26.2 million in 2012 to RMB532.5 million in 2013 to RMB950.1 million in 2014. We recorded revenue of RMB850.8 million in the ten months ended 31 October 2015. In

2012, 2013, 2014 and the first ten months of 2015, our gross profit amounted to RMB3.2 million, RMB61.1 million, RMB129.8 million and RMB113.4 million, respectively, and our gross profit margin was 12.4%, 11.5%, 13.7% and 13.3% for the respective periods.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The most significant factors that directly or indirectly affect our financial performance and results of operations are:

- market demand for our services and our suppliers' products;
- our ability to secure and maintain marketing, promotion and channel management rights;
- PRC regulatory environment relating to the pharmaceutical market;
- the Insurance Catalogues;
- the Catalogues of Essential Pharmaceuticals;
- PRC taxation; and
- fluctuations in foreign exchange rates.

Market Demand for Our Services and Our Suppliers' Products

China has the world's largest population, a fast-growing economy, a growing middle-class with diverse healthcare needs and a comprehensive healthcare reform plan currently in place; all of which have contributed to significant growth and continuing upside potential in the Chinese pharmaceutical market. In addition, the policies of the Chinese government have also fueled the growth of the pharmaceutical market. For example, there have been increased government efforts to improve the availability and affordability of healthcare through investments in the construction of public hospitals and the expansion of the medical insurance system and to reduce regional inequality between the advanced urban areas of China's coast and the underserved lower-tier cities and rural areas in other parts of China. See the section headed "Industry Overview — Overview of the PRC Healthcare Market" of this prospectus for more information on the Chinese pharmaceutical market. Among all the pharmaceutical categories, plasma-based pharmaceuticals, and imported plasma-based pharmaceuticals in particular, have experienced higher growth than the overall Chinese pharmaceutical market. The Chinese market for pharmaceutical products grew at a CAGR of 19.1% from 2010 to 2014, with the market for plasma-based pharmaceuticals in particular growing at a CAGR of 23.2% over the same period, according to the Frost & Sullivan Report. From 2015 to 2019, China's pharmaceutical market is expected to grow at a CAGR of 14.7%, below the 22.4% CAGR which is expected in the plasma-based pharmaceuticals market over the same period. In particular, China's imported human albumin product market, the category to which the main product in our portfolio belongs, grew at a CAGR of 30.8% from 2010 to 2014, and has proven to be one of the most attractive segments of China's pharmaceutical market. As we have strategically focused on offering Human Albumin Solution, an imported plasma-based pharmaceutical, we have enjoyed strong growth and we expect to continue our growth trajectory.

Continued growth in demand for pharmaceutical products depends on factors which are largely beyond our control, such as the continued growth and evolution of the Chinese healthcare industry, demographic trends, economic development, income growth, and government support. If the Chinese pharmaceutical market fails to grow at the rates we expect, whether due to these factors or others, our growth strategy and results of operations could be materially and adversely affected.

Chinese patients generally consider imported pharmaceuticals to be of higher quality compared to domestically-produced products, and for some types of pharmaceuticals, such as plasma-based pharmaceuticals, the domestically-manufactured supply is insufficient to meet market demand. We expect the market's preference for imported pharmaceuticals to continue, and as a result, demand for

imported pharmaceuticals will increase alongside the overall projected growth of the Chinese market. We provide integrated MPCM services for the suppliers of imported pharmaceutical products who rely on us to provide them with access to the Chinese market. These suppliers do not have the capability, expertise or experience to introduce their products to the Chinese market, or cannot do so efficiently or effectively, without the assistance of service providers like us. According to the Frost & Sullivan Report, China's market for imported human albumin products is expected to grow at a CAGR of 19.8% from 2015 to 2019, reaching a size of RMB16,019.4 million based on total wholesale revenue in 2019. Our business is well positioned to benefit from these trends and circumstances.

However, the continued growth in demand for imported pharmaceutical products in China, as well as our ability to benefit from that growth through an increase in demand for our services, is subject to a number of risks and uncertainties, such as changes in the regulatory environment for Chinese pharmaceutical market or the competitive landscape. See "Risk Factors — Risks Relating to Our Industry — The marketing, promotion, and sale in China of imported pharmaceutical products, and plasma-based pharmaceuticals in particular, are subject to a variety of regulations and enforcement trends, which may be subject to unforeseeable changes. If we are not able to respond promptly to such changes, our business may be affected."

Our Ability to Secure and Maintain Marketing, Promotion and Channel Management Rights

We do not currently manufacture pharmaceutical products, and we depend on a limited number of suppliers to provide us with the products that we market and promote. We purchased all of the products in our portfolio which were sold during the Track Record Period from four suppliers either directly or indirectly through their sales agents. In particular, total sales of products purchased from Octapharma accounted for 47.2%, 66.2% and 64.9% of our total sales in 2013, 2014 and the first ten months of 2015, respectively. As of the Latest Practicable Date, we were the exclusive MPCM services provider of five other imported products in China manufactured by three other suppliers that focus on fast-growing or sizeable segments of the Chinese pharmaceutical market, including Axetine and Medocef manufactured by Medochemie, Taurolite manufactured by Bruschettini, as well as TAD and Esafosfina manufactured by Foscama. In September 2015, we also entered into a collaboration agreement to be the sole service provider for Xinneng Q_{10}, manufactured by Liaoning Wanjia, in China from October 2015 to December 2025. We started servicing Xinneng Q_{10} in December 2015. If we are unable to maintain our current rights over these products, or if our existing suppliers significantly change the prices at which we purchase products from them or significantly modify the key pricing terms of the distribution agreement or supply agreement between them and us, our business, financial condition and results of operations could be materially and adversely affected. See the section headed "Risk Factors — Risks Relating to Our Business — We currently source all the products in our portfolio from five suppliers, either directly or indirectly through their sales agents. Failure to maintain relationships with our existing suppliers or their sales agents or increase the number of our suppliers may materially and adversely affect our business, financial condition and results of operations." more information on our relationships with our suppliers. In addition, if we are unable to secure new marketing, promotion and channel management rights for other products in China, our business, financial condition and results of operations could also be materially and adversely affected. See the section headed "Risk Factors — Risks Relating to Our Business — Our growth relies on the expansion of our product portfolio. If we are unable to successfully add new products or fail to manage an expanding product portfolio, or if new additions to our product portfolio are not accepted by the market, our business and prospects may be adversely affected" for more information.

Our ability to maintain and secure our marketing, promotion and channel management rights in China is dependent on various factors, including our continued ability to provide value to our suppliers. We do this by, for example, adapting our marketing and promotion model to suit each supplier's product. In addition, we must continue to adhere to the contractual obligations specified in the distribution agreements made between us and our suppliers and stay on good terms with our suppliers. Our ability to

preserve our marketing, promotion and channel management rights may also be affected by a number of factors beyond our control, including the general demand for imported pharmaceutical products in China, our suppliers' business strategies in China, government regulation, the market and the competitive environment.

PRC Regulatory Environment Relating to the Pharmaceutical Market

Our financial performance is affected by the sale prices in China of the pharmaceutical products in our portfolio, which were subject to price controls by government authorities prior to 1 June 2015. These price controls mainly came in the form of maximum retail prices on pharmaceutical products, including all the pharmaceutical products in our product portfolio. Pursuant to the NDRC's May 2015 Notice on Publishing and Circulating the Opinions on Facilitating the Pharmaceutical Pricing Reform, starting from 1 June 2015, the price ceilings imposed on certain pharmaceutical products (including each pharmaceutical product in our portfolio), were lifted, and such products are now subject to a more market-based guiding pricing mechanism which will be established by medical insurance bureaus and other relevant authorities. There is uncertainty regarding the specifics of the guiding pricing mechanism to be established that may affect our current product offerings and any pharmaceutical products we intend to add to our portfolio. The guiding pricing mechanism may have a corresponding impact on the wholesale price of the affected products and may negatively affect our revenue and profitability. Moreover, most of the products in our product portfolio are commonly sold to public hospitals and medical institutions in China. Centralised tender processes organised by public hospitals and medical institutions at the national and local levels apply to all of the products in our portfolio. We believe that our success in formulating winning bidding strategies for our suppliers' products has contributed to our growth, but the guiding pricing mechanism may increase the competitiveness of the tender processes. In the event we are unable to sell our products effectively under the constraints set by the guiding pricing mechanism and tendering processes, our results of operations will be materially and adversely affected. As of the Latest Practicable Date, the lifting of the price ceilings has not materially affected the selling prices of our products or our financial condition and results of operations.

For each product in our portfolio, there is currently a gap between the retail price and our average selling price to distributors, as well as between our selling price and the procurement price, which leaves us with room to absorb price reductions to a certain extent. To mitigate the risks associated with any potential adverse pricing measures imposed against our products and to lower the resulting potential impact to our business and results of operations, we are expanding our product portfolio and distributor network and taking other actions to ensure that we may continue to negotiate pricing terms that preserve reasonable profit margins. We may not be able to pass on future price adjustments resulting from market fluctuation to our distributors and suppliers and if we are required to lower the prices at which we sell our products due to competition or as a result of the guiding pricing mechanism, our business, financial condition and results of operations may be materially and adversely affected. See the section headed "Risk Factors — Risks Relating to Our Business — There is uncertainty regarding the impact of the new guiding pharmaceutical pricing mechanism on the pricing of our product offerings" of this prospectus.

The Insurance Catalogues

The Insurance Catalogues are published by governments at various levels in China and list all the pharmaceutical products for which patients may seek full or partial reimbursement under the government medical insurance programmes. Accordingly, pharmaceutical products which are included in the Insurance Catalogues are more economical to patients compared to those products which are not, which results in stronger and more consistent demand for products listed in the Insurance Catalogues. All of our products are included in the Insurance Catalogues, except for the dietary supplement Xinneng Q_{10}, which helps drive their sales volume.

The National Insurance Catalogue and the Provincial Insurance Catalogues were promulgated and last updated by the NDRC in 2009 at the national and provincial levels. Provincial governments must

include all pharmaceuticals in Part A of the National Insurance Catalogue into the Provincial Insurance Catalogues, but may include additional items or exclude certain items in Part B of the National Insurance Catalogue. Therefore, the Provincial Insurance Catalogue may differ between provinces. Axetine is listed in Part A, and Human Albumin Solution, TAD and Esafosfina are listed in Part B, of the National Insurance Catalogue, and all four are included in the Provincial Insurance Catalogues in every province. Medocef and Taurolite are included in eight and ten Provincial Insurance Catalogues, respectively. Xinneng Q_{10}, registered as a dietary supplement with the CFDA, is not included in any of the Insurance Catalogues.

The pharmaceutical products to be included in the Insurance Catalogues are determined based on various factors, including treatment requirements, frequency of use, efficacy and price. The Insurance Catalogues are updated from time to time and their product listings are subject to change. There is no set period for updates, but generally the Insurance Catalogues are updated around every five years. Removal from the Insurance Catalogues of any product in our product portfolio, or failure to have any new products in our portfolio included in upcoming Insurance Catalogues, would have an adverse effect on our growth prospects and results of operations.

The Catalogues of Essential Pharmaceuticals

Hospitals and other healthcare institutions in China must purchase and keep a supply of all of the pharmaceutical products listed the Catalogues of Essential Pharmaceuticals. The MOH issues the National Catalogue of Essential Pharmaceuticals, and the relevant provincial health authorities issue the Provincial Catalogues of Essential Pharmaceuticals. A hospital or healthcare institution must purchase and keep in stock of all of the products included in both the Provincial Catalogue of Essential Pharmaceuticals of their own province as well as the National Catalogue of Essential Pharmaceuticals. Most of the listed products must be purchased through a centralised tender process. As they determine which products hospitals are required to keep in inventory, inclusion in the Catalogues of Essential Pharmaceuticals results in stronger and more consistent demand for pharmaceutical products. With the exception of Taurolite and Xinneng Q_{10}, all of our products are included in the Catalogues of Essential Pharmaceuticals, which we believe assists in driving their sales volume.

PRC Taxation

PRC enterprise income tax, or EIT, constitutes substantially all of our income tax. The standard EIT rate for domestic Chinese companies is 25%, though the rate may be adjusted based on numerous factors. We expect the majority of our tax liability to be derived through the EIT going forward. Consequently, our results of operations will be affected by changes to the tax laws in China as well as changes to the interpretation of new or existing tax laws in China, as well as any other jurisdiction in which we may be subject to tax.

Our effective tax rate was 47.8%, 15.6%, 14.6% and 19.4% for the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015, respectively. We have been able to take advantage of certain tax benefits to help achieve tax efficiency, and we will continue to seek ways to properly minimise our tax costs. For example, we applied for and were granted preferential tax treatment in the form of a reduced EIT rate of 15% for the years ended 31 December 2013, 2014 and 2015 for Sichuan Sinco Pharmaceuticals, the entity through which we primarily conducted our operations during the Track Record Period, as we are engaged in an industry listed in the catalogue of encouraged industries in the western region of China. In March 2015, we entered into the Beijing Ziguang Agreement with Beijing Ziguang to acquire Chengdu Hengsheng and its wholly-owned subsidiary Linzhi Ziguang, a company located in Linzhi, Tibet, with a pre-condition that Beijing Ziguang should be responsible for including biological products in the business scope of Linzhi Ziguang the procedures for which we expect to be completed by March 2016, and we plan to primarily conduct our business operations through Linzhi Ziguang within the first half of 2016 once Linzhi Ziguang can obtain credit facilities upon our successful

Listing. Please see the section headed "History, Reorganisation and Corporate Structure — Reorganisation — Acquisition of Linzhi Ziguang by Sichuan Sinco Pharmaceuticals" of this prospectus. As of the Latest Practicable Date, Linzhi Ziguang was entitled to a reduced EIT rate of 9% until 2017. See "— Description of Selected Components of Statements of Profit or Loss and Other Comprehensive Income — Income Tax Expense" below and the section headed "Regulatory Framework — Regulatory Framework Applicable to the Industry — Regulations relating to Taxation" of this prospectus for further details of our taxation.

However, the preferential tax treatment granted to us by government authorities is subject to review and could be adjusted or terminated. The discontinuation of any preferential tax treatment currently available to us will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations. See the section headed "Risk Factors — Risks Relating to Our Business — The Chinese tax authorities may change tax laws or its implementation applicable to us, or amend, review or cancel certain preferential tax treatments that we currently enjoy, which could materially and adversely affect our financial condition and results of operations" of this prospectus.

Fluctuations in Foreign Exchange Rates

Most of the products in our portfolio are priced in U.S. dollars and Euros, while the prices we charge to our customers are denominated in Renminbi. We are thus exposed to foreign exchange risk as the exchange rates between the Renminbi and foreign currencies at the time we enter into supply and service agreements with our suppliers, or at the time we place orders under such agreements, may be substantially different from those at the time that we are required to make payments to our suppliers. In addition, if exchange rate fluctuations cause increases in our cost of sales, we may not be able to adjust our selling prices promptly to pass such increases to our distributors. For example, if the Renminbi depreciates against the U.S. dollar or the Euro after we enter into the supply and service agreement with a supplier, our cost of sales attributable to such supplier would increase due to such deprecation. If we are not able to promptly adjust our selling price of the relevant product, both of our gross profit and gross profit margin would be adversely affected. We do not have a currency hedging policy in place, and large fluctuations in foreign exchange rates at any time could have an adverse effect on our financial condition and results of operations.

In August 2015, China devalued the Renminbi daily reference rate to the U.S. dollar. The combination of the depreciation of the Renminbi against the U.S. dollar and our inability to adjust selling prices accordingly had a negative impact on our net profit for the ten months ended 31 October 2015. In the future, the Chinese government may adopt a more flexible currency policy, which could lead to the Renminbi experiencing more substantial revaluation against foreign currencies. See "Risk Factors — Risks Relating to Our Business — Exchange rate fluctuations of the U.S. dollar or the Euro may affect our cash flow, financial position and results of operations."

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 16 March 2015 and became the ultimate holding company of our Group on 28 May 2015 subsequent to our Reorganisation in preparation for the Listing. See the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus for further information about our Reorganisation. The Reorganisation involved companies under the common control of the Controlling Shareholders and the Group is regarded and accounted for as a continuing group. Accordingly, the information in this section has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the relevant periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period include the results and cash flows of all the companies now comprising the Group from the date when each of them

first became under common control of the Controlling Shareholders. The consolidated statements of financial position of the Group as of 31 December 2012, 2013, 2014 and 31 October 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group using the existing book values from the Controlling Shareholders' perspective. No adjustments have been made to reflect fair values, or to recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in the subsidiaries of the Group held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity applying the principles of merger accounting. All intra-group transactions and balances have been eliminated upon combination.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Revenue recognition

Our revenue represents the invoiced value of goods sold, net of two types of PRC government surcharges, namely the urban maintenance and construction tax (城市維護建設税) and the education surcharge (教育費附加), which are generally applicable to all the companies doing business in the PRC.

We recognise revenue when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably. We recognise revenue from the sale of goods when the significant risks and rewards of ownership have been transferred to the buyer and when we no longer maintain managerial involvement or effective control over the goods. We recognise revenue from interest on the accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Property, plant and equipment and depreciation

Our property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment is comprised of its purchase price and the directly attributable costs of bringing the asset to its intended working condition and location.

Expenditures incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss for the period incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognise such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

	Useful lives
Leasehold land and buildings	34–60 years
Office equipment	3–5 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end or other times when our management reasonably deems appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from it. Any gain or loss on disposal or retirement recognised in profit or loss in the year it is derecognised is the difference between its net sales proceeds and its carrying amount.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and which are not depreciated. Cost is comprised of the direct costs of construction and capitalised borrowing costs on related borrowed funds during the construction period. Construction in progress is reclassified to the appropriate category of property, plant and equipment when ready for use.

Intangible assets (other than goodwill)

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an impairment indication. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end or other times when our management reasonably deems appropriate.

Intangible assets are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Exclusive distribution rights	9 years
Software	5 years

Research and development costs

All research costs are charged to the profit or loss as incurred. Expenditures incurred on projects to develop new products are capitalised and deferred only when we can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to reliably measure the expenditure during development. Product development expenditures which do not meet these criteria are expensed when incurred.

Foreign currencies

The information in this section is presented in RMB, which is our functional and presentation currency. Each of our subsidiaries determines its own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency. Foreign currency transactions recorded by our subsidiaries are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

Investments and other financial assets

Initial recognition and measurement

When financial assets are recognised initially, they are classified and measured at fair value, plus transaction costs that are attributable to their acquisition, except in the case of a financial asset classified as a financial asset recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or marketplace convention.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- we have transferred our rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When we have transferred our rights to receive cash flows from an asset or have entered into a pass-through arrangement, we evaluate if and to what extent we have retained the risk and rewards of ownership. When we have neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, we continue to recognise the asset to the extent of our continuing involvement in the asset. In that case, we also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay.

Impairment of financial assets

We assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that a debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a decrease in the estimated future cash flows.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, we first assess whether objective evidence of impairment exists. If we determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, we include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to us.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased accordingly. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Impairment of non-financial assets

We monitor our non-financial assets and franchises for impairment and test them for impairment on an annual basis. Where there is an indication of impairment, or when annual impairment testing for an asset is required (other than for inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the asset group to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as loans and borrowings. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. Our financial liabilities include trade and other payables, interest-bearing bank loans, and amounts due to related parties.

Subsequent measurement

Interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method, unless the effect of discounting would be immaterial, in which case they are stated

at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which we operate.

Deferred tax liabilities are recognised for all taxable temporary differences, except: when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, an associate and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, an associate and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow use of the deferred tax asset. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period in the relevant jurisdiction.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate revenue from the sale of pharmaceutical products to our customers, which are mainly distributors. We do not receive any marketing or service fees from our suppliers. During the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015, we generated all of our revenue from sales of pharmaceutical products.

The following table sets out a breakdown of our revenue by product categories and as a percentage of our total revenue for the periods indicated:

	For the year ended 31 December								
	2012			2013			2014		
	Sales volume (thousand of units)	Revenue RMB'000	% of Revenue	Sales volume (thousand of units)	Revenue RMB'000	% of Revenue	Sales volume (thousand of units)	Revenue RMB'000	% of Revenue
Human Albumin Solution	–	–	–	843	251,216	47.2	2,097	628,575	66.2
Antibiotics (Axetine and Medocef)	2,162	26,166	100.0	23,573	281,264	52.8	25,854	307,073	32.3
Others (Taurolite, TAD and Esafosfina)	–	–	–	–	–	–	405	14,431	1.5
Total	**2,162**	**26,166**	**100.0**	**24,416**	**532,480**	**100.0**	**28,356**	**950,079**	**100.0**

	For the ten months ended 31 October					
	2014			2015		
	Sales volume (thousand of units)	Revenue RMB'000	% of Revenue	Sales volume (thousand of units)	Revenue RMB'000	% of Revenue
Human Albumin Solution	1,559	468,190	65.2	1,846	551,878	64.9
Antibiotics (Axetine and Medocef)	20,650	244,987	34.1	20,720	246,984	29.0
Others (Taurolite, TAD and Esafosfina)	195	5,241	0.7	1,727	51,933	6.1
Total	**22,404**	**718,418**	**100.0**	**24,293**	**850,795**	**100.0**

We recorded revenue of RMB26.2 million, RMB532.5 million, RMB950.1 million, RMB718.4 million and RMB850.8 million with total sales volume of 2.2 million units, 24.4 million units, 28.4 million units, 22.4 million units and 24.3 million units for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015, respectively. We experienced an increase in our sales revenue throughout the Track Record Period as a result of the consistent growth in demand for our products.

For Axetine and Medocef, for the year ended 31 December 2013, we recorded sales volume and revenue increases of 990.3% and 974.9%, respectively, as compared to the year ended 31 December 2012, and recorded revenue and sales volume increases of 9.7% and 9.2%, respectively, for the year ended 31 December 2014. For the ten months ended 31 October 2015, we recorded sales volume and revenue increases of 0.3% and 0.8%, respectively, as compared to the ten months ended 31 October 2014.

For Human Albumin Solution, for the year ended 31 December 2014, we recorded sales volume and revenue increases of 148.8% and 150.2%, respectively, as compared to the year ended 31 December 2013. For the ten months ended 31 October 2015, we recorded sales volume and revenue increases of 18.4% and 17.9%, respectively, as compared to the ten months ended 31 October 2014.

The following table sets out our revenue from each of our customers accounting for more than 10% of our revenues for the periods indicated:

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Customer A	–	–	97,709	18.3	181,201	19.1	124,311	17.3	153,734	18.1
Customer B	–	–	60,312	11.3	200,640	21.1	159,978	22.3	191,834	22.5
Customer C	11,893	45.5	54,367	10.2	*	*	*	*	*	*
Customer D	6,844	26.2	*	*	–	–	–	–	–	–
Customer E	–	–	*	*	101,740	10.7	72,035	10.0	*	*
Total	**18,737**	**71.7**	**212,388**	**39.8**	**483,581**	**50.9**	**356,324**	**49.6**	**345,568**	**40.6**

* *Less than 10%.*

In 2012, all of our revenue was derived from the sale of Aextine and Medocef, two antibiotics products in our portfolio. We obtained the right to act as a service provider for Human Albumin Solution in November 2012 and started selling it in April 2013. In 2013, 2014 and the first ten months of 2015, a substantial portion of our revenue was generated from the sale of Human Albumin Solution, amounting to RMB251.2 million, RMB628.6 million and RMB551.9 million, respectively, which represented 47.2%, 66.2% and 64.9% of our total revenue in 2013, 2014 and the first ten months of 2015, respectively. We expect that the sales of Human Albumin Solution will continue to comprise a substantial portion of our revenue for the foreseeable future, and our business will therefore remain sensitive to the sales volume and pricing of Human Albumin Solution. See the section headed "Risk Factors — Risks Relating to Our Business — We currently source all the products in our portfolio from five suppliers, either directly or indirectly through their sales agents. Failure to maintain relationships with our existing suppliers or their sales agents or increase the number of our suppliers may materially and adversely affect our business, financial condition and results of operations" of this prospectus.

Sensitivity Analysis

The following table sets forth a sensitivity analysis illustrating the impact on our net profit of hypothetical fluctuations in average purchase and sale prices of increases or decreases of 5% during the Track Record Period.

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	RMB'000, except percentages									
+5% in purchase price	(860)	311.6	(20,033)	46.6	(34,863)	43.5	(26,281)	44.8	(31,339)	61.4
–5% in purchase price	860	311.6	20,033	46.6	34,863	43.5	26,281	44.8	31,339	61.4
+5% in sale price	981	355.4	22,630	52.6	40,378	50.4	30,533	52.0	36,159	70.8
–5% in sale price	(981)	355.4	(22,630)	52.6	(40,378)	50.4	(30,533)	52.0	(36,159)	70.8

The above sensitivity analysis has not considered the adjustment of selling prices to respond to changes in purchase prices and vice-versa. The Directors believe any actual fluctuation will be less than the above illustration as we will seek to adjust the purchase or the selling prices of our products by negotiating with our suppliers or distributors when there is a significant change to relevant pricing, which allow for flexibility in purchase or sale price adjustments.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales primarily consists of the costs of purchasing pharmaceutical products from our suppliers. Gross profit is equal to revenue minus cost of sales. Gross profit margin is equal to gross profit divided by revenue. Changes in our gross profit and gross profit margin from period to period are primarily driven by (i) selling prices to our distributor customers (which had historically been subject to the influences of the price controls imposed on each pharmaceutical product we sell by the PRC government prior to 1 June 2015) and hospital tender processes, (ii) the purchase prices from our suppliers, taking into account the impact of exchange rate fluctuations on purchases that are denominated in foreign currencies and (iii) our product mix, as the gross profit margin for each product we sell varies.

The following table shows a breakdown of our revenue, cost of sales and gross profit by product category for the periods indicated:

	For the year ended 31 December								
	2012			2013			2014		
	RMB'000			RMB'000			RMB'000		
	Revenue	Cost of Sales	Gross Profit	Revenue	Cost of Sales	Gross Profit	Revenue	Cost of Sales	Gross Profit
Human Albumin Solution	–	–	–	251,216	211,554	39,662	628,575	536,357	92,218
Antibiotics (Axetine and Medocef)	26,166	22,934	3,232	281,264	259,807	21,457	307,073	271,073	36,000
Others (Taurolite, TAD and Esafosfina)	–	–	–	–	–	–	14,431	12,879	1,552
Total	**26,166**	**22,934**	**3,232**	**532,480**	**471,361**	**61,119**	**950,079**	**820,309**	**129,770**

	For the ten months ended 31 October					
	2014			2015		
	RMB'000			RMB'000		
	Revenue	Cost of Sales	Gross Profit	Revenue	Cost of Sales	Gross Profit
Human Albumin Solution	468,190	398,443	69,747	551,878	483,102	68,776
Antibiotics (Axetine and Medocef)	244,987	214,832	30,155	246,984	216,106	30,878
Others (Taurolite, TAD and Esafosfina)	5,241	5,101	140	51,933	38,173	13,760
Total	**718,418**	**618,376**	**100,042**	**850,795**	**737,381**	**113,414**

We recorded a gross profit of RMB3.2 million, RMB61.1 million, RMB129.8 million and RMB113.4 million for the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015, respectively. We recorded a gross profit margin of 12.4%, 11.5%, 13.7% and 13.3% for the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015, respectively. We experienced a slight decrease in our gross profit margin from 2012 to 2013 mainly due to a decrease in the average selling price for Axetine as part of a sales promotion we conducted to increase our market share. We started selling Human Albumin Solution in March 2013. Our gross profit margin increased from 11.5% in 2013 to 13.7% in 2014, primarily due to the increase in the proportion of our total revenue derived from sales of Human Albumin Solution, which has a higher gross profit margin than Axetine and Medocef. Our gross profit margin decreased from 13.9% in the first ten months of 2014 to 13.3% in the first ten months of 2015 primarily due to a decrease in the gross profit margin on the sales of Human Albumin Solution, which was partially offset by an increase in the sales of higher gross margin products, including Taurolite, TAD and Esafosfina.

We recorded a gross profit margin on the sales of Axetine and Medocef of 12.4%, 7.6%, 11.7%, 12.3% and 12.5% for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 and 2015, respectivley. The decrease in the gross profit margin on the sales of Axetine and Medocef during 2013 was due primarily to a decrease in the average selling price of Axetine as part of a sales promotion we conducted to increase our market share.

We recorded a gross profit margin on the sales of Human Albumin Solution of 15.8%, 14.7%, 14.9% and 12.5% for the years ended 31 December 2013 and 2014 and the ten months ended 31 October 2014 and 2015, respectively. The gross profit margin on the sales of Human Albumin Solution decreased from 15.8% for the year ended 31 December 2013 to 14.7% for the year ended 31 December 2014 primarily because Octapharma raised the selling price of Human Albumin Solution for the year 2014. The gross profit margin on the sales of Human Albumin Solution decreased from 14.9% in the first ten months of 2014 to 12.5% in the first ten months of 2015 mainly as a result of an increase in our purchase price of Human Albumin Solution mainly caused by the depreciation of the RMB against the U.S. dollar.

We recorded a gross profit margin on the sales of Taurolite, TAD and Esafosfina of 10.8% and 26.5% for the year ended 31 December 2014 and the ten months ended 31 October 2015. The increase in gross profit margin during the first ten months of 2015 was due primarily to a decrease in unit purchase cost resulting from our acquisition from Vast Surplus in March 2015 of the exclusive right to service these products for Trendful. Trendful is the exclusive sales agent for Bruschettini and Foscama in China for Taurolite, TAD and Esafosfina.

Other Income and Gains

Other income and gains is primarily comprised of bank interest income, net foreign exchange gains, government grants and others. We received government grants due to our research and development of Sinco I being recognised since 2013 as a "Key Project of Technological Innovation" by the Chengdu Hi-tech District Science and Technology Bureau. The following table sets out a breakdown of our other income and gains and each item is also expressed as a percentage of our other income and gains for the periods indicated:

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	% of other income and gains	RMB'000	% of other income and gains	RMB'000	% of other income and gains	RMB'000	% of other income and gains	RMB'000	% of other income and gains
							(Unaudited)			
Bank interest income	18	8.4	336	6.8	1,402	61.1	761	97.4	313	58.6
Foreign exchange gains, net	197	91.6	3,971	80.7	–	–	–	–	–	–
Government grants	–	–	500	10.2	870	37.9	–	–	200	37.5
Others	–	–	113	2.3	23	1.0	20	2.6	21	3.9
Total	**215**	**100.0**	**4,920**	**100.0**	**2,295**	**100.0**	**781**	**100.0**	**534**	**100.0**

Selling and Distribution Expenses

Selling and distribution expenses mainly include transportation expenses, staff costs, marketing and promotion expenses, travelling expenses incurred in relation to marketing and sales activities (including organising academic seminars and industrial conferences, visiting physicians and market research) and others. The following table sets out a breakdown of our selling and distribution expenses and each item is also expressed as a percentage of our selling and distribution expenses for the periods indicated:

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	% of selling and distribution expenses	RMB'000	% of selling and distribution expenses	RMB'000	% of selling and distribution expenses	RMB'000	% of selling and distribution expenses	RMB'000	% of selling and distribution expenses
							(Unaudited)			
Transportation expenses	–	–	1,253	53.1	1,139	16.8	995	25.2	857	20.5
Staff costs	62	27.6	445	18.9	2,601	38.3	2,077	52.7	2,167	51.8
Marketing and promotion expenses	–	–	21	0.9	2,104	31.0	691	17.5	158	3.8
Travelling expenses	156	69.3	583	24.7	848	12.5	155	3.9	916	21.9
Others	7	3.1	56	2.4	100	1.4	26	0.7	88	2.0
Total	**225**	**100.0**	**2,358**	**100.0**	**6,792**	**100.0**	**3,944**	**100.0**	**4,186**	**100.0**

Administrative Expenses

Administrative expenses primarily represent staff costs for our management and staff, consultation and service fees, office expenses, entertainment fee, travelling expenses in relation to administrative activities, tax charges, research expenses, motor vehicle related fees, depreciation and amortisation, education fees for key management and others. Consultation and service fees are primarily related to legal and tax consultation services. Tax charges mainly represent stamp duties on sales and purchase contracts and bank loan agreements. The following table sets out a breakdown of our administrative expenses and each item is also expressed as a percentage of our administrative expenses for the periods indicated:

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	% of total administrative expenses	RMB'000	% of total administrative expenses	RMB'000	% of total administrative expenses	RMB'000	% of total administrative expenses	RMB'000	% of total administrative expenses
							(Unaudited)			
Staff costs	937	35.1	2,522	25.6	3,598	20.5	2,885	20.7	4,877	16.3
Consultation and service fees	57	2.1	40	0.4	3,097	17.7	2,938	21.0	1,251	4.2
Office expenses	569	21.3	1,353	13.7	2,126	12.1	2,440	17.5	2,442	8.2
Entertainment fee	385	14.4	775	7.9	775	4.4	607	4.4	950	3.2
Travelling expenses	377	14.1	690	7.0	2,091	11.9	1,107	7.9	1,719	5.8
Tax charges	2	0.1	526	5.3	1,119	6.4	699	5.0	999	3.3
Research expenses	–	–	770	7.8	1,725	9.9	1,388	10.0	2,028	6.8
Motor vehicle related fees	82	3.1	437	4.4	804	4.6	561	4.0	602	2.0
Depreciation and amortisation	195	7.3	1,006	10.2	1,878	10.7	1,285	9.2	4,045	13.6
Listing expenses	–	–	–	–	–	–	–	–	10,020	33.6
Education fees for key management	9	0.3	1,728	17.5	195	1.1	27	0.2	725	2.4
Others	60	2.2	19	0.2	112	0.7	11	0.1	180	0.6
Total	**2,673**	**100.0**	**9,866**	**100.0**	**17,520**	**100.0**	**13,948**	**100.0**	**29,838**	**100.0**

Other Expenses

Other expenses include bank charges, net foreign exchange losses and others. The following table sets out a breakdown of our other expenses and each item is also expressed as a percentage of our other expenses for the periods indicated:

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	% of other expenses	RMB'000	% of other expenses	RMB'000	% of other expenses	RMB'000	% of other expenses	RMB'000	% of other expenses
							(Unaudited)			
Bank charges	20	100.0	1,834	100.0	2,062	26.7	1,775	20.0	1,667	15.9
Foreign exchange losses, net	–	–	–	–	5,647	73.2	7,077	79.9	8,801	84.1
Others	–	–	–	–	6	0.1	6	0.1	3	0.0
Total	**20**	**100.0**	**1,834**	**100.0**	**7,715**	**100.0**	**8,858**	**100.0**	**10,471**	**100.0**

Finance Costs

Finance costs comprise interest paid on bank loans and interest on discounted bills receivables. We pay interest on discounted bills receivables when we cash a banks' acceptance bill before its maturity. We did not incur any finance costs in 2012. In 2013 and 2014, our finance costs were RMB1.1 million and RMB6.2 million, respectively. Our finance costs increased substantially in 2014 due to an increase in interest paid on bank loans as we increased our interest-bearing bank loans from RMB51.5 million as of 31 December 2013 to RMB91.8 million as of 31 December 2014, which was in line with the expansion of our business.

Income Tax Expense

PRC enterprise income tax, or EIT, constitutes substantially all of our income tax. The standard EIT rate is 25% for domestic PRC companies, which may be lowered through preferential tax treatments granted by local government authorities. Our income tax expenses were RMB0.3 million, RMB7.9 million, RMB13.7 million and RMB12.3 million for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015, respectively, with our effective tax rates being 47.8%, 15.6%, 14.6% and 19.4% for the corresponding periods. Our effective tax rate in 2012 exceeded the standard EIT rate primarily because we were unable to deduct certain expenses incurred in excess of the tax deductible amount based on our revenue.

During the Track Record Period, our business was conducted primarily through Sichuan Sinco Pharmaceuticals, a PRC incorporated company located in Chengdu, Sichuan Province, and our tax charge mainly represented the income tax charges of this company. Sichuan Sinco Pharmaceuticals was subject to EIT rates of 25%, 15%, 15% and 15% in 2012, 2013, 2014 and 2015, respectively. The reduced EIT rate for the years ended 31 December 2013 and 2014 was the result of the tax bureau in Chengdu approving Sichuan Sinco Pharmaceuticals' application for preferential tax treatment on the basis of its being engaged in an industry listed in the catalogue of encouraged industries in the western region of China. In March 2015, we entered into the Beijing Ziguang Agreement with Beijing Ziguang to acquire 100% of the equity interest of Chengdu Hengsheng and its wholly-owned subsidiary Linzhi Ziguang, a company located in Linzhi, Tibet, with a pre-condition that Beijing Ziguang should be responsible for including bio-products in the business scope of Linzhi Ziguang. We expect the procedures to update the business scope of Linzhi Ziguang to be completed by March 2016, and we plan to primarily conduct our business operations through Linzhi Ziguang within the first half of 2016 once Linzhi Ziguang can obtain credit facilities upon our successful Listing. The total consideration under the Beijing Ziguang Agreement is RMB35 million. As of the Latest Practicable Date, Linzhi Ziguang was entitled to reduced EIT rates of 9% until the end of 2017.

Net Profit and Net Profit Margin

Net profit is equal to gross profit plus other income and gains and minus selling and distribution expenses, administrative expenses, other expenses, finance costs, and income tax expense. Net profit margin is equal to net profit divided by revenue. Changes in our net profit and margin from period to period are primarily driven by changes in our gross profit, selling and distribution expenses, administrative expenses, finance costs and income tax expenses.

We recorded a net profit of RMB0.3 million, RMB43.0 million, RMB80.1 million and RMB51.1 million and a net profit margin of 1.0%, 8.1% 8.4% and 6.0% for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015, respectively. Our net profit and net profit margin increased significantly for the year ended 31 December 2013 as we ramped up the scale of our business. Despite a 13.4% increase in our gross profit, our net profit and net profit margin decreased from RMB58.7 million and 8.2% in the first ten months of 2014 to RMB51.1 million and 6.0% in the first ten months of 2015, respectively, primarily because we incurred listing expenses of RMB10.0 million in relation to the proposed listing of our Shares on the Hong Kong Stock Exchange in the first ten months of 2015.

RESULTS OF OPERATIONS

The following table sets out the data of our consolidated statements of profit or loss and other comprehensive income both in absolute terms and as a percentage of our revenue for the periods indicated:

	For the year ended 31 December						For the ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
							(Unaudited)			
Revenue	26,166	100.0	532,480	100.0	950,079	100.0	718,418	100.0	850,795	100.0
Cost of sales	(22,934)	(87.6)	(471,361)	(88.5)	(820,309)	(86.3)	(618,376)	(86.1)	(737,381)	(86.7)
Gross profit	3,232	12.4	61,119	11.5	129,770	13.7	100,042	13.9	113,414	13.3
Other income and gains	215	0.8	4,920	0.9	2,295	0.2	781	0.1	534	0.1
Selling and distribution expenses	(225)	(0.9)	(2,358)	(0.4)	(6,792)	(0.7)	(3,944)	(0.5)	(4,186)	(0.5)
Administrative expenses	(2,673)	(10.2)	(9,866)	(1.9)	(17,520)	(1.8)	(13,948)	(1.9)	(29,838)	(3.5)
Other expenses	(20)	(0.1)	(1,834)	(0.3)	(7,715)	(0.8)	(8,858)	(1.2)	(10,471)	(1.2)
Finance costs	–	–	(1,062)	(0.2)	(6,226)	(0.8)	(4,906)	(0.7)	(6,054)	(0.7)
Profit before tax	529	2.0	50,919	9.6	93,812	9.8	69,167	9.6	63,399	7.5
Income tax expense	(253)	(1.0)	(7,932)	(1.5)	(13,683)	(1.4)	(10,451)	(1.5)	(12,321)	(1.4)
Profit for the year	276	1.0	42,987	8.1	80,129	8.4	58,716	8.2	51,078	6.0
Attributable to:										
Owners of the Parent	138	0.5	36,539	6.9	69,367	7.3	50,642	7.0	51,080	6.0
Non-controlling interests	138	0.5	6,448	1.2	10,762	1.1	8,074	1.2	(2)	(0.0)
	276	1.0	42,987	8.1	80,129	8.4	58,716	8.2	51,078	6.0

Ten months ended 31 October 2015 compared to ten months ended 31 October 2014

Revenue

Our revenue increased by 18.4% from RMB718.4 million for the ten months ended 31 October 2014 to RMB850.8 million for the ten months ended 31 October 2015, primarily due to an increase in the sales of Human Albumin Solution resulting from continued strong market demand, an increase in the volume of Human Albumin Solution supplied by Octapharma to us in line with the deepening of our business collaboration with Octapharma, and our increased selling efforts. We sold 1.6 million and 1.8 million bottles of Human Albumin Solution in the first ten months of 2014 and 2015, respectively, and derived corresponding revenue of RMB468.2 million and RMB551.9 million, respectively.

Our revenue generated from the sales of Axetine remained stable at RMB205.7 million for the ten months ended 31 October 2014 and RMB201.4 million for the ten months ended 31 October 2015, which was consistent with our expectation of the market demand for Axetine. Our revenue generated from the sale of Medocef increased by 16.0% from RMB39.3 million for the ten months ended 31 October 2014 to RMB45.6 million for the ten months ended 31 October 2015, which was primarily due to our increased selling efforts. We sold 17.3 million and 16.9 million bottles of Axetine, and 3.3 million and 3.9 million bottles of Medocef, in the first ten months of 2014 and 2015, respectively.

Our increase in revenue in the first ten months of 2015 was also due to an increase in the revenue from the sales of Taurolite, TAD and Esafosfina, which only commenced in the second half of 2014, and for which we became the exclusive service provider in China in March 2015. We began promoting Taurolite, TAD and Esafosfina extensively in the second half of 2014, which significantly contributed to the increase in the sales of these products in the first ten months of 2015. We generated revenue of RMB36.1 million, RMB12.6 million and RMB3.2 million, respectively, from the sales of Taurolite, TAD and Esafosfina for the ten months ended 31 October 2015.

Cost of Sales

Our cost of sales increased by 19.2% from RMB618.4 million for the ten months ended 31 October 2014 to RMB737.4 million for the ten months ended 31 October 2015, primarily due to an increase in the sales volumes of Human Albumin Solution, Taurolite and TAD and the depreciation of the RMB against the U.S. dollar.

Gross Profit and Gross Profit Margin

Our gross profit increased by 13.4% from RMB100.0 million for the ten months ended 31 October 2014 to RMB113.4 million for the ten months ended 31 October 2015. Our gross profit margin decreased from 13.9% for the ten months ended 31 October 2014 to 13.3% for the ten months ended 31 October 2015, primarily due to a decrease in the gross profit margin on the sales of Human Albumin Solution, which was partially offset by an increase in the sales of higher gross margin products, including Taurolite, TAD and Esafosfina.

The gross profit margin on the sales of Human Albumin Solution decreased from 14.9% for the ten months ended 31 October 2014 to 12.5% for the ten months ended 31 October 2015 mainly as a result of an increase in our purchase price of Human Albumin Solution mainly caused by the depreciation of the RMB against the U.S. dollar.

The gross profit margin on the sales of Taurolite, TAD and Esafosfina increased significantly from 2.7% for the ten months ended 31 October 2014 to 26.5% for the ten months ended 31 October 2015, primarily due to a decrease in the purchase price for these products following our acquisition of the exclusive rights to service these products in China in March 2015, which was partially offset by a decrease in the sale prices of Taurolite and TAD. We lowered the sale prices of Taurolite and TAD in 2015 primarily due to a significant decrease in the cost of these products following our acquisition of the exclusive rights to service these products in China in March 2015 and our plan to increase the market share of these products.

Other Income and Gains

Our other income and gains decreased from RMB0.8 million for the ten months ended 31 October 2014 to RMB0.5 million for the ten months ended 31 October 2015 mainly due to a decrease in bank interest income generally in line with a decrease in our bank deposits, which was partially offset by our receipt of government grants from the Chengdu Hi-tech District Science and Technology Bureau in 2015 as our research and development of Sinco I had been awarded "Key Project of Technological Innovation" since 2013.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 7.7% from RMB3.9 million for the ten months ended 31 October 2014 to RMB4.2 million for the ten months ended 31 October 2015. Selling and distribution expenses as a percentage of our revenue remained relatively stable at 0.5% for the ten months ended 31 October 2014 and 2015, respectively. For the ten months ended 31 October 2015, our marketing and promotion expenses decreased whereas our travelling expenses increased as compared with the corresponding period in 2014, primarily because we incurred additional expenses for extensively marketing Taurolite, TAD and Esafosfina on a national scale in 2014 and incurred additional travelling expenses for sending our staff to supervise the follow-up small-scale promotion activities carried out by our distributors to target hospitals and physicians in 2015.

Administrative Expenses

Our administrative expenses increased significantly from RMB13.9 million for the ten months ended 31 October 2014 to RMB29.8 million for the ten months ended 31 October 2015, primarily due to listing expenses of RMB10.0 million incurred by us in relation to the proposed listing of our Shares on the Hong Kong Stock Exchange in the first ten months of 2015, an increase in depreciation of our headquarters following the transfer from construction in progress to property in November 2014, and an increase in staff cost generally in line with our business expansion.

Other Expenses

Our other expenses increased by 18.0% from RMB8.9 million for the ten months ended 31 October 2014 to RMB10.5 million for the ten months ended 31 October 2015, mainly as a result of the foreign exchange loss from the depreciation of the RMB against the U.S. dollar during the first ten months of 2015.

Finance Costs

Our finance costs increased from RMB4.9 million for the ten months ended 31 October 2014 to RMB6.1 million for the ten months ended 31 October 2015 primarily due to an increase in interest on discounted bills receivables from RMB0.2 million to RMB1.3 million during the same periods. Such increase was mainly due to a significant increase in the amount of banks' acceptance bills that we cashed in advanced during the first ten months of 2015 in order to facilitate our working capital position. Our needs for cash increased in 2015 as a result of our acquisition of Linzhi Ziguang, the Reorgansation, the construction of our cold chain facility and the listing expenses.

Income Tax Expense

Our income tax expense increased by 17.1% from RMB10.5 million for the ten months ended 31 October 2014 to RMB12.3 million for the ten months ended 31 October 2015. Our effective income tax rate in 2014 and the ten months ended 31 October 2015 was 14.6% and 19.4%, respectively. The increase in our effective income tax rate in the first ten months of 2015 was primarily because we incurred non-deductible listing expenses of RMB10.0 million in relation to the proposed listing of our Shares on the Hong Kong Stock Exchange in the first ten months of 2015.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our profit for the period decreased by 12.9% from RMB58.7 million for the ten months ended 31 October 2014 to RMB51.1 million for the ten months ended 31 October 2015. Net profit margin decreased from 8.2% for the ten months ended 31 October 2014 to 6.0% for the ten months ended 31 October 2015, primarily because we incurred listing expenses of RMB10.0 million in relation to the proposed listing of our Shares on the Hong Kong Stock Exchange in the first ten months of 2015.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our revenue increased by 78.4% from RMB532.5 million for the year ended 31 December 2013 to RMB950.1 million in the year ended 31 December 2014, primarily due to the increase in the sales of Human Albumin Solution resulting from continued strong market demand, an increase in our supplies and our increased selling efforts with respect to Human Albumin Solution. This also represented a full year of sales of Human Albumin Solution, as we only started selling Human Albumin Solution in March 2013. We sold 0.8 million and 2.1 million bottles of Human Albumin Solution in 2013 and 2014, respectively, and recorded corresponding revenue of RMB251.2 million and RMB628.6 million, respectively.

Our revenue generated from the sales of Axetine and Medocef increased from RMB238.2 million and RMB43.1 million, respectively, for the year ended 31 December 2013, to RMB258.0 million and RMB49.1 million, respectively, for the year ended 31 December 2014, primarily as a result of increased sales volume due to growing market demand and our more intensive marketing efforts. We sold 19.8 million and 21.7 million bottles of Axetine, and 3.8 million and 4.2 million bottles of Medocef, in 2013 and 2014, respectively.

Our revenue increased in 2014 also because we started to sell Taurolite, TAD and Esafosfina in the second half of 2014. We generated revenue of RMB6.0 million, RMB4.0 million and RMB4.4 million, respectively, from the sales of Taurolite, TAD and Esafosfina, for the year ended 31 December 2014.

Cost of Sales

Our cost of sales increased by 74.0% from RMB471.4 million in 2013 to RMB820.3 million in 2014, primarily due to increased purchase volumes of our products, which was generally in line with increased sales of Human Albumin Solution, Axetine and Medocef in 2014, as well as the introduction of Taurolite, TAD and Esafosfina in 2014.

Gross Profit and Gross Profit Margin

Our gross profit increased by 112.4% from RMB61.1 million for the year ended 31 December 2013 to RMB129.8 million for the year ended 31 December 2014. Our overall gross profit margin increased from 11.5% to 13.7% for the respective years, primarily due to increased sales of Human Albumin Solution and an increase in our gross profit margin on the sale of Axetine and Medocef from 7.6% in 2013 to 11.7% in 2014, primarily due to an increase in the average selling price of Axetine upon the expiration of price discounts we offered in connection with our promotion in 2013.

Other Income and Gains

Other income and gains decreased by 53.1% from RMB4.9 million for the year ended 31 December 2013 to RMB2.3 million for the year ended 31 December 2014, primarily due to a net foreign exchange loss of RMB5.6 million recorded in the year ended 31 December 2014 compared to a net foreign exchange gain of RMB4.0 million in the year ended 31 December 2013, which reflected the effect of the depreciation of the RMB against the U.S. dollar on our trade payables arising from purchases of pharmaceutical products denominated in U.S. dollars.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 183.3% from RMB2.4 million for the year ended 31 December 2013 to RMB6.8 million for the year ended 31 December 2014. Selling and distribution expenses as a percentage of our revenue increased from 0.4% for the year ended 31 December 2013 to 0.7% for the year ended 31 December 2014, primarily due to an increase in staff costs from our increase in headcount of 57 personnel, as well as growth in our marketing and promotion activities, particularly in regard to the introduction of Taurolite, TAD and Esafosfina to our portfolio in the second half of 2014. These increases are generally in line with our strategy to expand our marketing, promotion and channel management team and to move our sales channel closer to patients.

Administrative Expenses

Our administrative expenses increased by 76.8% from RMB9.9 million for the year ended 31 December 2013 to RMB17.5 million for the year ended 31 December 2014, primarily as a result of an increase in consultation and service fees of RMB3.1 million in relation to our product screening efforts, our purchase of market and industry research for our marketing and promotion activities, increased office expenses generally in line with our business expansion as well as a non-recurring immigration consulting fee in furtherance of our Reorganisation. The increase in administrative expenses was also due to a significant increase in travelling costs from RMB0.7 million in 2013 to RMB2.1 million in 2014, and a 44.0% increase in staff costs from RMB2.5 million in 2013 to RMB3.6 million in 2014, each generally in line with the growth of our business, as well as an upfront fee of RMB1.0 million we paid to a research institution in relation to the research and development of Sinco I.

Other Expenses

Our other expenses increased by 327.8% from RMB1.8 million for the year ended 31 December 2013 to RMB7.7 million for the year ended 31 December 2014, mainly as a result of net foreign exchange losses of RMB5.6 million in 2014 due to the appreciation of U.S. dollar against RMB, which affected our trade payables denominated in U.S. dollar and bank balances denominated in U.S. dollars.

Finance Costs

Our finance costs increased from RMB1.1 million for the year ended 31 December 2013 to RMB6.2 million for the year ended 31 December 2014 primarily due to an increase in interest paid on bank loans as we increased our interest-bearing bank loans from RMB51.5 million as of 31 December 2013 to RMB91.8 million as of 31 December 2014, which was generally in line with the expansion of our business.

Income Tax Expense

Our income tax expense increased by 73.4% from RMB7.9 million for the year ended 31 December 2013 to RMB13.7 million for the year ended 31 December 2014. Our effective income tax rate in 2013 and 2014 was 15.6% and 14.6%, respectively. Sichuan Sinco Pharmaceuticals, through which we primarily conducted our business during the Track Record Period, was entitled to reduced EIT rate of 15% in 2013 and 2014 for being engaged in an industry listed on the catalogue of encouraged industries in the western region of China. Our effective tax rate in 2013 exceeded 15% primarily because we were unable to deduct certain expenses incurred in excess of the tax deductible amount based on revenue.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 86.3% from RMB43.0 million for the year ended 31 December 2013 to RMB80.1 million for the year ended 31 December 2014. Net profit margin increased from 8.1% for the year ended 31 December 2013 to 8.4% for the year ended 31 December 2014.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased significantly from RMB26.2 million for the year ended 31 December 2012 to RMB532.5 million for the year ended 31 December 2013, primarily due to the commencement of the sales of Human Albumin Solution in March 2013 and an increase in our sales of Axetine and Medocef. We generated revenue of RMB251.2 million in 2013 from the sales of Human Albumin Solution compared to nil in 2012. Our revenue generated from the sales of Axetine and Medocef increased from RMB25.9 million and RMB0.3 million, respectively, for the year ended 31 December 2012 to RMB238.2 million and RMB43.1 million, respectively, for the year ended 31 December 2013 as we increased our marketing efforts with respect to these products. The volume of antibiotics we sold increased significantly from 2.2 million units in 2012 to 23.6 million units in 2013.

Cost of Sales

Our cost of sales increased significantly from RMB22.9 million in 2012 to RMB471.4 million in 2013, in line with the expansion of our business and increased sales in each of our product categories.

Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB3.2 million for the year ended 31 December 2012 to RMB61.1 million for the year ended 31 December 2013. Our overall gross profit margin decreased from 12.4 % to 11.5% for the respective year, primarily due to a decrease in the average selling price of Axetine as part of a sales promotion we conducted in 2013 to increase our market share.

Other Income and Gains

Other income and gains increased significantly from RMB0.2 million for the year ended 31 December 2012 to RMB4.9 million for the year ended 31 December 2013, primarily due to net foreign exchange gains we recorded in 2013, reflecting the effect of the depreciation of U.S. dollar against RMB on our trade payables arising from the purchase of pharmaceutical products denominated in U.S. dollars.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly from RMB0.2 million for the year ended 31 December 2012 to RMB2.4 million for the year ended 31 December 2013, which was generally in line with the expansion of our business. The increase was primarily due to significant increases in our transportation costs and staff costs caused by an increase in headcount from 9 in 2012 to 13 in 2013 as we expanded our business. Our transportation costs increased from nil in 2012 to RMB1.3 million in 2013 and our staff costs increased from RMB62,000 in 2012 to RMB0.4 million in 2013. Transportation expenses were nil in 2012 because our customers used their own delivery services instead of ours in 2012. Selling and distribution expenses as a percentage of our revenue decreased from 0.9% for the year ended 31 December 2012 to 0.4% for the year ended 31 December 2013.

Administrative Expenses

Our administrative expenses increased by 266.7% from RMB2.7 million for the year ended 31 December 2012 to RMB9.9 million for the year ended 31 December 2013, which was generally in line with the expansion of our business. Our costs related to key management education increased significantly from RMB9,000 in 2012 to RMB1.7 million in 2013, primarily due to a non-recurring 2013 Executive Masters of Business Administration tuition fee for one of our Directors, and our staff costs increased significantly from RMB0.9 million in 2012 to RMB2.5 million in 2013, which was generally in line with our business expansion. We also experienced increases in office expenses, entertainment expenses, travelling expenses and depreciation, which aggregated to RMB2.3 million, which was

generally in line with our business expansion, and increases in our research and development expenses of RMB0.8 million in relation to our research and development of Sinco I.

Other Expenses

Our other expenses increased significantly from RMB20,000 for the year ended 31 December 2012 to RMB1.8 million for the year ended 31 December 2013, mainly as a result of bank charges of RMB1.8 million incurred in 2013 that primarily arose from issuance of letters of credit, which was consistent with our business expansion.

Finance Costs

Our finance costs were nil and RMB1.1 million for the years ended 31 December 2012 and 2013, respectively, due to increases in interest on discounted bills receivable and interest on bank loans as the amount of our interest-bearing bank loans increased from nil as of 31 December 2012 to RMB51.5 million as of 31 December 2013 to facilitate our business expansion.

Income Tax Expense

Our income tax expense increased from RMB0.3 million for the year ended 31 December 2012 to RMB7.9 million for the year ended 31 December 2013. Our effective income tax rate in 2012 and 2013 was 47.8% and 15.6%, respectively. The decrease in our effective income tax rate was primarily due to the fact that Sichuan Sinco Pharmaceuticals was entitled to a preferential EIT rate of 15% for the year ended 31 December 2013 following its successful application for preferential tax treatment in 2014. The higher effective income tax rate in 2012 was due to certain expenses incurred in 2012 in excess of the tax deductible amount based on our revenue.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased significantly from RMB0.3 million for the year ended 31 December 2012 to RMB43.0 million for the year ended 31 December 2013. Net profit margin increased from 1.0% for the year ended 31 December 2012 to 8.1% for the year ended 31 December 2013, primarily due to a decrease in our tax rate and smaller increases in our administrative expenses relative to our increase in revenues.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund working capital, payment for the purchase of property, plant and equipment and other recurring expenses and to service indebtedness. During the Track Record Period, we funded our cash requirements principally from cash generated from operations and funds raised from bank borrowings.

The following table is a condensed summary of our consolidated statements of cash flows for the periods indicated and analysis of balances of cash and cash equivalents as of the dates indicated:

	For the year ended 31 December			For the ten months ended 31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from/(used in) operating activities	(889)	77,899	53,137	25,491
Net cash used in investing activities	(9,596)	(89,821)	(41,628)	(45,847)
Net cash from financing activities	40,400	26,247	14,301	9,904
Net increase/(decrease) in cash and cash equivalents	29,915	14,325	25,810	(10,452)
Cash and cash equivalents at beginning of the year	154	30,069	44,455	70,216
Effect of foreign exchange rate changes	–	61	(49)	(1,074)
Cash and cash equivalents at end of the year	30,069	44,455	70,216	58,690

Cash Flows from Operating Activities

For the ten months ended 31 October 2015, our net cash flows generated from operating activities was RMB25.5 million, primarily reflecting cash generated from operating activities of RMB39.0 million and received interest of RMB0.3 million net of tax paid of RMB13.8 million.

Our cash generated from operating activities for the ten months ended 31 October 2015 was RMB39.0 million, while our profit before tax was RMB63.4 million. The difference represents adjustment for non-cash and non-operating items and a net increase relating to working capital adjustments. The working capital adjustments primarily included (i) a decrease in bills receivable of RMB36.4 million due to the increase in discounted bills receivables in order to facilitate our working capital position as a result of our acquisition of Linzhi Ziguang, the Reorganisation, the construction of our cold chain facility and the listing expenses; (ii) a decrease in inventory of RMB19.1 million primarily arising from the high demand for our products, particularly Human Albumin Solution, and the resulting fast inventory turnover; and (iii) an increase in trade payables of RMB16.2 million mainly as a result of our letters of credit being due after the arrival of the corresponding products, partially offset by (i) a decrease in advances from customers of RMB81.8 million primarily resulting from the high demand for our products and the resulting fast inventory turnover; and (ii) a decrease in other payables of RMB32.4 million as a result of the decrease in deposits received from our distributors as we refunded part of such deposits to our high-performing distributors during the first ten months of 2015.

For the year ended 31 December 2014, our net cash from operating activities was RMB53.1 million, primarily reflecting cash generated from operating activities of RMB67.1 million and received interest of RMB1.4 million net of tax paid of RMB15.4 million.

Our cash generated from operating activities for the year ended 31 December 2014 was RMB67.1 million, while our profit before tax was RMB93.8 million. The difference represents adjustments for non-cash and non-operating items and a net increase relating to working capital adjustments. The working capital adjustments primarily included (i) a decrease in inventories of RMB48.4 million mainly as a result of the high demand for the products we offer and the consequent fast inventory turnover, (ii) a decrease in prepayments, deposits and other receivables of RMB29.6 million mainly as a result of the deduction of deposit made to a certain supplier pursuant to the distribution agreement entered between such supplier and us, (iii) an increase in other payables of RMB26.8 million primarily arising from deposits received from our customers consistent with the increase in sales and (iv) an increase in trade

payables of RMB11.1 million due to our suppliers as we increased purchase volume, partially offset by (i) a decrease in advances from customers of RMB85.7 million primarily resulting from the increased recognition of revenue in December 2014 due to higher sales, (ii) an increase in amounts due from related parties of RMB38.7 million primarily due to an interest-free loan we extended to Vast Surplus in relation to prepayment for the purchase of distribution rights to Taurolite, TAD and Esafosfina and (iii) an increase in trade and bills receivable of RMB28.0 million mainly as a result of an increase in bills receivable in the form of banks' acceptance bills relating to the sale of Human Albumin Solution.

For the year ended 31 December 2013, our net cash from operating activities was RMB77.9 million, primarily reflecting cash generated from operating activities of RMB78.4 million and interest income of RMB0.3 million net of tax paid of RMB0.9 million.

Our cash generated from operating activities for the year ended 31 December 2013 was RMB78.4 million, while our profit before tax was RMB50.9 million. The difference represents adjustments for non-cash and non-operating items and a net increase relating to working capital adjustments. The working capital adjustments primarily included (i) an increase in advances from customers of RMB167.6 million primarily consisting of advance payments from our distributors to secure purchases from us due to the popularity of our products and (ii) a decrease in prepayments, deposits and other receivables of RMB18.5 million mainly as a result of deduction of deposit we made to a certain supplier pursuant to the distribution agreement entered between such supplier and us, partially offset by (i) an increase in inventories of RMB149.1 million primarily consisting of an increase in our inventories of Human Albumin Solution due to anticipated increase in sales, (ii) an increase in amounts due from related parties of RMB11.4 million resulting from advances made to Ruixin (which were subsequently settled in 2014) related to the research and development of Sinco I, which was originally proposed to be jointly conducted with Ruixin but was later delegated to our wholly-owned subsidiary Sinco Biotechnology, as well as prepayments to Vast Surplus for inventories, and (iii) an increase in trade and bills receivable of RMB8.9 million mainly due to an increase in bills receivable in the form of banks' acceptance bills relating to certain of our major customers.

For the year ended 31 December 2012, our net cash used in operating activities was RMB0.9 million, reflecting cash used in operating activities of RMB0.9 million net of interest income of RMB18,000.

Our cash used in operating activities for the year ended 31 December 2012 was RMB0.9 million, while our profit before tax was RMB0.5 million. The difference represents adjustments for non-cash and non-operating items and a net decrease relating to working capital adjustments. The working capital adjustments mainly consisted of an increase in prepayments, deposits and other receivables of RMB79.6 million primarily consisting of our deposit and prepayments to one of our suppliers to secure purchases of the relevant product, partially offset by (i) an increase in advances from customers of RMB45.0 million mainly consisting of advance payments from our distributors to secure purchases from us and (ii) an increase in other payables of RMB32.3 million primarily arising from refundable deposits made by our customers in order to guarantee their performance under their sales contracts with us.

Cash Flows used in Investing Activities

For the ten months ended 31 October 2015, our net cash used in investing activities was RMB45.8 million, primarily due to (i) payment of construction costs of RMB18.6 million in respect of the cold chain facility located in Shuangliu District, Chengdu, Sichuan Province, (ii) the acquisition of a 25% equity interest in Sichuan Sinco for RMB14.0 million, (iii) purchases of property, plant and equipment of RMB8.2 million relating to the renovations to our headquarters in Chengdu, Sichuan Province and (iv) the acquisition of a 100% equity interest of Chengdu Hengsheng and its wholly-owned subsidiary Linzhi Ziguang for RMB35.0 million, of which RMB5.0 million was paid at the date of acquisition. Of the remaining amount, RMB3.0 million was paid in December 2015, RMB9.5 million is expected to be paid in March 2016, and RMB17.5 million will be paid (a) within ten days after the Company's Listing or (b)

within six months after the Conditions under the Beijing Ziguang Agreement have been satisfied, whichever is earlier. Please see the section titled "History, Reorganisation and Corporate Structure — Reorganisation — Acquisition of Linzhi Ziguang by Sichuan Sinco Pharmaceuticals" of this prospectus.

For the year ended 31 December 2014, our net cash used in investing activities was RMB41.6 million, primarily due to our purchases of items of property, plant and equipment of RMB41.7 million, relating to prepayment with respect to the construction of our cold chain facility.

For the year ended 31 December 2013, our net cash used in investing activities was RMB89.8 million, primarily due to purchase of items of property, plant and equipment of RMB89.8 million, primarily as a result of the purchase of our headquarters and sales office in Chengdu, Sichuan Province.

For the year ended 31 December 2012, our net cash used in investing activities was RMB9.6 million, primarily due to purchase of items of property, plant and equipment of RMB9.6 million as a result of purchase of office space.

Cash Flows from Financing Activities

For the ten months ended 31 October 2015, our net cash from financing activities was RMB9.9 million, primarily due to (i) cash from bank loans of RMB190.0 million; and (ii) advances from a related party of RMB25.6 million made in support of inventory purchases by Hong Kong Prosperous, which were settled in May 2015, partially offset by (i) repayment of bank loans of RMB192.9 million, (ii) payment to a related party of RMB6.7 million for the settlement of advances from a related party in support of inventory purchases by Hong Kong Prosperous and (iii) interest paid for bank loans of RMB6.1 million.

For the year ended 31 December 2014, our net cash from financing activities was RMB14.3 million, primarily due to proceeds from bank loans of RMB414.7 million, partially offset by (i) repayment of bank loans of RMB377.5 million, (ii) a decrease in amounts due to a related party of RMB11.2 million primarily as a result of our repayment of shareholder loans due to Mr. Huang and (iii) interest paid for bank loans of RMB6.7 million.

For the year ended 31 December 2013, our net cash from financing activities was RMB26.2 million, primarily due to proceeds from bank loans of RMB122.0 million, partially offset by (i) repayment of bank loans of RMB70.0 million, (ii) a decrease in amounts due to a related party of RMB25.0 million as a result of our repayment of shareholder loans due to Mr. Huang.

For the year ended 31 December 2012, our net cash from financing activities was RMB40.4 million, primarily due to an increase in amounts due to a related party of RMB36.4 million arising from shareholder loans extended to us by Mr. Huang to facilitate the head start of our business.

NET CURRENT LIABILITIES

We recorded net current liabilities of RMB4.8 million, RMB55.3 million, RMB29.6 million, RMB69.2 million and RMB53.8 million as of 31 December 2012, 2013, 2014, 31 October 2015 and 31 December 2015, respectively. We recorded net current liabilities during the track record period, which we primarily attribute to capital expenditure with respect to the purchase of property, plant and equipment and intangible assets, which increased our long-term assets but lowered our current assets, as well as significant amounts of advances from distributors. Our Directors believe that, with our available banking facilities, the future cash generated from our operating activities and the proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position after Listing. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — We recorded net current liabilities during the Track Record Period, and such positions may continue or recur after the

Listing" in this prospectus. The following table sets out the data of our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 31 October	As of 31 December
	2012	2013	2014	2015	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current Assets					
Inventories	–	149,085	100,676	81,608	46,563
Trade and bills receivables	–	8,932	36,916	500	77,186
Prepayments, deposits and other receivables	82,860	59,319	30,224	32,836	31,579
Due from related parties	–	11,402	50,060	–	–
Pledged bank balances	3,390	16,604	11,936	16,677	22,068
Cash and cash equivalents	26,679	27,851	58,280	42,013	38,138
	112,929	273,193	288,092	173,634	215,534
Current Liabilities					
Trade payables	–	7,546	18,637	34,885	62,793
Advances from customers	46,572	214,149	128,450	46,663	33,707
Other payables	34,472	36,567	73,047	64,473	82,038
Interest-bearing bank loans	–	51,515	91,788	92,806	81,915
Due to a related party	36,400	11,400	227	–	–
Tax payable	253	7,312	5,580	4,033	8,909
	117,697	328,489	317,729	242,860	269,362
Net Current Liabilities	(4,768)	(55,296)	(29,637)	(69,226)	(53,828)

CERTAIN BALANCE SHEET ITEMS

Inventories

As we are engaged in the business of marketing, promotion and channel management for pharmaceutical products, our inventories represent finished goods of pharmaceutical products which we purchase from our suppliers. As of 31 December 2012, 2013, 2014 and 31 October 2015, the carrying value of our inventories was nil, RMB149.1 million, RMB100.7 million and RMB81.6 million, respectively. The table below sets forth, as of the dates indicated, a breakdown of the carrying value of our inventories by product category.

	As of 31 December			As of 31 October
	2012	2013	2014	2015
		RMB millions		
Human Albumin Solution	–	127.0	28.4	9.1
Antibiotics (Axetine and Medocef)	–	22.1	59.1	56.4
Others (Taurolite, TAD and Esafosfina)	–	–	13.2	16.1
Total	–	149.1	100.7	81.6

Our average inventory turnover days for the year ended 31 December 2013, 2014 and the ten months ended 31 October 2015 was 58 days, 56 days and 37 days, respectively, calculated using the average of the beginning and ending inventory balances of the period, divided by cost of goods sold for the period and multiplied by 365 days for a year or 300 days for ten months. Our inventories in 2012 were nil as we had sold all of our inventories as of 31 December 2012. The increase in inventories from 31 December 2012 to 31 December 2013 was due primarily to our large purchases of Human Albumin Solution in November and December 2013 in response to anticipated increase in sales. The decreases in

inventories from 31 December 2013 to 31 December 2014 and from 31 December 2014 to 31 October 2015 were primarily due to the high demand for our products, particularly Human Albumin Solution, and the resulting fast inventory turnover.

We formulate a purchase plan on a monthly basis. We regularly review each product's sales performance, inventory level and projected sales, and adjust our sales and purchase plans accordingly to minimise the risk of inventory shortage, accumulation or shelf life expiration due to long inventory turnover days. See the section headed "Business — Our Services — Channel Management Services — Inventory Management" of this prospectus for more detailed discussion on our inventory management.

Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Our pharmaceutical products generally have a shelf life ranging from two years to five years. We make allowance for obsolete inventory items and slow-moving inventory items based on our review of the ageing of our inventories at the end of each reporting period. We conduct an inventory review on a product-by-product basis at the end of the reporting period. For the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015, we did not make any allowance for impairment to our inventories due to slow-moving or obsolete inventories. As at 31 December 2015, the carrying value of our inventories was RMB46.6 million. Our inventories as of 31 October 2015 were fully sold by the end of November 2015.

Trade and Bills Receivables

Our trade receivables primarily represent the balances due from our distributors. We assess the credit quality of each distributor prior to entering into any sales agreement with it. Our bills receivables mainly represent bank bills received from our customers in lieu of cash payments. The following table sets out our trade and bill receivables as of the dates indicated:

	As of 31 December			As of 31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	–	5,400	36,916	500
Trade receivables	–	3,532	–	–
Total	**–**	**8,932**	**36,916**	**500**

To maintain a healthy cash flow and better manage our business, we require full prepayment for purchases from all of our customers before delivery. This includes prepayments in the form of cash and letters of credit, as well as prepayments in the form of 60-day banks' acceptance bills in relation to sales of Human Albumin Solution. Our bills receivables have increased throughout the Track Record Period generally in line with the increase in our sales of Human Albumin Solution. As a result of the strict enforcement of our prepayment policy since 2013, as of 31 December 2014 and 31 October 2015, we recorded trade receivables of nil and nil, respectively. We did not have bills and trade receivables as of 31 December 2012 as we did not accept that form of payment in 2012. We maintain strict control of settlement of our outstanding trade receivables. Our accounting department monitors the credit quality of our trade receivables and timely follows up with outstanding receivables to minimise credit risk.

The balance of trade receivables as of 31 December 2013 of RMB3.5 million was aged within one month and fully collected in January 2014. The increase in bills receivables as at 31 December 2014 compared to 31 December 2013 was primarily due to bills receivables due from Human Albumin Solution distributors as we further increased our sales volumes.

As at 31 December 2015, the balance of our bills receivable as at 31 October 2015 had been fully settled.

Prepayments, Deposits and Other Receivables

We have historically made prepayments and deposits primarily for the purchase of Human Albumin Solution, as well as for payments of certain fees related to technical services and medical research. Other receivables include value-added tax recoverable, representing value-added tax paid to suppliers and recoverable from the tax authorities. We recorded prepayments, deposits and other receivables of RMB82.9 million, RMB59.3 million, RMB30.2 million and RMB32.8 million for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015, respectively, of which RMB48.3 million, RMB37.7 million, RMB11.7 million and nil represented deposits for the purchase of Human Albumin Solution, and RMB1.1 million, RMB17.0 million, RMB14.6 million and RMB20.9 million represented value-added tax recoverable, respectively. In accordance with the distribution agreement between us and Octapharma, our deposit of USD7.5 million (which is equivalent to approximately RMB48.9 million) made in 2012 had been reduced by 25% every six months and reached nil as of 31 October 2015. The increase in value-added tax recoverable as of 31 December 2013 was primarily due to the increase in our purchases being more than our sales as we actively managed our inventory levels based on anticipated sales and market demand. The decrease in value-added tax recoverable as of 31 December 2014 was primarily due to the increased value-added tax received from distributors resulting from our increase in sales. The increase in value-added tax recoverable as of 31 October 2015 was primarily due to the value-add tax paid for the purchase of a batch of Human Albumin Solution in September 2015.

Due from Related Parties

Amounts due from related parties arise from loans, advances and inventory prepayments we have granted to Ruixin and Vast Surplus, each controlled by Mr. Huang. We recorded payments due from related parties of nil, RMB11.4 million, RMB50.1 million and nil as of 31 December 2012, 2013, 2014 and 31 October 2015, respectively. The balance as of 31 December 2013 represents advances made to Ruixin related to the research and development of Sinco I, which was originally proposed to be jointly conducted with Ruxin but was later delegated to our wholly-owned subsidiary Sinco Biotechnology, as well as prepayments for inventories made to Vast Surplus. The balance as of 31 December 2014 represents interest-free loans granted to Vast Surplus for the purpose of purchasing exclusive distribution rights for Taurolite, TAD and Esafosfina from Trendful, which were settled in March 2015 upon the completion of the acquisition of the exclusive distribution rights from Vast Surplus. All loans, advances and prepayments have been settled as of 31 October 2015.

Goodwill

We recorded goodwill of RMB35.5 million as of 31 October 2015. Our goodwill was acquired as a result of our acquisition of Chengdu Hengsheng and its wholly-owned subsidiary Linzhi Ziguang in March 2015. We have not recorded any impairment of our goodwill as the carrying amount of cash-generating units to which the goodwill is allocated, including the goodwill recorded as of 31 October 2015, is lower than its recoverable amount. The recoverable amount of cash-generating units has been determined based on a value-in-use calculation using cash flow projections which in turn are based on financial forecasts, including the growth rate, approved by the Company's Directors covering a period of five years. Long-term growth rate beyond the five-year period was assumed to be zero. The key assumptions on which we have based our cash flow projections to undertake impairment testing of goodwill are as follows:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, i.e. 13.3% for the first ten months of 2015, increased for expected market development.

Discount rate — The discount rate of 20.1% used is pre-tax and reflects specific risks relating to the relevant unit.

Please refer to the relevant disclosures set out in note 15 in the Accountants' Report included in Appendix I to this prospectus for a discussion of the basis of our impairment analysis.

Intangible Assets

We recorded intangible assets of RMB41.2 million as of 31 October 2015. Our intangible assets consist primarily of our exclusive distribution rights to Taurolite, TAD and Esafosfina. We have not recorded any impairment of our intangible assets.

Trade Payables

Our trade payables represent payments due to suppliers for our purchases of pharmaceutical products. We did not have any outstanding trade payables as of 31 December 2012 as we did not purchase products on credit in 2012. Our trade payables as of 31 December 2013 and 2014 and 31 October 2015 represented payables in relation to our purchase of Axetine and Medocef, as well as Human Albumin Solution as at 31 October 2015, arising from the related letters of credit becoming due after the arrival of the corresponding products. The following table sets out our trade payables as of the dates indicated:

	As of 31 December			As of 31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	7,546	18,637	34,885

	For the year ended 31 December			For the ten months ended 31 October
	2012	2013	2014	2015
Average trade payables turnover days[(1)]	–	2.9	5.8	11

(1) Calculated using the average of beginning and ending trade payable balances of the period, divided by the cost of sales for the period and multiplied by 365 days for a year or 300 days for ten months.

As of 31 December 2015, the balance of our trade payables as at 31 October 2015 has been fully settled.

Advances from Customers

We recorded advances from customers of RMB46.6 million, RMB214.1 million, RMB128.5 million and RMB46.7 million for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015, representing 39.6%, 65.2%, 40.4% and 19.2% of our total current liabilities, respectively. Advances from customers increased from 31 December 2012 to 31 December 2013 primarily due to an increase in the distributors' advanced payments to secure purchases of Human Albumin Solution. Our advances from customers decreased from 31 December 2013 to 31 December 2014 and from 31 December 2014 to 31 October 2015, primarily due to the high demand for our products and the resulting fast inventory turnover.

Other Payables

Other payables consists primarily of deposits for product purchases from our customers which are refunded upon termination of a sales contract. We recorded other payables of RMB34.5 million, RMB36.6 million, RMB73.0 million and RMB64.5 million for the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015, respectively, of which 99.7%, 98.7%, 85.7% and 45.9% represented deposits for product purchases from our customers. Deposits decreased significantly from RMB54.3 million as of 31 October 2014 to RMB29.6 million as of 31 October 2015, primarily as a result of our refund of part of the deposits to our high-performing distributors. Other payables as of 31

October 2015 also includes RMB30.1 million, representing the remaining consideration payable with respect to the acquisition of Chengdu Hengsheng and its wholly-owned subsidiary Linzhi Ziguang from Beijing Ziguang.

WORKING CAPITAL

As of 31 December 2015, we had cash and cash equivalents of RMB38.1 million. Taking into account expected cash from operating activities, the estimated net proceeds from the Global Offering and available bank credit facilities, our Directors are of the opinion that the working capital available to us will be sufficient for our present requirements for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

The following table sets out our bank loans, all of which were repayable within one year, as of the dates indicated:

	As of 31 December			As of 31 October	As of 31 December
	2012	2013	2014	2015	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans					
Secured and Guaranteed	–	–	37,000	36,000	15,000
Secured	–	–	–	–	46,915
Guaranteed	–	21,919	54,788	56,806	20,000
Unsecured	–	29,596	–	–	–
	–	51,515	91,788	92,806	81,915
Bank loans repayable					
Within one year	–	51,515	91,788	92,806	81,915

The secured and guaranteed bank loan balance as of 31 December 2014 and 31 December 2015 represents one-year loans of RMB15.0 million, granted by Bank of Chengdu to us, or the Bank of Chengdu Loans, which bore interest rates at fixed rates ranging from 6.0% to 7.5% per annum and were guaranteed by Mr. Huang and secured by our headquarters property located in Chengdu, Sichuan Province. The personal guarantee provided by Mr. Huang will be released and replaced by corporate guarantee(s) from our Company and/or its subsidiaries (if applicable) upon Listing.

The secured bank loan balance as of 31 December 2015 represents (i) one-year bank loans granted by Bank of Shanghai to the Group bearing interest rate at a fixed rate of 5.22% per annum, which are pledged by 100% equity interests in Linzhi Ziguang; and (ii) three-month bank loans of RMB16.9 million granted by China Merchants Bank to the Group, bearing interest at the rate of 0.8% above the 3-month LIBOR with maturity in February 2016, which are pledged by the Group's bills receivable of RMB19.8 million and is pledged by time deposit of RMB0.5 million.

The guaranteed bank loan balance as at 31 December 2015 represents a one-year bank loan of RMB20 million granted by Bank of China to us, or the Bank of China loan, which bears an interest rate of 5.88% per annum, will mature in October 2016 and is guaranteed by Sichuan Development Financing Guarantee Co. Ltd, an Independent Third Party. The guarantee from Sichuan Kelun was commercially negotiated based on mutual cooperative benefit. The personal guarantee provided by Mr. Huang will be released and replaced by corporate guarantee(s) from our Company and/or its subsidiaries (if applicable) upon Listing.

The guaranteed bank loan balance as of 31 December 2014 represents (i) three-month bank loans of RMB34.8 million that we drew down withdrawn from the banking facilities of RMB150 million valid from October 2014 to October 2015 granted by China Merchants Bank to us, or the China Merchant Bank Facility. These bank loans bore interest at the rate of 3% above 3-month LIBOR per annum and were jointly guaranteed by Sichuan Kelun and Mr. Huang and were fully settled on 26 March 2015; and (ii) a one-year bank loan of RMB20 million granted by the Bank of China Loan.

The guaranteed bank loan balance as of 31 December 2013 represents a three-month bank loan of RMB21.9 million that we drew down from the banking facilities of RMB150 million valid from October 2013 to October 2014 granted by the China Merchant Bank Facility, which bore an interest at the rate of 4.3% above the 3-month LIBOR per annum and fully repaid on 20 March 2014, which was jointly guaranteed by Sichuan Kelun and Mr. Huang.

The unsecured bank loan balance as of 31 December 2013 represents an unsecured three-month bank loan of RMB29.6 million granted by China Construction Bank to us bearing an interest rate of 2.4% above 3-month LIBOR per annum and. It was fully repaid in March 2014.

The following table sets out our amounts due to a related party as of the dates indicated:

	As of 31 December			As of 31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade in nature				
– Mr. Huang	36,400	11,400	277	–
Total	**36,400**	**11,400**	**277**	**–**

The amount due to a related party as of 31 December 2012, 2013 and 2014 primarily represented the balance of shareholder loan granted to us by Mr. Huang to facilitate our business expansion. The loan was fully settled in May 2015. See the section headed "History, Reorganisation and Corporate Structure — Reorganisation — Settlement of shareholder's loan due from Hong Kong Prosperous" of this prospectus for a more detailed discussion.

Our gearing ratio, calculated as net debt divided by the sum of total equity and net debt, with net debt equal to interest-bearing bank loans and amount due to a related party minus cash and cash equivalents, was 65.7%, 42.0%, 21.5% and 22.5% as of 31 December 2012, 2013, and 2014 and the ten months ended 31 October 2015, respectively. The decrease in gearing ratio from 2012 to 2014 was primarily due to the decrease in amounts due to a related party, coupled with the increase in total equity. Our gearing ratio increased slightly in the ten months ended 31 October 2015 mainly due to a decrease in cash and cash equivalents, which was primarily the result of our payment for the acquisition of Linzhi Ziguang and the Reorganisation. As of 31 December 2015, we had unrestricted, unutilised banking facilities of RMB180.0 million. As of the Latest Practicable Date, we were not subject to any covenants relating to our outstanding debt which would materially restrict our business operations.

Except as described above and apart from intra-group liabilities, as of 31 December 2015, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance or acceptance credits (other than normal trade-related bills), debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURE

The following table sets out our capital expenditure for the periods indicated:

	For the year ended 31 December			For the ten months ended 31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Purchases of property, plant and equipment and intangible assets	9,596	89,821	41,667	26,827
Acquisition of subsidiaries	–	–	–	5,000
Acquisition of non-controlling interests of a subsidiary from then shareholders	–	–	–	14,000
Total	**9,596**	**89,821**	**41,667**	**45,827**

Our capital expenditure consisted of the purchases of property, plant and equipment, primarily comprising office equipment, acquisition of subsidiaries and acquisition of non-controlling interests of a subsidiary from then shareholders during the Track Record Period. We financed our capital expenditure primarily through our cash flows from operations during the Track Record Period.

We estimate that we incurred a total amount of approximately RMB51.7 million in capital expenditures in 2015. Based on our current business plans and market conditions and assuming the completion of the Global Offering at a price equal to the mid-point of the indicative range of the Offer Price, we currently expect to incur a total amount of approximately RMB86.4 million in capital expenditures in 2016, which we expect to fund through net proceeds from the Global Offering, our cash on hand and cash from operations. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our business plans, the net proceeds to be received from the Global Offering, market conditions and various other factors we believe to be appropriate.

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The following table presents the maturities of our capital commitments as of 31 October 2015.

	As of 31 October 2015
	RMB'000
Contracted, but not provided for:	
– Construction of a warehouse	40,271
Authorised, but not contracted for:	
– Prepaid land lease payment in relation to a warehouse	30,000
– Construction of a warehouse	59,866
Total	**130,137**

Aside from the foregoing capital commitments, we also had lease payments under non-cancellable operating leases of RMB0.4 million and RMB0.6 million which fall due within one year and within two to five years, respectively as of 31 October 2015.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in note 33 of the Accountants' Report set out in Appendix I to this prospectus were conducted on normal commercial terms and/or on terms not less favourable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of market risks, including foreign exchange risk, credit risk, interest rate risk and liquidity risk in the normal course of business. Our financial department and internal control department monitor our exposure to these risks on a regular basis and, if a material risk is identified, will report the risk to our management.

Foreign Exchange Risk

Our purchases of products from our overseas suppliers are denominated in foreign currencies, primarily the U.S. dollar and Euro, all of our sales are denominated in the RMB, and we have bank balances denominated in the U.S. dollar and Euro, which exposes us to foreign currency risk.

We have not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. We may enter into hedging transactions as we constantly monitor our foreign currency risk. We endeavour to negotiate purchasing terms with our suppliers that allow for flexibility in purchase price adjustments in the event of unforeseen fluctuations in relevant foreign exchange rates. We also negotiate with our distributors for the option to pass on increased costs due to foreign exchange rate fluctuations.

Sensitivity analysis

The following table demonstrates the sensitivity to a 5% change in RMB against U.S. dollar and Euro, respectively. The sensitivity rate of 5% represents the management's assessment of the reasonably possible change in the foreign currency rate. Our exposure to foreign currency risk is shown based on adjusting the translation of the monetary assets and liabilities, including cash and cash equivalents, prepayments, deposits and bank loans denominated in U.S. dollar and Euro, at the end of each period as indicated for a 5% change in RMB against U.S. dollars and Euro, respectively, with all other variables held constant, of our profit before tax for that period:

	2012	2013	2014	First ten months of 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Increase/(Decrease) on profit before tax				
If RMB weakens against the US$ and Euro ...	2,263	(615)	(835)	(2,412)
If RMB strengthens against US$ and Euro	(2,263)	615	835	2,412

Credit Risk

Credit risk arises mainly from the risk that counterparties may default on the terms of their agreements. The carrying amounts of bank balances and cash, trade and bills receivable, other receivables and amounts due from related parties as stated in the consolidated statement of financial position represent our maximum exposure to credit risk in relation to financial assets. To minimise credit risk, our

management 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.

Substantial amounts of our cash and cash equivalents and time deposits are held in major reputable financial institutions located in Mainland China, which we believe are of high credit quality. The credit risk of our other financial assets consisting of trade and bills receivables, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. We don't have other financial assets which expose us to significant credit risk.

We have concentration of credit risk by geographic location as all of our customers are located in China as of 31 December 2012, 2013, 2014 and 31 October 2015.

Interest Rate Risk

Our fair value interest rate risk relate primarily to our bank deposits and interest-bearing bank loans. We manage our cash flow interest rate risk exposure through the use of a mix of floating and fixed rates. With respect to the borrowings we keep at variable rates, our cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate arising from our bank loans denominated in U.S. dollars. We have not used any interest rate swaps to hedge against interest rate risk.

Liquidity Risk

We monitor our exposure to a shortage of funds by taking into consideration of the maturity of our financial liabilities, financial assets and projected cash flows from operations. We maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We recorded net current liabilities during the Track Record Period, which we primarily attribute to capital expenditures with respect to the purchase of property, plant and equipment and intangible assets, which increased our long-term assets but lowered our current assets, as well as significant amounts of advances from distributors. We actively monitor our cash levels, control the progress of capital expense projects and maintain a reasonable cash position. Our Directors believe that, with our available banking facilities, the future cash generated from our operating activities and the proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position after Listing. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — We recorded net current liabilities during the Track Record Period, and such positions may continue or recur after the Listing" in this prospectus. We believe we have implemented an appropriate liquidity risk management for the management of our funding and liquidity requirements, and we continue to actively monitor such requirements as we expand our product portfolio and operations.

FINANCIAL RATIOS

The following table sets forth the key financial ratios of the Group over the year indicated:

	As of 31 December			As of 31 October
	2012	2013	2014	2015
Gross margin (%)[(1)]	12.4	11.5	13.7	13.3
Net profit margin (%)[(2)]	1.0	8.1	8.4	6.0
Gearing ratio (%)[(3)]	65.7	42.0	21.5	22.5
Return on equity (%)[(4)]	5.4	88.9	64.9	29.2
Return on total assets (%)[(5)]	0.2	11.4	18.2	12.2
Net debt to equity ratio (%)[(6)]	191.8	72.5	27.3	29.0
Current ratio[(7)]	0.96	0.83	0.91	0.72
Quick ratio[(8)]	0.96	0.38	0.59	0.38

(1) Gross margin equals gross profit divided by revenue for the year/period, expressed as a percentage.

(2) Net profit margin equals net profit for the year/period divided by revenue for the year/period, expressed as a percentage.

(3) Gearing ratio equals net debt divided by the sum of total equity and net debt as of the end of the year/period, and net debt equals interest-bearing bank loans and amount due to a related party minus cash and cash equivalents, expressed as a percentage.

(4) Return on equity equals profit for the year/period attributable to equity shareholders of the Company divided by total equity attributable to equity shareholders of the Company as of the end of the year/period, expressed as a percentage.

(5) Return on total assets equals profit for the year/period attributable to equity shareholders of the Company divided by total assets as of the end of the year/period, expressed as a percentage.

(6) Net debt to equity ratio equals net debt divided by total equity as of the end of the year/period. Net debt equals interest-bearing bank loans and amount due to a related party minus cash and cash equivalents, expressed as a percentage.

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

(8) Quick ratio equals current assets less inventories divided by current liabilities as of the end of the year/period.

Our debt to equity ratio was 191.8% as of 31 December 2012, decreased to 72.5% as of 31 December 2013, further to 27.3% as of 31 December 2014 and to 29.0% as of 31 October 2015, mainly due to the reduction in our amount due to related parties and the increase in our net assets.

Our gross margin ratio was 12.4% in 2012, decreased to 11.5% in 2013, increased to 13.7% in 2014, and remained stable at 13.3% for the ten months ended 31 October 2015. The fluctuations were mainly due to the change in our product portfolio mix and the fluctuation in unit cost of Human Albumin Solution, Axetine and Medocef due to the fluctuation of the exchange rate between the RMB and the U.S. dollars.

Our net profit margin was 1.0% in 2012, increased to 8.1% in 2013, increased to 8.4% in 2014, and decreased to 6.0% for the ten months ended 31 October 2015. The increase in our net profit margin in 2013 was primarily due to a decrease in our tax rate and a smaller increase in our administrative expense relative to our increase in revenue. The decrease in our net profit margin in the ten months ended 31 October 2015 was primarily because we incurred listing expenses of RMB10.0 million in relation to the proposed listing of our Shares on the Hong Kong Stock Exchange in the first ten months of 2015.

Our gearing ratio was 65.7% as of 31 December 2012, decreased to 42.0% as of 31 December 2013, further to 21.5% as of 31 December 2014, and remained stable at 22.5% as of 31 October 2015. The decreases in our gearing ratio in 2013 and 2014 were mainly due to the decrease in amounts due to a related party coupled with the increase in cash and cash equivalents. Our gearing ratio increased slightly in the ten months ended 31 October 2015 mainly due to a decrease in cash and cash equivalents, which was primarily the result of our payment for the acquisition of Linzhi Ziguang and the Reorganisation.

Our return on equity ratio was 5.4%, 88.9%, 64.9% and 29.2% as of 31 December 2012, 2013, 2014 and 31 October 2015, respectively. The variation in return on equity ratio was primarily due to changes in our profit level and net assets.

Our return on total assets ratio was 0.2%, 11.4% and 18.2% as of 31 December 2012, 2013 and 2014, respectively. The increase in return on total assets ratio was mainly due to increases in our profits, partially offset by the growth of our total assets primarily driven by the capital expenditure we spent on the construction of our cold chain facility as well as the purchase of our headquarters and the exclusive distribution rights. Our return on total assets ratio decreased to 12.2% as of 31 October 2015 primarily due to the ten months revenue effect as compared to the full year revenue in 2014, as well as a listing expense of RMB10 million incurred which impacted the net profit for the first ten months of 2015.

Our current ratio was 0.96, 0.83, 0.91 and 0.72 as of 31 December 2012, 2013, 2014 and 31 October 2015, respectively. The variation in our current ratio was primarily resulted from the changes in the portion of our current liabilities that was related to amounts due to our suppliers and distributors, as well as changes in the amounts of interest-bearing loans.

Our quick ratio was 0.96, 0.38, 0.59 and 0.38 as of 31 December 2012, 2013, 2014 and 31 October 2015, respectively. The variation in our quick ratio was primarily due to changes in our inventory level.

PROFIT ESTIMATE

For the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2015, our unaudited pro forma estimated earnings per Share for the year ended 31 December 2015 has been prepared on the bases of the notes set out below. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ended 31 December 2015 or for any future period.

Estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2015 [(1)(3)] . . . . . not less than RMB67.8 million (approximately HK$80.9 million)

Unaudited pro forma estimated earnings per Share for the year ended 31 December 2015 [(2)(3)] . . . . . .not less than RMB0.04 (approximately HK$0.05)

Notes:

(1) The bases on which the above profit estimate has been prepared are summarized in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2015 based on the audited consolidated results for the ten months ended 31 October 2015 and the unaudited consolidated results based on management accounts of our Group for two months ended 31 December 2015.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results for the year ended 31 December 2015 attributable to owners of the Company, assuming that a total of 1,600,000,000 Shares had been in issued during the entire year. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

(3) The estimated consolidated profit attributable to owners of the Company and the unaudited pro forma estimated earnings per Share are converted into HK$ at the exchange rate of RMB0.8380 to HK$1.00.

PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative pro forma statement of our adjusted net tangible assets which 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 31 October 2015.

This pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our net tangible assets (liabilities) attributable to the owners of the Company as of 31 October 2015 or at any future dates following the Global Offering.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as of 31 October 2015[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma net tangible assets of the Group attributable to the owners of the Company as of 31 October 2015**	**Unaudited pro forma net tangible assets value per Share of the Group attributable to the owners of the Company as of 31 October 2015[(3)(5)]**
	RMB'000	**RMB'000**	**RMB'000**	**HK$**
Based on an Offer Price of HK$0.80 per Offer share	98,149	213,914	312,063	0.23
Based on an Offer Price of HK$1.11 per Offer share	98,149	317,831	415,980	0.31

(1) The consolidated net tangible liabilities of the Group attributable to owners of the Company as of 31 October 2015 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of 31 October 2015 of RMB174.9 million.

(2) The estimated net proceeds from the Global Offering are based on 400,000,000 Offer Shares excluding Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, of an indicative Offer Prices of HK$0.80 (equivalent to RMB0.67) and HK$1.11 (equivalent to RMB0.93) per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates. For the purpose of the estimated net proceeds from the Global Offering, the amount stated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.8380 to HK$1 which is set forth on page 70 of this prospectus. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at HK$0.23 and HK$0.31 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 1,600,000,000 Shares were in issue assuming the Global Offering had been completed on 31 October 2015. It takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.

(4) No adjustment has been made to the pro forma adjusted net tangible assets of the Group attributable to owners of the Company as of 31 October 2015 to reflect any trading result or other transaction of the Group entered into subsequent to 31 October 2015.

DIVIDENDS

Subject to the Cayman Companies Law, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. In accordance with the Cayman Companies Law and our Articles of Association, dividends may be declared and paid out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries, particularly those in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

In 2012 and 2013, we did not declare any dividend. In 2014, we declared and paid a dividend of RMB5.0 million on our distributable profits for the year ended 31 December 2013. We have not declared or paid any other dividend since our incorporation. Our future declarations of dividends may or may not reflect our historical or further declarations of dividends. The Company does not have a dividend policy. The Board has the absolute discretion to declare dividends, subject to our Articles of Association, the Cayman Companies Law and PRC laws governing our subsidiaries' ability to declare and pay dividends to us. Any declaration of dividends will depend on our future operations and earnings, capital requirements and surplus, cash flows and general financial conditions, contractual restrictions and other factors that our Directors consider relevant.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS

Based on our unaudited management accounts, our average monthly revenue and average monthly gross profit for the two months ended 31 December 2015 increased as compared with the average monthly revenue and average monthly gross profit for the ten months ended 31 October 2015, respectively. Such increases were primarily attributable to an increase in the sales of Human Albumin Solution and Taurolite in the two months ended 31 December 2015. Furthermore, the depreciation of the RMB against the U.S. dollar, which started in August 2015 and continued in late 2015, caused an increase in our cost of sales. Please see "Summary — Fluctuations in Foreign Exchange Rates" for more details. Our Directors confirm that there had been no material adverse change in our financial, operational or trading position or prospects for the two months ended 31 December 2015. Our Directors further confirm that, save for the one-off listing expenses described under "— Listing Expenses" below, there had been no material adverse change in our financial, operational or trading position or prospects since 31 October 2015, being the date of our latest audited financial results as set out in the Accountants' Report in Appendix I to this prospectus, up to the date of this prospectus. Please refer to the relevant disclosure set out in note III in the Accountants' Report included in Appendix I to this prospectus for events that took place subsequent to 31 October 2015.

LISTING EXPENSES

We incurred listing expenses of RMB10.0 million for the ten months ended 31 October 2015. Based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions and excluding any discretionary incentive fee which may be payable by us, we expect to incur listing expenses of approximately RMB18.1 million and RMB32.0 million (or RMB23.9 million after excluding underwriting commission), of which RMB14.3 million and RMB17.9 million is expected to be recognised as administrative expenses for the year ended 31 December 2015 and the year ending 31 December 2016, respectively. The remaining RMB9.8 million, which is directly attributable to issuing new share, as well as underwriting commission of RMB8.5 million, will be deducted from equity upon the completion of the Global Offering in accordance with IAS 32. We expect that our net profit for the year ending 31 December 2016 will be negatively impacted by these one-off listing expenses.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as at 30 November 2015 and is of the opinion that the value of our property interests as at such date was an aggregate amount of RMB72.6 million. The appraisal did not include certain loft space in our headquarters having an estimated depreciated replacement cost of RMB20.3 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

	RMB'000
Net book value of our buildings as of 31 October 2015	88,802
Less: depreciation	378
Net book value of our buildings as of 30 November 2015	88,424
Impact of the estimated depreciated replacement cost of the loft space	(20,301)
Valuation surplus	4,470
Valuation of property interests as of 30 November 2015 as set out in the property valuation report in Appendix IV	72,593

OUR FUTURE PLANS

See the section headed "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of the Global Offering, after deducting the underwriting commission (not including incentive fees (if any)) and estimated expenses payable by us in relation to the Global Offering in the amount of:

- approximately HK$262.3 million, if the Over-allotment Option is not exercised, or approximately HK$309.1 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$0.80 per Offer Share, being the low-end of the proposed Offer Price range;
- approximately HK$324.8 million, if the Over-allotment Option is not exercised, or approximately HK$381.0 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$0.96 per Offer Share, being the mid-point of the proposed Offer Price range; or
- approximately HK$383.3 million, if the Over-allotment Option is not exercised, or approximately HK$448.3 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$1.11 per Offer Share, being the high-end of the proposed Offer Price range.

We intend to use these net proceeds for the following purposes, assuming an Offer Price of HK$0.96 per Offer Share, being the mid-point of the proposed Offer Price range and assuming no exercise of the Over-allotment Option:

- approximately 45% (approximately HK$146.2 million) will be used for (i) acquisition of sales and distribution rights of new products; and (ii) acquisition of businesses in the pharmaceutical industry with proprietary intellectual property or growth potential (the "**Potential Acquisitions**").

  We plan to focus on pharmaceutical products which require high-technology manufacturing or target diseases with increasing prevalence in China or in a specific region of China, such as plasma-based pharmaceuticals, biopharmaceuticals and stem cell pharmaceuticals. We also intend to focus on therapeutic areas targeting patients who use plasma-based pharmaceuticals to achieve operational synergies. Our selection criteria include: (i) whether the acquisition would enable us to diversify our revenue stream; (ii) whether the acquisition would strengthen our position in the pharmaceutical products market and in the overall field of healthcare; (iii) market share of the pharmaceutical products that we seek to service; (iv) whether the acquisition would enable us to access brand name pharmaceuticals or generic pharmaceuticals with promising growth potentials; (v) research and development capabilities of the potential acquisition targets; and (vi) reputation of the potential acquisition targets in the relevant pharmaceutical products markets.

  As of the Latest Practicable Date, we were not in negotiation with any specific acquisition targets and had not identified any such targets;

- approximately 33% (approximately HK$107.2 million) will be irrevocably used to repay a portion of the outstanding loans and bank trade credits due from the Group as follows: (i) approximately RMB36.0 million of loans due to Bank of Chengdu at fixed rates between 6.0% to 7.5% per annum due between September 2015 to August 2016; and (ii) utilised trade credits of RMB51.5 million granted by China Merchants Bank as at the Latest Practicable Date (together, the "**Repayment of the Outstanding Loans and Banking Facilities**"). We

primarily used the proceeds of these loans in our operations and as general working capital. All of these loans and bank trade credits were guaranteed by Mr. Huang (for details of our outstanding loans and the guarantees, see the sections headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Financial Independence" and "Financial Information — Indebtedness" in this prospectus);

- approximately 14% (approximately HK$45.5 million) will be used to develop our cold chain facility and research and development base located in Sichuan Shuangliu Bonded Area (四川雙流保税區). Our cold chain facility is expected to be one of the largest cold chain facilities in the Southwest China after completion. We will not apply any proceeds from the Global Offering to the development of our cold chain facility and research and development base until we have rectified certain non-compliance incident. See "Business — Non-Compliance Matters" for more details; and
- approximately 8% (approximately HK$26.0 million) will be used for our working capital and other general corporate purposes.

We expect the amount relating to the Repayment of the Outstanding Loans and Bank Facilities upon Listing to be RMB87.5 million which is a fixed amount. In the event that the Offer Price is lower than the mid-point of the proposed Offer Price range, or that more net proceeds (which are denominated in Hong Kong dollars) are needed for the Repayment of the Outstanding Loans and Bank Facilities (which are denominated in RMB) due to a higher exchange rate of Hong Kong dollars against RMB than the one adopted in this prospectus, the allocation of the net proceeds towards working capital and other general corporate purposes will be reduced by an amount required to fulfil the Repayment of the Outstanding Loans and Bank Facilities, while the allocation of the net proceeds towards the other two intended purposes will be adjusted on a pro-rata basis. In the event that the Offer Price is higher than the mid-point of the proposed Offer Price range, the allocation of the net proceeds will be adjusted on a pro-rata basis among the four intended purposes but the additional amount of the net proceeds allocated towards the Repayment of the Outstanding Loans and Bank Facilities would be applied towards the Potential Acquisitions.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a public announcement will be made.

THE CORNERSTONE PLACING

We and the Sole Global Coordinator have entered into cornerstone investment agreements (the "**Cornerstone Agreements**") with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 4,000 Shares) that may be purchased for an aggregate amount of approximately HK$88,860,000 million (the "**Cornerstone Placing**"). Assuming an Offer Price of HK$0.96 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be approximately 92,556,000, representing approximately (i) 23.1% of the Offer Shares initially available under the Global Offering; and (ii) 5.8% of our Company's enlarged share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

To the best knowledge of the Company, save as disclosed below, each of the Cornerstone Investors is an Independent Third Party. Each of the Cornerstone Investors is not a connected person of our Company or the other Cornerstone Investors and is not an existing shareholder of our Company.

Depending on the final Offer Price, details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around Wednesday, 9 March 2016.

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 other fully paid Shares in issue and will be counted towards the public float of our Company. Upon the completion of the Global Offering, the Cornerstone Investors will not have any board representation nor enjoy any special rights in our Company. None of them will become our substantial shareholders. Compared with public holders of Shares, none of the Cornerstone Investors have any preferential rights pursuant to their respective Cornerstone Investment Agreements.

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed "Structure of the Global Offering — The Hong Kong Public Offer" in this prospectus.

OUR CORNERSTONE INVESTORS

A brief description of the Cornerstone Investors is set out below:

Sichuan Huifeng Investment Development Co. Ltd ("Sichuan Huifeng")

We have entered into a cornerstone investment agreement with Sichuan Huifeng in respect of the Cornerstone Placing. The information about Sichuan Huifeng set forth below has been provided by Sichuan Huifeng in connection with the Cornerstone Placing:

Sichuan Huifeng is an investment holding company established in the PRC in June 2003 and is principally engaged in investment and assets management. Sichuan Huifeng is owned by 15 individuals, all of whom are Independent Third Parties.

Sichuan Huifeng is a shareholder of Kelun Pharmaceuticals as to 68.2% and Kelun Pharmaceuticals is one of the Group's top five customers. Please refer to the section headed "Business — Our Services — Channel Management Services — Appointing and Managing Distributors" in this prospectus for details of the relationship between Kelun Pharmaceuticals and our Group. Kelun Pharmaceuticals owned Sichuan Sinco Pharmaceuticals as to 15% prior to completion of the

Reorganisation but ceased to have any interest in the Group upon completion of the Reorganisation. See also "History, Reorganisation and Corporate Structure" and "Financial Information — Indebtedness" for further details.

To the best knowledge of the Company, as at the date of this prospectus, Sichuan Huifeng is independent of the Company, its connected persons and their respective associates.

Sichuan Huifeng has agreed to subscribe for, at Offer Price, such number of International Offer Shares which is equivalent to US$5,000,000, rounded down to the nearest whole board lot of 4,000 Shares. The table below sets out the total number of Shares Sichuan Huifeng would subscribe for in aggregate and the respective approximate percentages it represents of (i) the International Offer Shares; (ii) the Offer Shares; and (iii) the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme).

	Total number of Shares to be subscribed for by Sichuan Huifeng (rounded down to the nearest whole board lot of 4,000 Shares)	**Approximate percentages of the International Offer Shares**	**Approximate percentages of the Offer Shares**	**Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme)**
Assuming an Offer Price of HK$0.80 (being the low-end of the indicative Offer Price range stated in this prospectus)	48,572,000	13.5	12.1	3.0
Assuming an Offer Price of HK$0.96 (being the mid-point of the indicative Offer Price range stated in this prospectus)	40,476,000	11.2	10.1	2.5
Assuming an Offer Price of HK$1.11 (being the high-end of the indicative Offer Price range stated in this prospectus)	35,008,000	9.7	8.8	2.2

Prestigious Leader Limited ("Prestigious Leader")

We have entered into a cornerstone investment agreement with Prestigious Leader in respect of the Cornerstone Placing. The information about Prestigious Leader set forth below has been provided by Prestigious Leader in connection with the Cornerstone Placing:

Prestigious Leader is an investment holding company established in the BVI and is principally engaged in investment holding activities. Prestigious Leader is a wholly-owned subsidiary of China Everbright Limited ("**CEL**") (Hong Kong Stock Exchange: 165). CEL, through its subsidiaries and associates, is principally engaged in the provision of financial services and persistently pursues the cross-border macro asset management strategy, with specific focuses on fund management and investment business, namely, primary market investment, secondary market investment, structured financing and investment, and aircraft leasing.

To the best knowledge of the Company, as at the date of this prospectus, Prestigious Leader is independent of the Company, its connected persons and their respective associates.

Prestigious Leader has agreed to subscribe for, at Offer Price, such number of International Offer Shares which is equivalent to HK$50,000,000, rounded down to the nearest whole board lot of 4,000 Shares. The table below sets out the total number of Shares Prestigious Leader would subscribe for in aggregate and the respective approximate percentages it represents of (i) the International Offer Shares; (ii) the Offer Shares; and (iii) the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme).

	Total number of Shares to be subscribed for by Prestigious Leader (rounded down to the nearest whole board lot of 4,000 Shares)	Approximate percentages of the International Offer Shares	Approximate percentages of the Offer Shares	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme)
Assuming an Offer Price of HK$0.80 (being the low-end of the indicative Offer Price range stated in this prospectus)	62,500,000	17.4	15.6	3.9
Assuming an Offer Price of HK$0.96 (being the mid-point of the indicative Offer Price range stated in this prospectus)	52,080,000	14.5	13.0	3.3
Assuming an Offer Price of HK$1.11 (being the high-end of the indicative Offer Price range stated in this prospectus)	45,044,000	12.5	11.3	2.8

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is conditional upon, among others, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not have been terminated; and

(2) the Listing Committee having granted the listing of, and permission to deal in, the Shares and such approval not having been revoked.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the respective Cornerstone Investment Agreements) any of the Shares subscribed for by it pursuant to the applicable Cornerstone Investment Agreement (or any interests in any Shares or any other securities of the Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation) (together, the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares, nor will it agree or contract to (or enter into any transaction with the same economic effect), or publicly announce any intention to enter into a transaction for the disposal of the Relevant Shares. Each

of the Cornerstone Investors may transfer all or part of the Shares so subscribed to any of its wholly-owned subsidiaries (and in the case of Prestigious Leader to other wholly-owned subsidiaries of CEL), provided that such wholly-owned subsidiary undertakes in writing in favour of the Company and the Sole Global Coordinator that it will, and the Cornerstone Investor undertakes in writing in favour of the Company and the Sole Global Coordinator prior to such transfer to procure that such wholly-owned subsidiary will, abide by the terms and restrictions in the respective Cornerstone Investment Agreements imposed on such Cornerstone Investor as if such wholly-owned subsidiary were itself subject to such terms and restrictions.

HONG KONG UNDERWRITERS

China Merchants Securities (HK) Co., Limited

Convoy Investment Services Limited

RHB Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 26 February 2016. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 40,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered pursuant to the Global Offering as mentioned herein (including any Over-allotment Shares or any Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and 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, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, 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 series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism, outbreak of diseases or epidemics including but not limited to SARS, H5N1, H7N9, MERS and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands or any other jurisdiction relevant to any member of the Group or the Global Offering (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 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 or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), 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 American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Toronto Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or any other relevant stock exchanges; or

(iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authorities in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar against any foreign currencies), or the implementation of any exchange control, in the Relevant Jurisdictions; or

(viii) any adverse change or prospective adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of the Company or any member of the Group (including any litigation or claim of any third party being threatened or instigated against the Company or any member of the Group); or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman or chief executive officer of the Company vacating his or her office; or

(xi) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(xiii) a prohibition on the Company for whatever reason from allotting or selling the Shares (including any Over-allotment Shares) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and

sale of the Shares) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(xvi) any change or prospective change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xvii) an order or petition for the 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 and absolute opinion of the Sole Global Coordinator (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus or (4) has or will or may 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; or

(b) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, post hearing information pack, 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, inaccurate or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, post hearing information pack, 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; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any notices, announcements, post hearing information proof, 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 Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters) in any material respect; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the terms of the Hong Kong Underwriting Agreement; or

(v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or any material litigation or claim of any third party being threatened or instigated against any member of the Group, or performance of the Group as a whole; or

(vi) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued or sold (including any Over-allotment Shares or additional Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules, the Global Offering (including pursuant to the Over-allotment Option), the Reorganisation and pursuant to the Share Option Scheme, no further shares or securities convertible into securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertaking by our Controlling Shareholder(s)

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders, Risun and Mr. Huang, has undertaken to the Hong Kong Stock Exchange, the Sole Global Coordinator, the Sole Bookrunner and us that it will not, save as permitted under the Listing Rules or pursuant to any lending of Shares pursuant to the Stock Borrowing Agreement:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Hong Kong Stock Exchange (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities directly or indirectly beneficially owned by it; and

(b) during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of our Company.

In addition, in accordance to Note 3 to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange, the Sole Global Coordinator and us that, within the First Six-month Period and the Second Six-month Period, it will:

(a) when it pledges or charges any Shares or other securities of our Company in respect of which it is the beneficial owner in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of any such pledge or charge and the number of Shares or other securities of our Company so pledged or charged; and

(b) when it receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform us of any such indication.

We will also, as soon as we have been informed of the above matters (if any) by Risun or Mr. Huang, inform the Hong Kong Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including the Over-allotment Option), the Reorganisation and the issue of Shares pursuant to the terms of the Share Option Scheme, 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 "**Underwriting Six-month Period**"), we have undertaken to each of the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and the Hong Kong Underwriters not to, and to procure each other members of the Group not to, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares or any shares or other securities of such other member of the Group, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares or any shares or other securities of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company or shares on other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the Underwriting Six-month Period expires, the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirements specified in the Listing Rules or such lesser percentage as may be agreed by the Hong Kong Stock Exchange pursuant to a waiver on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters).

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and the Hong Kong Underwriters that, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules or pursuant to any lending of Shares pursuant to the Stock Borrowing Agreement:

(a) it will not, at any time during the First six-month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) it will not, during the period of 12 months commencing on the date on which the Underwriting Six-month Period expires, enter into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company; and

(c) until the expiry of the period referred to in paragraph (b) above, in the event that it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Each of our Controlling Shareholders has further undertaken with each of the Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and the Hong Kong Underwriters that, it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date, immediately inform the Company and the Sole Global Coordinator of:

(a) any pledges or charges of any Shares or other securities of the Company beneficially owned by it, together with the number of Shares or other securities of the Company so pledged or charged and the purpose for which such pledge or charge is to be created; and

(b) any indication received by it, either verbal or written, from the pledgee or chargee of any Shares or other securities of the Company pledged or charged that such Shares or other securities of the Company so pledged or charged will be disposed of.

The Company has agreed and undertaken to the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and each of the Hong Kong Underwriters that upon receiving such information in writing from any of our Controlling Shareholders, it shall, as soon as practicable, notify the Hong Kong Stock Exchange and make a public disclosure in relation to such information in accordance with the Listing Rules, where applicable.

Undertaking by Mr. Liu Sichuan and Wisen

In consideration of our Company, the Sole Global Coordinator and the Hong Kong Underwriters entering into the Hong Kong Underwriting Agreement, our Shareholder, Mr. Liu Sichuan and Wisen Group Holding Limited (the "**Existing Shareholders**"), entered into a deed of lock-up undertaking (the "**Deed of Lock-up Undertaking**"), pursuant to which the Existing Shareholders have undertaken to each of our Company, the Sole Global Coordinator and the Hong Kong Underwriters that, at any time after the Shares are listed on the Main Board of the Hong Kong Stock Exchange up to and including the date falling six months after the Listing Date (the "**Lock-up Period**"), they will not, and will procure that no company controlled by them, or nominee or trustee holding in trust for them, will, without the prior written consent of the Company and the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) offer, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of the Company or any equity securities of the Company or any interest therein acquired prior to the Listing Date (including, but not limited to, any securities which are convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or equity securities or interest therein); 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 of the share capital of the Company or any equity securities of the Company or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a), (b) or (c) above, whether any of the foregoing transactions described in paragraphs (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

The above undertaking does not prevent the Existing Shareholders from transferring or otherwise dealing with the share capital of the Company or any equity securities of the Company or any interest therein during the Lock-up Period in the following circumstances:

(a) as security (including a charge, pledge or mortgage) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan to the Shareholder or its affiliates; or

(b) to any affiliate of the Shareholder, provided that, for the purposes of paragraph (b) above, it shall be a condition to such transfer that the transferee shall execute an agreement stating that the transferee is subject to the provisions of the Deed of Lock-up Undertaking and there shall be no further transfer of such securities except in accordance with the Deed of Lock-up Undertaking.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, 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.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 60,000,000 Over-allotment Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.5% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. 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 Sole Global Coordinator and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, the Company may, in its sole discretion, pay certain Underwriters an incentive fee of up to 1.5% of the Offer Price per Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$0.96 per Share (being the mid-point of the indicative Offer Price range of HK$0.80 to HK$1.11 per Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our

Company relating to the Global Offering are estimated to be approximately HK$59.2 million in total (excluding any discretionary incentive fee).

Indemnity

We have agreed to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for China Merchants Securities (HK) Co., Limited, as the Stabilising Manager, its affiliates 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 stabilising 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
- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described in the sections headed "Structure of the Global Offering — The International Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilisation". These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfiling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Sole Global Coordinator, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Sole Global Coordinator, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Share Over-Allotment and Stabilisation

For details of the arrangements relating to the Over-allotment Option and stabilisation, see the section headed "Structure of the Global Offering — Stabilisation".

Sole Sponsor's Independence

The Sole Sponsor 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:

(i) the Hong Kong Public Offering of 40,000,000 Offer Shares in Hong Kong as described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering" of this prospectus; and

(ii) the International Offering of an aggregate of initially 360,000,000 Offer Shares (subject to reallocation and the Over-allotment Option), to be offered outside the United States in reliance on Regulation S or another exemption from, or in transaction not subject to, the registration requirements of the U.S. Securities Act as described in the section entitled "Structure of the Global Offering".

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 25% 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 our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph 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 "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation and clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 40,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent 10% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised and assuming no adjustment of the number of shares between the Hong Kong Public Offering and the International Offering. 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 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 Offer Shares initially 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: 20,000,000 Offer Shares for pool A and 20,000,000 Offer Shares for pool B.

- Pool A: the Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less.
- Pool B: the Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and 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 Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of 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 20,000,000 Offer Shares are liable to be rejected.

Reallocation and clawback

Paragraph 4.2 of the Practise Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of 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 the Offer Shares available under the Hong Kong Public Offering will be 120,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of 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 the Offer Shares available under the Hong Kong Public Offering will be 160,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of 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 the Offer Shares available under the Hong Kong Public Offering will be 200,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global 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 Sole

Global Coordinator. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Sole Global Coordinator have the authority to reallocate any unsubscribed Offer Shares from such offering to the other, in such proportions as the Sole Global Coordinator deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International 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 listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.11 per Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing of the Global Offering" below, is less than the maximum price of HK$1.11 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and 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 entitled "How to Apply for the Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 360,000,000 Offer Shares representing 90% of the Offer Shares under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. 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. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section entitled "— Pricing of the Global Offering" 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 Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer 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 our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Sole Global Coordinator have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 60,000,000 Over-allotment Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the Over-allotment Shares will represent approximately 3.61% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "— Over-allotment Option" below. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the 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 and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be issued under the Over-allotment Option, namely, 60,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilising) Rules include:

(a) over-allocation for the purpose of preventing or minimising any reduction in the market price;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;

(c) purchasing or subscribing, or agreeing to purchase or subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price;

(e) selling the Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilising Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilising action by the Stabilising Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on 2 April 2016. As a result, demand for the Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by the Stabilising Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 60,000,000 Shares from Risun pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICING OF THE GLOBAL OFFERING

The International Underwriters 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 Thursday, 3 March 2016, and in any event on or before Tuesday, 8 March 2016, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.11 per Share and is expected to be not less than HK$0.80 per 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 Sole Global Coordinator, 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 offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company 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 in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.sinco-pharm.com**) notices of the reduction. Upon the issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters, and our Company, will be fixed within such revised offer price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction. **If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.** In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Sole Global Coordinator, for themselves and on behalf of the Underwriters, and our Company will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions (not including the incentive fees (if any)) and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be

approximately HK$262.3 million, assuming an Offer Price per Share of HK$0.80, or approximately HK$383.3 million, assuming an Offer Price per Share of HK$1.11 (or if the Over-allotment Option is exercised in full, approximately HK$309.1 million, assuming an Offer Price per Share of HK$0.80, or approximately HK$448.3 million, assuming an Offer Price per Share of HK$1.11).

The Offer Price for Shares under the Global Offering is expected to be announced on Wednesday, 9 March 2016. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, 9 March 2016 in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.sinco-pharm.com**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section entitled "Underwriting".

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

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 its 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. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for the Hong Kong Offer Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 9 March 2016 but will only become valid certificates of title at 8:00 a.m. on Thursday, 10 March 2016 provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" has not been exercised.

SHARES WILL BE ELIGIBLE OF CCASS

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

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or 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.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 10 March 2016, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, 10 March 2016. Our Shares will be traded in board lots of 4,000 Shares each and the stock code of our Shares will be 6833.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the White Form eIPO service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 29 February 2016 to 12:00 noon on Thursday, 3 March 2016 from:

(i) the following office of the Hong Kong Underwriters:

China Merchants Securities (HK) Co., Limited
48/F One Exchange Square
Central
Hong Kong

Convoy Investment Services Limited
Room C, 24/F
@CONVOY
169 Electric Road
North Point
Hong Kong

RHB Securities Hong Kong Limited
12/F, World-Wide House
19 Des Voeux Road, Central
Hong Kong

(ii) any of the branches of the following receiving bank:

Wing Lung Bank Limited

	Branch	Address
Hong Kong Island ...	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Lam Tin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
	San Po Kong Branch	8 Shung Ling Street
New Territories.....	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 29 February 2016 until 12:00 noon on Thursday, 3 March 2016 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Wing Lung Bank (Nominees) Limited — Sinco Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 29 February 2016 — 9:00 a.m. to 5:00 p.m.
Tuesday, 1 March 2016 — 9:00 a.m. to 5:00 p.m.
Wednesday, 2 March 2016 — 9:00 a.m. to 5:00 p.m.
Thursday, 3 March 2016 — 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, 3 March 2016, the last application day or such later time as described in "— Effect of Bad Weather on the Opening of the Application Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in the prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Terms and Conditions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "— Who can apply" may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 29 February 2016 until 11:30 a.m. on Thursday, 3 March 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 March 2016 or such later time under the "— 10. Effect of Bad Weather on the Opening of the Application Lists".

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "Sinco Pharmaceuticals Holdings Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of Dong Jiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the general rules of CCASS and the CCASS operational procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the general rules of CCASS and the CCASS operational procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.
- agree with the Company, for itself and for the benefit of each Shareholder and each Director, manager and other senior officer of the Company (and so that the 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 the Company and each director, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):
  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the 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;
- agree with the Company (for the Company itself and for the benefit of each Shareholder) that Shares in the Company are freely transferable by their holders; and
- authorise the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the 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 the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, 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 maximum Offer Price per Offer Share initially paid on

application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, 29 February 2016 — 9:00 a.m. to 8:30 p.m.(1)
Tuesday, 1 March 2016 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 2 March 2016 — 8:00 a.m. to 8:30 p.m.(1)
Thursday, 3 March 2016 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 29 February 2016 until 12:00 noon on Thursday, 3 March 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 3 March 2016, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists".

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 3 March 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the 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).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 March 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 March 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 9 March 2016 in South China Morning Post (in English), Hong Kong Economic Journal (in Chinese) and on the Company's website at **www.sinco-pharm.com** 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:

- in the announcement to be posted on the Company's website at **www.sinco-pharm.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 9 March 2016;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 9 March 2016 to 12:00 midnight on Tuesday, 15 March 2016;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 9 March 2016 to Saturday, 12 March 2016;
- in the special allocation results booklets which will be available for inspection during opening hours on Wednesday, 9 March 2016, Thursday, 10 March 2016 and Friday, 11 March 2016 at the designated receiving bank branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe(s) that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 9 March 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below). No temporary document of title will be issued in respect of the Shares.

No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your bank may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 9 March 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 10 March 2016 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 March 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 9 March 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 9 March 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 9 March 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 March 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 March 2016, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/ e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 9 March 2016 by ordinary post at your own risk. If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions.

If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 9 March 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— Publication of Results" above on Wednesday, 9 March 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 March 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 9 March 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly or partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 9 March 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 February 2016

The Directors
Sinco Pharmaceuticals Holdings Limited
China Merchants Securities (HK) Co., Limited

Dear Sirs,

We set out below our report on the financial information of Sinco Pharmaceuticals Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as of 31 December 2012, 2013 and 2014 and 31 October 2015, and the statement of financial position of the Company as of 31 October 2015, together with the notes thereto (the "Financial Information"), and the comparative consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the ten months ended 31 October 2014 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 29 February 2016 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 March 2015. Pursuant to a group reorganisation as set out in the paragraph headed "History, Reorganisation and Corporate Structure" in the Prospectus (the "Reorganisation"), which was completed on 28 May 2015, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As of the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as of 31 December 2012, 2013 and 2014 and 31 October 2015, and of the state of affairs of the Company as of 31 October 2015, and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December			Ten months ended 31 October	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	4	26,166	532,480	950,079	718,418	850,795
Cost of sales		(22,934)	(471,361)	(820,309)	(618,376)	(737,381)
Gross profit		3,232	61,119	129,770	100,042	113,414
Other income and gains	5	215	4,920	2,295	781	534
Selling and distribution expenses		(225)	(2,358)	(6,792)	(3,944)	(4,186)
Administrative expenses		(2,673)	(9,866)	(17,520)	(13,948)	(29,838)
Other expenses		(20)	(1,834)	(7,715)	(8,858)	(10,471)
Finance costs	6	–	(1,062)	(6,226)	(4,906)	(6,054)
PROFIT BEFORE TAX	7	529	50,919	93,812	69,167	63,399
Income tax expense	9	(253)	(7,932)	(13,683)	(10,451)	(12,321)
PROFIT FOR THE YEAR/ PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		276	42,987	80,129	58,716	51,078
ATTRIBUTABLE TO:						
Owners of the parent		138	36,539	69,367	50,642	51,080
Non-controlling interests		138	6,448	10,762	8,074	(2)
		276	42,987	80,129	58,716	51,078
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	10	0.000	0.030	0.058	0.042	0.043

Consolidated statements of financial position

	Notes	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 October 2015 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	9,837	58,844	100,094	98,062
Intangible assets	13	–	–	–	41,219
Payments in advance	14	–	39,808	48,028	66,610
Goodwill	15	–	–	–	35,526
Deposits	16	–	5,000	5,000	3,000
Total non-current assets		9,837	103,652	153,122	244,417
CURRENT ASSETS					
Inventories	18	–	149,085	100,676	81,608
Trade and bills receivables	19	–	8,932	36,916	500
Prepayments, deposits and other receivables	16	82,860	59,319	30,224	32,836
Due from related parties	20	–	11,402	50,060	–
Pledged bank balances	21	3,390	16,604	11,936	16,677
Cash and cash equivalents	21	26,679	27,851	58,280	42,013
Total current assets		112,929	273,193	288,092	173,634
CURRENT LIABILITIES					
Trade payables	22	–	7,546	18,637	34,885
Advances from customers		46,572	214,149	128,450	46,663
Other payables	23	34,472	36,567	73,047	64,473
Interest-bearing bank loans	24	–	51,515	91,788	92,806
Due to a related party	20	36,400	11,400	227	–
Tax payable		253	7,312	5,580	4,033
Total current liabilities		117,697	328,489	317,729	242,860
NET CURRENT LIABILITIES		(4,768)	(55,296)	(29,637)	(69,226)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,069	48,356	123,485	175,191
Net assets		5,069	48,356	123,485	175,191
EQUITY					
Equity attributable to owners of the parent					
Issued capital	25	–	–	–	95
Reserves	26	4,308	40,847	105,214	174,799
		4,308	40,847	105,214	174,894
Non-controlling interests	28	761	7,509	18,271	297
Total equity		5,069	48,356	123,485	175,191

Consolidated statements of changes in equity

	Attributable to owners of the parent								
	Issued capital	Share premium account	Contributed surplus	Statutory reserve	Retained earnings/ (accumulated losses)	Changes in non-controlling interests	Total	Non-controlling interests	Total equity
	RMB'000 (note 25)	RMB'000 (note 26(a))	RMB'000 (note 26(b))	RMB'000 (note 26(c))	RMB'000	RMB'000	RMB'000	RMB'000 (note 28)	RMB'000
At 1 January 2012	–	–	1,000	–	(122)	–	878	325	1,203
Profit and total comprehensive income for the year	–	–	–	–	138	–	138	138	276
Transfer from retained earnings	–	–	–	28	(28)	–	–	–	–
Capital contribution from the then shareholder of a subsidiary (note 29(a))	–	–	4,000	–	–	–	4,000	–	4,000
Acquisition of non-controlling interests (note 29(b))	–	–	–	–	–	(128)	(128)	(282)	(410)
Disposal of equity interest of a subsidiary to a non-controlling shareholder (note 29(c))	–	–	(750)	–	–	170	(580)	580	–
At 31 December 2012 and 1 January 2013	–	–*	4,250*	28*	(12)*	42*	4,308	761	5,069
Profit and total comprehensive income for the year	–	–	–	–	36,539	–	36,539	6,448	42,987
Transfer from retained earnings	–	–	–	4,299	(4,299)	–	–	–	–
Capital contribution from a non-controlling interest arising from establishment of a subsidiary	–	–	–	–	–	–	–	300	300
At 31 December 2013 and 1 January 2014	–	–*	4,250*	4,327*	32,228*	42*	40,847	7,509	48,356
Profit and total comprehensive income for the year	–	–	–	–	69,367	–	69,367	10,762	80,129
Transfer from retained earnings	–	–	–	6,763	(6,763)	–	–	–	–
Dividend declared by a subsidiary to the then shareholders	–	–	–	–	(5,000)	–	(5,000)	–	(5,000)
At 31 December 2014 and 1 January 2015	–	–*	4,250*	11,090*	89,832*	42*	105,214	18,271	123,485
Profit and total comprehensive income for the period	–	–	–	–	51,080	–	51,080	(2)	51,078
Issue of shares	95	14,533	–	–	–	–	14,628	–	14,628
Acquisition of non-controlling interests (note 29(d))	–	–	–	–	–	3,972	3,972	(17,972)	(14,000)
At 31 October 2015	95	14,533*	4,250*	11,090*	140,912*	4,014*	174,894	297	175,191

	Attributable to owners of the parent								
	Issued capital	Share premium account	Contributed surplus	Statutory reserve	Retained earnings/ (accumulated losses)	Changes in non-controlling interests	Total	Non-controlling interests	Total equity
	RMB'000 (note 25)	RMB'000 (note 26(a))	RMB'000 (note 26(b))	RMB'000 (note 26(c))	RMB'000	RMB'000	RMB'000	RMB'000 (note 28)	RMB'000
(Unaudited)									
At 1 January 2014	–	–	4,250	4,327	32,228	42	40,847	7,509	48,356
Profit and total comprehensive income for the period	–	–	–	–	50,642	–	50,642	8,074	58,716
Dividend declared by a subsidiary to the then shareholders	–	–	–	–	(5,000)	–	(5,000)	–	(5,000)
At 31 October 2014	–	–	4,250	4,327	77,870	42	86,489	15,583	102,072

* These reserve accounts comprise the consolidated reserves in the consolidated statements of financial position.

Consolidated statements of cash flows

	Notes	Year ended 31 December			Ten months ended 31 October	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		529	50,919	93,812	69,167	63,399
Adjustments for:						
Depreciation	7	195	1,006	1,878	1,285	4,045
Amortisation of intangible assets	7	–	–	–	–	4,204
Unrealised foreign exchange (gain)/loss		–	(555)	3,145	2,669	4,679
Loss on disposal of items of property, plant and equipment	7	–	–	6	6	–
Finance costs	6	–	1,062	6,226	4,906	6,054
Bank interest income	5	(18)	(336)	(1,402)	(761)	(313)
		706	52,096	103,665	77,272	82,068
Decrease/(increase) in trade and bills receivables		–	(8,932)	(27,984)	(18,988)	36,416
Decrease/(increase) in prepayments, deposits and other receivables		(79,579)	18,541	29,572	(10,236)	(612)
Decrease/(increase) in inventories		–	(149,085)	48,409	19,357	19,068
Decrease/(increase) in amounts due from related parties		667	(11,402)	(38,658)	(42,906)	–
Increase in trade payables		–	7,546	11,091	27,487	16,248
Increase/(decrease) in other payables		32,327	2,095	26,754	18,174	(32,355)
Increase/(decrease) in advances from customers		44,972	167,577	(85,699)	(27,404)	(81,787)
Cash generated from/(used in) operations		(907)	78,436	67,150	42,756	39,046
Interest received		18	336	1,402	761	313
Tax paid		–	(873)	(15,415)	(15,415)	(13,868)
Net cash flows from/(used in) operating activities		(889)	77,899	53,137	28,102	25,491
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	30	(9,596)	(50,013)	(33,447)	(20,071)	(8,245)
Purchase of intangible assets	30	–	–	–	–	(20)
Decrease/(increase) in payments in advance		–	(39,808)	(8,220)	1,443	(18,582)
Acquisition of subsidiaries	27	–	–	–	–	(5,000)
Acquisition of non-controlling interests of a subsidiary from then shareholders	29(d)	–	–	–	–	(14,000)
Proceeds from disposal of items of property, plant and equipment		–	–	39	39	–
Net cash flows used in investing activities		(9,596)	(89,821)	(41,628)	(18,589)	(45,847)

	Notes	Year ended 31 December			Ten months ended 31 October	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from the then shareholder of a subsidiary	29(a)	4,000	–	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary		–	300	–	–	–
Dividend paid		–	–	(5,000)	(5,000)	–
Interest paid		–	(1,062)	(6,703)	(5,481)	(6,054)
Proceeds from bank loans		–	122,011	414,695	323,102	189,924
Repayment of bank loans		–	(70,002)	(377,518)	(255,381)	(192,914)
Advance from a related party		36,400	–	–	249	25,633
Payment to a related party		–	(25,000)	(11,173)	–	(6,685)
Net cash flows from financing activities		40,400	26,247	14,301	57,489	9,904
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29,915	14,325	25,810	67,002	(10,452)
Effect of foreign exchange rate changes, net		–	61	(49)	(390)	(1,074)
Cash and cash equivalents at beginning of year/period		154	30,069	44,455	44,455	70,216
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		30,069	44,455	70,216	111,067	58,690
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the statements of financial position		26,679	27,851	58,280	34,063	42,013
Time deposits with original maturity of less than three months when acquired, pledged as security for issuance of letters of credit		3,390	16,604	11,936	77,004	16,677
Cash and cash equivalents as stated in the statements of cash flows		30,069	44,455	70,216	111,067	58,690

Statement of financial position of the Company

	Notes	31 October 2015 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	17	306
CURRENT ASSET		
Amount due from a subsidiary	17	14,625
NET CURRENT ASSET		14,625
TOTAL ASSETS LESS CURRENT LIABILITIES		14,931
Net assets		14,931
EQUITY		
Issued capital	25	95
Reserves	26	14,836
Total equity		14,931

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 16 March 2015 as an exempted company with limited liability. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 4408A, 44/F, Cosco Tower, 183 Queen's Road Central, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in marketing, promotion and channel management services for improved human plasma-based pharmaceutical, antibiotics and other pharmaceuticals focus on therapeutic areas complementary to human plasma-based products and other fast-growing categories in Mainland China.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

In the opinion of the Directors, Risun Investments Limited ("Risun"), a company incorporated in the British Virgin Islands ("BVI") is the holding company of the Company. As of the date of this report, Mr. Huang Xiangbin holds a 100% equity interest in Risun. Vast Surplus Corporation Limited ("Vast"), a company controlled by Mr. Huang Xiangbin, is not part of the Group as Vast was not engaged and will not be engaged in the Group's principal activities.

As of the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Date and place of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Starwell Group Holding Limited[(a)]	26 November 2013 BVI	US$50,000	100	–	Investment holding
Hong Kong Prosperous Group Holding Limited[(b)]	20 December 2013 Hong Kong	HK$100	–	100	Sale of pharmaceutical products
Sichuan Sinco Pharmaceuticals Co., Ltd.*[(c)] 四川興科蓉藥業有限責任公司	1 April 2011 Mainland China	RMB5,000,000	–	100	Sale of pharmaceutical products
Sichuan Sinco Biotechnology Co., Ltd.*[(c)] 四川興科蓉生物科技有限公司	25 November 2013 Mainland China	RMB1,000,000	–	70	Research and development on pharmaceutical products
Chengdu Sinco Pharmaceutical Technology Co., Ltd.*[(c)] 成都興科蓉醫藥技術有限公司	26 February 2014 Mainland China	RMB2,000,000	–	100	Providing warehouse facilities for pharmaceutical products

Name	Date and place of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Chengdu Hengsheng Ziguang Pharmaceutical Technology Co., Ltd.*[(d)] 成都恒盛紫光醫藥技術有限責任公司	4 March 2015 Mainland China	RMB100,000	–	100	Consultation on medical and biological technology
Xizang Linzhi Ziguang Pharmaceutical Co., Ltd.*[(e)] 西藏林芝紫光藥業有限責任公司	17 November 2014 Mainland China	RMB10,000,000	–	100	Sale of pharmaceutical products

Notes:

(a) No audited financial statements have been prepared for Starwell Group Holding Limited ("Starwell") for the years ended 31 December 2012, 2013 and 2014 as the entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) The statutory financial statements of Hong Kong Prosperous Group Holding Limited ("Hong Kong Prosperous") for the period from 20 December 2013 (the date of incorporation) to 31 December 2014 were audited by Ernst & Young, Hong Kong.

(c) Sichuan Sinco Pharmaceuticals Co., Ltd. ("Sichuan Sinco Pharmaceuticals") was registered as a foreign investment enterprise on 13 October 2014 under the PRC Law. The statutory financial statements for the years ended 31 December 2012, 2013 and 2014 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Sichuan Jindian Certified Public Accountants (四川金典會計師事務所), certified public accountants registered in the PRC.

The statutory financial statements of Sichuan Sinco Biotechnology Co., Ltd. for the period from 25 November 2013 (the date of registration) to 31 December 2013 and the year ended 31 December 2014 prepared under PRC GAAP were audited by Sichuan Jindian Certified Public Accountants (四川金典會計師事務所), certified public accountants registered in the PRC.

The statutory financial statements of Chengdu Sinco Pharmaceutical Technology Co., Ltd. for the period from 26 February 2014 (the date of registration) to 31 December 2014 prepared under PRC GAAP were audited by Sichuan Jindian Certified Public Accountants (四川金典會計師事務所), certified public accountants registered in the PRC.

(d) No audited financial statements have been prepared as Chengdu Hengsheng Ziguang Pharmaceutical Technology Co., Ltd. was newly incorporated on 4 March 2015.

(e) The statutory financial statements of Xizang Linzhi Ziguang Pharmaceutical Co., Ltd. ("Linzhi Ziguang") for the period from 17 November 2014 (the date of registration) to 31 December 2014 prepared under PRC GAAP were audited by Beijing Derun Certified Public Accountants (北京德潤會計師事務所), certified public accountants registered in the PRC.

* The English names of the subsidiaries registered in the People's Republic of China ("PRC") represent the best effort made by management of the Company to translate their Chinese names as they do not have official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 May 2015. The Reorganisation involved companies under common control and did not form a business combination and accordingly, for the purpose of this report, the Financial Information and the Interim Comparative Information have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the date when the subsidiaries first came under the common control. The consolidated statements of financial position of the Group as of 31 December 2012, 2013 and 2014 and 31 October 2015 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Disclosure Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

4 Effective for annual periods beginning on or after 1 January 2019

5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

6 No mandatory effective date yet determined

Further information about these changes, which are expected to be applicable to the Group, is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 *Property, Plant and Equipment*. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

In January 2016, the IASB published Amendments to IAS 7. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are not expected to have any significant impact on the financial position or performance of the Group upon adoption on 1 January 2017.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going concern

As of 31 December 2012, 2013 and 2014 and 31 October 2015, the Group's current liabilities exceeded its current assets by approximately RMB4,768,000, RMB55,296,000, RMB29,637,000 and RMB69,226,000, respectively. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Based on a detailed review of the working capital forecast of the Group, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail or defer its expansion plans based on the availability of sufficient funds.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The Financial Information does not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

	Useful lives
Leasehold land and buildings	34–60 years
Office equipment	3–5 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Exclusive distribution rights	9 years
Software	5 years

Operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating lease are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance amount. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank loans and amounts due to a related party.

Subsequent measurement

After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the subsidiaries in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China in which they operate. These subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred.

Foreign currencies

This Financial Information is presented in RMB, which is the functional and presentation currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3.3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of 31 October 2015 was RMB35,526,000. Further details are given in note 15 to the Financial Information.

(b) Impairment of receivables

Impairment of receivables is estimated based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the Relevant Periods.

(c) PRC corporate income tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to PRC CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for PRC CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expense and tax provision in the period in which the differences realise. The carrying amounts of PRC CIT payable as of 31 December 2012, 2013 and 2014 and 31 October 2015 were RMB253,000, RMB7,312,000, RMB5,580,000 and RMB4,033,000, respectively.

(d) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The useful lives of property, plant and equipment are disclosed in note 3.2 to the Financial Information.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amounts of inventories as of 31 December 2012, 2013 and 2014 and 31 October 2015 were nil, RMB149,085,000, RMB100,676,000 and RMB81,608,000, respectively.

(f) Research expenses

Research expenses are expensed in accordance with the accounting policy for research and development costs in note 3.2 to the Financial Information. Determining the amounts to be expensed requires management to make judgements on the research and development progress. Research costs charged to profit or loss for the three years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015 were nil, RMB770,000, RMB1,725,000 and RMB2,028,000, respectively.

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to consolidated results are mainly derived from its sales of human albumin solution, antibiotics and other pharmaceutical products focus on therapeutic areas complementary to human plasma-based products and other fast-growing categories in Mainland China, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal non-current assets employed by the Group are located in Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the Relevant Periods:

	Year ended 31 December						Ten months ended 31 October			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Sales of goods:										
Human albumin solution	–	–	251,216	47.2	628,575	66.2	468,190	65.2	551,878	64.9
Antibiotics (Axetine and Medocef)	26,166	100.0	281,264	52.8	307,073	32.3	244,987	34.1	246,984	29.0
Others (Taurolite, TAD and Esafosfina)	–	–	–	–	14,431	1.5	5,241	0.7	51,933	6.1
	26,166	100.0	532,480	100.0	950,079	100.0	718,418	100.0	850,795	100.0

Geographical information

All external revenue of the Group during the Relevant Periods was attributable to customers located in Mainland China, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in Mainland China.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	–	97,709	181,201	124,311	153,734
Customer B	–	60,312	200,640	159,978	191,834
Customer C	11,893	54,367	*	*	*
Customer D	6,844	*	–	–	–
Customer E	–	*	101,740	72,035	*

* Less than 10%

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Bank interest income	18	336	1,402	761	313
Foreign exchange gains, net	197	3,971	–	–	–
Government grants*	–	500	870	–	200
Others	–	113	23	20	21
	215	4,920	2,295	781	534

* Government grants have been received from Chengdu Hi-tech District Science and Technology Bureau, for the Group's research and development of a Chinese medical drug for the treatment of leukemia. There were no unfulfilled conditions or contingencies relating to these government grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank loans wholly repayable within five years	–	615	5,995	4,729	4,733
Interest on discounted bills receivable	–	447	231	177	1,321
	–	1,062	6,226	4,906	6,054

7. PROFIT BEFORE TAX

The Group's profit before tax for the Relevant Periods is arrived at after charging/(crediting):

		Year ended 31 December			Ten months ended 31 October	
		2012	2013	2014	2014	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold*		22,934	471,361	820,309	618,376	737,381
Employee benefit expense (including Directors' remuneration as set out in note 8):						
Wages and salaries		733	2,132	4,647	3,705	5,365
Welfare and other benefits		129	299	579	461	501
Pension scheme contributions						
– Defined contribution fund		132	414	707	578	809
Housing fund						
– Defined contribution fund		5	122	266	218	369
Total employee benefit expense		999	2,967	6,199	4,962	7,044
Depreciation of items of property, plant and equipment	12	195	1,006	1,878	1,285	4,045
Amortisation of intangible assets*	13	–	–	–	–	4,204
Research expenses		–	770	1,725	1,388	2,028
Minimum lease payments under operating leases in respect of office		–	–	748	452	759
Foreign exchange losses/(gains), net		(197)	(3,971)	5,647	7,077	8,801
Loss on disposal of items of property, plant and equipment		–	–	6	6	–
Auditors' remuneration		2	17	75	–	–

* The amortisation of intangible assets for the ten months ended 31 October 2015 of RMB4,203,000 (note 13) is included in "Cost of sales" in profit or loss.

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	148
Pension scheme contributions	–	–	–	–	37
	–	–	–	–	185

Independent non-executive Directors

The fees paid to independent non-executive Directors during the Relevant Periods were as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Mr. Chow Siu Lui	–	–	–	–	–
Mr. Liu Wenfang	–	–	–	–	–
Mr. Wang Qing	–	–	–	–	–
	–	–	–	–	–

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

Executive Directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012					
Executive Directors:					
– Mr. Huang Xiangbin*	–	–	–	–	–
– Ms. Zhang Zhijie	–	–	–	–	–
	–	–	–	–	–

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013					
Executive Directors:					
– Mr. Huang Xiangbin*	–	–	–	–	–
– Ms. Zhang Zhijie	–	–	–	–	–
	–	–	–	–	–
Year ended 31 December 2014					
Executive Directors:					
– Mr. Huang Xiangbin*	–	–	–	–	–
– Ms. Zhang Zhijie	–	–	–	–	–
	–	–	–	–	–
Ten months ended 31 October 2015					
Executive Directors:					
– Mr. Huang Xiangbin*	–	148	–	37	185
– Ms. Zhang Zhijie	–	–	–	–	–
	–	148	–	37	185
Unaudited					
Ten months ended 31 October 2014					
Executive Directors:					
– Mr. Huang Xiangbin*	–	–	–	–	–
– Ms. Zhang Zhijie	–	–	–	–	–
	–	–	–	–	–

* Mr. Huang Xiangbin who acts as an executive Director of the Company is also the chief executive officer of the Company.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the Relevant Periods.

The Company did not have any chief executive, executive Directors, non-executive Directors and independent non-executive Directors until the date of incorporation, 16 March 2015.

Certain Director received remuneration from the subsidiaries now comprising the Group for his appointment as a Director of these subsidiaries. The remuneration of this Director as recorded in the financial statements of the subsidiaries is set out below:

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension Scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012					
– Mr. Huang Xiangbin	–	79	–	22	101
Year ended 31 December 2013					
– Mr. Huang Xiangbin	–	1,414	–	50	1,464
Year ended 31 December 2014					
– Mr. Huang Xiangbin	–	243	–	59	302
During the period from 1 January 2015 to 16 March 2015					
– Mr. Huang Xiangbin	–	50	–	12	62

Five highest paid employees

The five highest paid employees during the Relevant Periods included one Director, details of whose remuneration are set out above. Details of the remuneration during the Relevant Periods of the remaining four highest paid employees who are non-Director, highest paid employees are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	172	836	950	785	813
Pension scheme contributions	40	113	176	179	185
	212	949	1,126	964	998

The number of non-Director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
				(Unaudited)	
Nil to HK$1,000,000	4	4	4	4	4

During the Relevant Periods, no emoluments were paid by the Group to the Director and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

Hong Kong profit tax rate is 16.5% of the Group's assembled profit derived from Hong Kong. The Group had such profit during the ten months ended 31 October 2015 and therefore provision for Hong Kong profits tax has been made accordingly.

The provision for PRC CIT is based on the respective PRC CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of Mainland China for the year. Except for certain subsidiaries domiciled in the PRC (the "PRC subsidiaries") that are entitled to a preferential income tax rate, the PRC subsidiaries are subject to the PRC CIT rate of 25% during the Relevant Periods.

The major components of income tax expense are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax:					
Income tax in Mainland China for the year/period	253	7,932	13,683	10,451	9,291
Income tax in Hong Kong for the year/period	–	–	–	–	3,030
Charge for the year/period	253	7,932	13,683	10,451	12,321

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rate for companies within the Group to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	529	50,919	93,812	69,167	63,399
Tax at the respective statutory tax rates:					
– PRC subsidiaries, at 25% (note (a))	132	12,730	23,453	17,292	13,715
– Hong Kong subsidiary, at 16.5%	–	–	–	–	1,409
Lower tax rate for certain subsidiaries	–	(5,092)	(9,374)	(6,917)	(5,480)
Expenses not deductible for tax	121	294	202	76	2,677
Income not subject to tax	–	–	(598)	–	–
	253	7,932	13,683	10,451	12,321

Notes:

(a) The Directors of the Company considered it was more likely than not for Sichuan Sinco Pharmaceuticals to obtain the approval for the preferential tax rate of 15% for the year ended 31 December 2013. On 16 June 2014, Sichuan Sinco Pharmaceuticals obtained the approval from the tax bureau of Chengdu Hi-tech District, pursuant to which Sichuan Sinco Pharmaceuticals was entitled to a preferential tax rate of 15% since 2013 according to the "Western Development Policy" as it is engaged in the encouraged industries for the domestic entity listed in the catalogue of the encouraged industries in the western region of China.

Sichuan Sinco Pharmaceuticals changed its legal status as a foreign investment enterprise upon the issuance of new business license on 13 October 2014 and therefore a new application is required in respect of the 15% preferential tax rate for the year ended 31 December 2014. The Directors of the Company considered it was more likely than not for Sichuan Sinco Pharmaceuticals to obtain the approval for the preferential tax rate of 15% for the year ended 31 December 2014. On 22 May 2015, Sichuan Sinco Pharmaceuticals obtained the approval from the tax bureau of Chengdu Hi-tech District, pursuant to which Sichuan Sinco Pharmaceuticals is entitled to a preferential tax rate of 15% according to the "Western Development Policy" as it is engaged in the encouraged industries for the foreign investment enterprise listed in the catalogue of the encouraged industries for the year ended 31 December 2014 and the year ending 31 December 2015.

From year 2015 to year 2017, the income tax rate of Tibet Autonomous Region will change from 15% to 9%. Accordingly, Linzhi Ziguang is entitled to the 9% preferential tax rate for the ten months ended 31 October 2015.

(b) Pursuant to the income tax rules and regulations of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement has been effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The withholding tax rate for the Group is 10%.

As of 31 December 2014 and 31 October 2015, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the Directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future after their assessment based on factors which included the dividend policy, the level of working capital required for the Group's operation and the expansion of the Group's operation in Mainland China. The aggregate amount of temporary differences as of 31 December 2014 and 31 October 2015 associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately RMB103,721,000 and RMB153,109,000, respectively.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to owners of the Company for each of the Relevant Periods and on the assumption that 1,200,000,000 shares, representing the number of shares of the Company immediately after the Reorganisation as described in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus but excluding any shares to be issued pursuant to the public offering, had been in issue throughout the Relevant Periods.

No adjustment has been made to the basic earnings per share for any of the Relevant Periods as no diluting events occurred during the Relevant Periods.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for three years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2014 was generated by subsidiaries now comprising the Group.

The consolidated profit attributable to owners of the parent for the ten months ended 31 October 2015 includes a profit of RMB303,000 which has been dealt with in the financial information of the Company (note 26).

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Office equipment	Motor vehicles	Construction in progress ("CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2012	–	17	–	–	17
Additions	8,144	681	1,190	–	10,015
At 31 December 2012 and 1 January 2013	8,144	698	1,190	–	10,032
Additions	256	178	1,160	48,419	50,013
At 31 December 2013 and 1 January 2014	8,400	876	2,350	48,419	60,045
Additions	11,335	2,533	6,042	23,263	43,173
Transferred from CIP	71,682	–	–	(71,682)	–
Disposals	–	–	(80)	–	(80)
At 31 December 2014 and 1 January 2015	91,417	3,409	8,312	–	103,138
Additions	–	254	1,693	–	1,947
Acquisition of subsidiaries (note 27)	–	66	–	–	66
At 31 October 2015	91,417	3,729	10,005	–	105,151
Accumulated depreciation:					
At 1 January 2012	–	–	–	–	–
Provided for the year	34	90	71	–	195
At 31 December 2012 and 1 January 2013	34	90	71	–	195
Provided for the year	415	223	368	–	1,006
At 31 December 2013 and 1 January 2014	449	313	439	–	1,201
Provided for the year	482	269	1,127	–	1,878
Disposals	–	–	(35)	–	(35)
At 31 December 2014 and 1 January 2015	931	582	1,531	–	3,044
Provided for the period	1,684	604	1,757	–	4,045
At 31 October 2015	2,615	1,186	3,288	–	7,089
Net book amount:					
At 31 December 2012	8,110	608	1,119	–	9,837
At 31 December 2013	7,951	563	1,911	48,419	58,844
At 31 December 2014	90,486	2,827	6,781	–	100,094
At 31 October 2015	88,802	2,543	6,717	–	98,062

(a) As of 31 December 2014 and 31 October 2015, the Group's buildings with net carrying amounts of approximately RMB11,203,000 and RMB11,056,000, respectively, were erected on the land where the Group was still in the process of applying for the land use rights certificate. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as of 31 December 2014 and 31 October 2015.

(b) As of 31 December 2014 and 31 October 2015, the Group's buildings with net carrying amounts of RMB79,283,000 and RMB77,677,000 were pledged to a bank to secure the bank loans (note 24 (a)).

As of 31 December 2014 and 31 October 2015, the Group's buildings with net carrying amounts of RMB11,203,000 and RMB11,056,000 were pledged to Sichuan Development Financing Guarantee Co., Ltd. ("Sichuan Development"), an independent third party, in order to obtain a guarantee provided by Sichuan Development for the bank loans (note 24 (b)).

(c) The Group's land included in property, plant and equipment is situated in Mainland China and held under medium lease terms.

13. INTANGIBLE ASSETS

	Software	Exclusive distribution rights	Total
	RMB'000	RMB'000	RMB'000
Cost at 1 January 2012, 31 December 2012, 2013 and 2014, net of accumulated amortisation	–	–	–
Additions	20	45,392*	45,412
Acquisition of subsidiaries (note 27)	11	–	11
Amortisation provided during the period	(1)	(4,203)	(4,204)
At 31 October 2015	30	41,189	41,219
At 31 October 2015:			
Cost	31	45,392	45,423
Accumulated amortisation	(1)	(4,203)	(4,204)
Net carrying amount	30	41,189	41,219

* It represented the purchased exclusive distribution rights by the Group from Vast, a company controlled by Mr. Huang Xiangbin, in respect of respective distribution right for Taurolite, TAD and Esafosfina for nine years since 1 January 2015 in Mainland China, at a cash consideration aggregated to RMB45,392,000. These exclusive distribution rights are amortised on a straight-line basis over the useful life of nine years.

14. PAYMENTS IN ADVANCE

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
In respect of:				
Prepayment made in relation to construction of a warehouse	–	–	48,028	66,610
Prepayment made in relation to purchase of an office building	–	39,808	–	–
	–	39,808	48,028	66,610

15. GOODWILL

	RMB'000
Cost at 1 January 2012, 31 December 2012, 2013 and 2014, net of accumulated impairment	–
Acquisition of subsidiaries (note 27)	35,526
Cost and net carrying amount at 31 October 2015	35,526
At 31 October 2015:	
Cost	35,526
Accumulated impairment	–
Net carrying amount	35,526

Goodwill is acquired through the business combination of Chengdu Hengsheng and its wholly-owned subsidiary, namely, Linzhi Ziguang ("Linzhi Ziguang Group") on 31 March 2015. Goodwill acquired through business combinations is allocated to the pharmaceutical products cash-generating units ("CGUs") which is the sole group of CGUs of the Group.

Impairment testing of goodwill

The recoverable amount of the group of CGUs has been determined based on a value in use calculation using cash flow projections which is based on financial forecast approved by the Company's Directors covering a period of five years. The discount rate applied to the cash flow projections is 20.1%, which is determined by reference to the average rates for similar industry and the business risk of the relevant business units. Cash flows beyond the five-year period were assumed to be stable.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected market development.

Discount rate – The discount rate used is pre-tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 December			31 October
		2012	2013	2014	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Current portion					
Prepayments in respect of:					
– purchase of inventories		31,559	139	–	6,857
– technical service fee		–	1,500	1,459	243
– deferred listing fee	(a)	–	–	–	2,339
– others		–	–	1,102	858
Deposits in respect of:					
– purchase of inventories	(b)	48,318	37,700	11,663	–
– preliminary survey for new medicine research	(c)	1,800	2,800	–	–
– others		51	205	985	1,207
Value-added tax recoverable		1,095	16,960	14,616	20,917
Staff advances		37	15	399	415
		82,860	59,319	30,224	32,836
Non-current portion					
Deposits in respect of:					
– CIP	(d)	–	5,000	5,000	3,000
		82,860	64,319	35,224	35,836

Notes:

(a) Deferred listing fees represent legal and other professional fees relating to the Listing, which will be deducted from equity when the Company completes the Listing.

(b) The balances represent refundable deposits paid to Octapharma Pharmazeutika Produktions GmbH ("Octapharma"), an independent third party, in respect of the purchase of human albumin solution, of which 25% of the original deposits would be repaid to the Group every six months pursuant to the purchase contract entered into between the Group and Octapharma.

(c) The balances represent a good-faith deposit for conducting a preliminary survey of new medicine research for the treatment of leukemia.

(d) The balances represent deposits paid to an independent third party in respect of the first-stage construction of the Group's warehouse. Based on the completion progress of the first-stage construction, part of the deposits was collected in April 2015.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

17. INVESTMENT IN A SUBSIDIARY

	31 October 2015
	RMB'000
Unlisted investment, at cost	306

Particulars of the subsidiaries are disclosed in note I to the Financial Information.

The amount due from a subsidiary as of 31 October 2015 included in the Company's current asset was unsecured, interest-free and repayable on demand or within one year.

18. INVENTORIES

At the end of each of the Relevant Periods, all inventories represent finished goods of pharmaceutical products.

19. TRADE AND BILLS RECEIVABLES

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	–	5,400	36,916	500
Trade receivables	–	3,532	–	–
	–	8,932	36,916	500

The Group's trading terms with its customers are mainly on full payment in advance of delivery either in cash or in bills receivable accepted by a bank. The Group maintains strict control over the settlements of its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The balance of trade receivables as of 31 December 2013 of RMB3,532,000 was aged within one month, which was fully collected in cash in January 2014.

Based on the invoice date, all trade receivables of the Group at the end of each of the Relevant Periods were neither past due nor impaired.

As of 31 December 2013 and 2014, the Group endorsed certain bills receivable accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables to these suppliers with a carrying amount in aggregate of RMB43,407,000 and RMB42,756,000, respectively. Furthermore, as of 31 December 2013 and 2014 and 31 October 2015, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB46,407,000, RMB53,580,000 and RMB185,981,000, respectively (collectively referred to as the "Derecognised Bills"). The Derecognised Bills have been accepted by reputable banks in the PRC like China Construction Bank, Industrial and Commercial Bank of China, China Merchants Bank and Bank of Communications and Bank of China and Bank of Chengdu and have a maturity within three months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on discounting and trade payables.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2013 and 2014 and ten months ended 31 October 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year/period or cumulatively. The endorsement and discounting has been made evenly throughout the year.

20. BALANCES WITH RELATED PARTIES

		31 December			31 October
		2012	2013	2014	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties:					
Non-trade in nature					
– Chengdu Ruixin Biopharmaceutical Technology Co., Ltd. ("Ruixin")	(a)	–	6,400	–	–
– Vast	(b)	–	–	50,060	–
		–	6,400	50,060	–
Trade in nature					
– Vast	(b)	–	5,002	–	–
		–	11,402	50,060	–
Due to a related party:					
Non-trade in nature					
– Mr. Huang Xiangbin	(c)	36,400	11,400	227	–
		36,400	11,400	227	–

Notes:

(a) Ruixin is a company controlled by Mr. Huang Xiangbin, one of the Controlling Shareholders. The balance as of 31 December 2014 represents interest-free advances made to Ruixin and was fully repaid during the year ended 31 December 2014.

(b) Vast is a company controlled by Mr. Huang Xiangbin, one of the Controlling Shareholders. The balance as of 31 December 2013 represents the prepayments for Taurolite, TAD and Esafosfina. The balance as of 31 December 2014 represents interest-free loans granted by Hong Kong Prosperous to Vast, which has been fully settled during the ten months ended 31 October 2015.

(c) Balances as of 31 December 2012, 2013 and 2014 represented a shareholder's loan granted by Mr. Huang Xiangbin, one of the Controlling Shareholders, to Hong Kong Prosperous for its business development, which has been fully settled by the issue and allotment of 10,000,000 new ordinary shares on 28 May 2015.

Maximum amounts outstanding during the Relevant Periods in respect of loans to companies controlled by Mr. Huang Xiangbin, the Company's Director are as follows:

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Ruixin	–	6,400	–	–
Vast	–	–	50,060	–
	–	6,400	50,060	–

21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	30,069	44,455	70,216	58,690
	30,069	44,455	70,216	58,690
Less: Pledged bank balances*	(3,390)	(16,604)	(11,936)	(16,677)
Cash and cash equivalents	26,679	27,851	58,280	42,013

The Group's cash and bank balances at the end of each of the Relevant Periods can be further analysed as follows:

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in RMB	30,069	44,455	67,646	50,237
Denominated in US$	–	–	2,570	6,015
Denominated in HK$	–	–	–	719
Denominated in Euro	–	–	–	1,719
	30,069	44,455	70,216	58,690

* The balances represent time deposits with original maturity of less than three months pledged for issuance of letters of credit for the purchase of the Group's pharmaceutical products.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months, and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An aged analysis of trade payables as of the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	–	7,546	18,637	34,885

Trade payables of the Group are non-interest-bearing and are normally settled within 90 days.

23. OTHER PAYABLES

		31 December			31 October
		2012	2013	2014	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Payables related to:					
Payroll and welfare payable		100	378	498	511
Property, plant and equipment	30(b)	–	–	9,726	3,428
Deposits received	(a)	34,372	36,102	62,570	29,593
Acquisition of subsidiaries	(b)	–	–	–	30,079
Other payables		–	87	253	862
		34,472	36,567	73,047	64,473

Notes:

(a) The balances represent refundable deposits received from the Group's distributors according to the sales contracts in order to guarantee their performance under the distribution agreement.

(b) The balance represents the remaining consideration payable in respect of the acquisition of a 100% equity interest in Linzhi Ziguang Group from Beijing Ziguang Pharmaceutical Co., Ltd. ("Beijing Ziguang"), an independent third party.

All other payables of the Group and the Company are non-interest-bearing and unsecured.

24. INTEREST-BEARING BANK LOANS

		31 December			31 October
		2012	2013	2014	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:					
Secured and guaranteed	(a)	–	–	37,000	36,000
Guaranteed	(b)	–	21,919	54,788	56,806
Unsecured	(c)	–	29,596	–	–
		–	51,515	91,788	92,806
Bank loans repayable:					
Within one year		–	51,515	91,788	92,806

Notes:

(a) The balances as of 31 December 2014 and 31 October 2015 represent one-year bank loans granted by Bank of Chengdu to the Group, which bear interest at fixed rates ranging from 6.4% to 7.5% per annum and were guaranteed by Mr. Huang Xiangbin and secured by the Group's buildings (note 12).

(b) The balances as of 31 December 2013 represent a three-month bank loan of US$3,595,000 (equivalent to approximately RMB21,919,000) withdrawn from the banking facilities of RMB150,000,000 valid from 16 October 2013 to 15 October 2014 granted by China Merchants Bank ("CMB") to the Group bearing an interest at the rate of 4.3% above the 3-month London Interbank Offered Rate ("LIBOR") per annum and was fully repaid on 20 March 2014, which was jointly guaranteed by Kelun and Mr. Huang Xiangbin.

The balances as of 31 December 2014 consist of (i) three-month bank loans of US$5,703,000 (equivalent to RMB34,788,000) withdrawn from the banking facilities of RMB150,000,000 valid from 28 October 2014 to 27 October 2015 granted by CMB to the Group. These bank loans bore interest at the rate of 3% above the 3-month LIBOR per annum and were fully repaid on 26 March 2015 and were jointly guaranteed by Kelun and Mr. Huang Xiangbin; and (ii) a one-year bank loan of RMB20,000,000 granted by Bank of China to the Group, which bears interest at the rate of 7.8% per annum with a maturity date on 16 October 2015 and is jointly guaranteed by Mr. Huang Xiangbin and Sichuan Development, an independent third party.

The balances as at 31 October 2015 consist of (i) three-month bank loans of US$5.8 million (equivalent to RMB36.8 million) withdrawn from the banking facilities of RMB150,000,000 granted by China Merchants Bank to the Group, which bear interest at the rate of 1.8% above the 3-month LIBOR and were jointly guaranteed by Kelun and Mr. Huang Xiangbin; and (ii) a one-year bank loan of RMB20,000,000 granted by Bank of China to the Group, which bears interest at a fixed rate of 5.88% per annum with a maturity date on 29 October 2016 and is guaranteed by Sichuan Development.

(c) The balance as of 31 December 2013 represents an unsecured three-month bank loan of US$4,854,000 (equivalent to approximately RMB29,596,000) granted by China Construction Bank to the Group bearing an interest rate of 2.4% above the 3- month LIBOR per annum and was fully repaid on 18 March 2014.

Management has assessed that the fair values of the above interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

25. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 16 March 2015, with authorised share capital of HK$380,000 divided into 3,800,000,000 ordinary shares of HK$0.0001 each. Upon incorporation, 59,950,000 ordinary shares of the Company were issued and allotted for cash at par value of HK$0.0001 each to Brightsome Sky Investments Limited ("Brightsome"), 1,039,050,000 ordinary shares of the Company were issued and allotted for cash at par value of HK$0.0001 each to Risun and 90,000,000 ordinary shares of the Company were issued and allotted for cash at par value of HK$0.0001 each to Wisen Group Holding Limited.

On 28 May 2015, 1,000,000 ordinary shares of the Company were issued and allotted at par value of HK$0.0001 each in exchange for 50,000 ordinary shares of Starwell from Mr. Huang Xiangbin and Lumine Holdings Limited. Upon completion of such share exchange, Starwell became the Company's wholly-owned subsidiary on 28 May 2015.

On 28 May 2015, 10,000,000 new ordinary shares of the Company was issued to Risun, a company controlled by Mr. Huang Xiangbin, at a consideration of RMB14,534,000 for the purpose of settlement of the shareholder's loan granted by Mr. Huang Xiangbin to the Group (note 26(a)).

As of 31 October 2015, 1,200,000,000 ordinary shares were in issue at par value of HK$0.0001 each.

26. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share premium account

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

As described in note 25 above, share premium account as at 31 October 2015 consisted of (i) Risun subscribed 10,000,000 new ordinary shares of the Company at a consideration of RMB14,228,000 on 28 May 2015. The difference of RMB14,227,000 between the balance due to Mr. Huang Xiangbin and the nominal value of 10,000,000 new ordinary shares issued to Risun was credited to the Company's share premium account; and (ii) 1,000,000 ordinary shares of the Company were issued and allotted at par value in exchange 50,000 ordinary shares of Starwell from Mr. Huang Xiangbin and Lumine Holdings Limited on 28 May 2015. The difference of RMB306,000 between the exchanged shares of Starwell of RMB306,010 and the increase in the nominal value of 1,000,000 new ordinary shares issued was credited to the Company's share premium account.

(b) Contributed surplus

The contributed surplus of the Group was resulted from the preparation of the Financial Information on the basis of presentation set out in note 2.1 of Section II. The contributed reserve represents the aggregate nominal amount of the paid-up capital of Sichuan Sinco Pharmaceuticals attributable to the owners of the Company.

(c) Statutory reserve

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Sichuan Sinco Pharmaceuticals has been changed to a foreign investment enterprise since 13 October 2014, allocation to the statutory reserve fund ("SRF") is subject to the board resolution according to Sichuan Sinco Pharmaceuticals's articles of association.

Sichuan Sinco Pharmaceuticals further shifted its legal status as a wholly-foreign-owned enterprise upon obtaining the new business licence since 16 April 2015. According to the Rules for the Implementation of Foreign-funded Enterprise Law of the PRC and articles of association of Sichuan Sinco Pharmaceuticals, Sichuan Sinco Pharmaceuticals is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the SRF until such reserve reaches 50% of its registered capital.

The SSR and the SRF are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

Company

	Share premium account	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2015	–	–	–
Issue of new shares (note 26 (a))	14,533	–	14,533
Profit and total comprehensive income for the period	–	303	303
At 31 October 2015	14,533	303	14,836

27. BUSINESS COMBINATION

On 31 March 2015, the Group acquired a 100% interest in Linzhi Ziguang Group from Beijing Ziguang, an independent third party. Linzhi Ziguang Group is primarily engaged in the sale of pharmaceutical products. The acquisition was made as part of the Group's strategy to expand its market share of pharmaceutical products in Mainland China. The total purchase consideration for the acquisition was RMB35,000,000, of which RMB5,000,000 was paid during the ten months ended 31 October 2015 and the remaining RMB30,000,000 will be paid at the earlier of (i) 10 days after the Listing, or (ii) within 6 months after the completion of inclusion of "biological products" into the scope of business licence and good supply practice certificate of Linzhi Ziguang.

The Directors are of the view that through such acquisition, the Group is entitled to certain tax benefits by operating through Linzhi Ziguang. Aside from the tax benefit mentioned above, the acquisition of Linzhi Ziguang Group is to further expand the Group's customer base, generate synergies with the Group's existing business and further enhance our competitiveness in the pharmaceutical industry. None of the goodwill recognised is expected to be deductible for income tax purpose.

The fair values of the identifiable assets and liabilities of Linzhi Ziguang Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Office equipment (note 12)	66
Intangible asset (note 13)	11
Other payables	(603)
Total identifiable net liabilities at fair value	(526)
Goodwill on acquisition (note 15)	35,526
	35,000
Satisfied by:	
Cash	5,000
Other payables	30,000
	35,000

An analysis of the cash flow in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	5,000
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents	5,000

Since the acquisition, Linzhi Ziguang Group contributed RMB22,799,000 to the Group's turnover and RMB1,396,000 to the consolidated profit for the ten months ended 31 October 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the ten months ended 31 October 2015 would have been RMB850,795,000 and RMB51,078,000, respectively.

28. NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Percentage of equity interest held by non-controlling interests:				
Sichuan Sinco Pharmaceuticals	15%	15%	15%	–
Profit for the year/period allocated to non-controlling interests:				
Sichuan Sinco Pharmaceuticals	138	6,449	10,763	–
Accumulated balances of non-controlling interests at the reporting dates:				
Sichuan Sinco Pharmaceuticals	761	7,210	17,972	–

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	26,166	532,480	950,079	812,208
Total expenses	(25,890)	(489,493)	(878,332)	(762,820)
Profit for the year/period	276	42,987	71,747	49,388
Total comprehensive income for the year/period	276	42,987	71,747	49,388
Current assets	112,929	272,902	298,077	255,584
Non-current assets	9,837	103,652	148,122	137,373
Current liabilities	(117,697)	(328,487)	(326,386)	(223,758)
Net cash flows from/(used in) operating activities	(889)	77,904	53,233	16,177
Net cash flows used in investing activities	(9,596)	(89,821)	(41,628)	(45,847)
Net cash flows from financing activities	40,400	25,947	14,301	9,904
Net increase/(decrease) in cash and cash equivalents	29,915	14,030	25,906	(19,766)

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(a) Capital injection represents cash injections from Mr. Huang Xiangbin during the year ended 31 December 2012 for the payment of paid-in capital of Sichuan Sinco Pharmaceuticals of RMB4,000,000.

(b) Acquisition of non-controlling interest represents the acquisition of a 41% equity interest in Sichuan Sinco Pharmaceuticals from Mr. Chen Baixu, an independent third party, by Mr. Huang Xiangbin at nil consideration as Mr. Chen Baixu had not injected his capital contribution into Sichuan Sinco Pharmaceuticals since its establishment. The difference between the nil consideration and the share of net assets acquired of RMB128,000 is recognised in the reserve.

(c) Disposal of equity interest of a subsidiary to a non-controlling shareholder represents the transfer of a15% equity interest in Sichuan Sinco Pharmaceuticals from Mr. Huang Xiangbin to Kelun, at a consideration of RMB750,000. The difference between the consideration paid by Kelun and the share of net assets disposed of RMB170,000 is recognised in the reserve.

(d) Acquisition of non-controlling interest represents the acquisition of a 15% equity interest in Sichuan Sinco Pharmaceuticals from Kelun at a consideration of RMB8,400,000 and a 10% equity interest in Sichuan Sinco Pharmaceuticals from Mr. Gui Guoping at a consideration of RMB5,600,000. The difference between the consideration paid to Kelun and Mr. Gui Guoping aggregated to RMB14,000,000 and the share of net assets acquired of RMB17,972,000 is recognised in the reserve.

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2012, a payment in advance of RMB419,000 has been reclassified to property, plant and equipment upon obtaining the legal title of the office building.

(b) During the year ended 31 December 2014 and the ten months ended 31 October 2015, the Group has capitalised certain building construction costs in respect of the office building, of which RMB9,726,000 and RMB3,428,000 was unpaid as of 31 December 2014 and 31 October 2015.

(c) During the ten months ended 31 October 2015, the acquisition of the exclusive distribution rights from Vast was settled by the amount due from Vast of RMB45,392,000.

31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under an operating lease arrangement. These leases have a life of one year. At the end of each of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	–	–	520	423
In the second to fifth years, inclusive	–	–	–	578
	–	–	520	1,001

32. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
– Construction of a warehouse	–	204	23,447	40,271
Authorised, but not contracted for:				
– Prepaid land lease payment in relation to a warehouse	–	–	30,000	30,000
– Construction of a warehouse	–	–	51,629	59,866
	–	–	81,629	89,866
	–	204	105,076	130,137

33. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group had the following material transactions with related parties:

		Year ended 31 December			Ten months ended 31 October	
		2012	2013	2014	2014	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchases of goods						
Vast	(i)	–	–	26,154	25,902	–
Bank loans guaranteed by Mr. Huang Xiangbin	(ii)	–	21,919	91,788	121,519	72,693
Purchase of exclusive distribution rights						
Vast	(iii)	–	–	–	–	45,392

Notes:

(i) The Directors consider that purchases were undertaken based on mutual agreed contracts.

(ii) The bank loans were guaranteed by Mr. Huang Xiangbin for nil consideration (note 24(a)&(b)).

(iii) The Directors consider that the amount paid by the Group to Vast was determined based on the market price similarly to those paid to independent third parties in the ordinary course of business.

(b) Outstanding balances with related parties

Details of the Group's balances with its related parties as of 31 December 2012 and 2013 and 2014 and 31 October 2015 are disclosed in note 20 to the Financial Information. Balances with the related parties are interest-free, unsecured and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group

	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	79	1,551	425	363	822
Pension scheme contributions	22	74	109	83	88
	101	1,631	534	446	910

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, pledged bank balances, trade and bills receivables, other receivables and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include trade and other payables, an amount due to a related party and interest-bearing bank loans.

Risk management is carried out by the finance department which is led by the Group's executive Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The Directors regularly review these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing bank loans are disclosed in note 24 to the Financial Information, respectively.

The Group manages its cash flow interest rate risk exposure arising from all of its interest-bearing loans through the use of floating rates or a mix of floating and fixed rates. The Group also holds certain borrowings at floating interest rate so as to manage part of the fair value interest rate risk. In addition, the Group has not used any interest rate swaps to hedge against interest rate risk.

As of 31 December 2013 and 2014 and 31 October 2015, floating interest rate borrowings accounted for about 100%, 78% and 40% of the Group's borrowings, and fixed interest rate borrowings accounted for about nil, 22% and 60%, respectively. Management would adjust the proportion of floating rate borrowings based on changes in the market interest rates to reduce the significant impact of the interest rate risk.

If there would be a general increase/decrease in the market interest rates by one percentage point, with all other variables held constant, the Group's consolidated pre-tax profit would have decreased/increased by approximately RMB515,000, RMB918,000 and RMB928,000 for the years ended 31 December 2013 and 2014 and the ten months ended 31 October 2015 respectively, and there would be no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in market interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those financial instruments in existence at those dates.

Foreign currency risk

The Group's purchase of products from the overseas suppliers is denominated in US$ and Euro. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents, prepayments, deposits and bank loans that are denominated in US$ and Euro.

The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the need arises.

The following table demonstrates the sensitivity to a 5.0% change in RMB against US$ and Euro. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against US$ and Euro, respectively, with all other variables held constant, of the Group's profit before tax for the Relevant Periods (due to changes in the fair value of cash and cash equivalents, prepayments, deposits and bank loans denominated in US$ and Euro):

	Year ended 31 December			Ten months ended 31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Increase/(decrease) on profit before tax				
If RMB weakens against US$ and Euro ...	2,263	(615)	(835)	(2,412)
If RMB strengthens against US$ and Euro	(2,263)	615	835	2,412

Credit risk

Substantial amounts of the Group's cash and cash equivalents and time deposits are held in major reputable financial institutions located in Mainland China, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise trade and bills receivables, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers should make full prepayment either in cash or bank accepted bills receivable. Hence, there is no significant credit risk with the Group's customers. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit.

In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and its own funding sources.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	2012			
	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	–	–	34,372	34,372
Due to a related party	36,400	–	–	36,400
	36,400	–	34,372	70,772

	2013			
	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	–	51,896	–	51,896
Trade payables	–	7,546	–	7,546
Other payables	87	–	36,102	36,189
Due to a related party	11,400	–	–	11,400
	11,487	59,442	36,102	107,031

	2014			
	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	–	36,084	58,844	94,928
Trade payables	–	18,637	–	18,637
Other payables	253	9,726	62,570	72,549
Due to a related party	3,977	–	–	3,977
	4,230	64,447	121,414	190,091

	31 October 2015			
	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	–	58,557	36,418	94,975
Trade payables	–	34,885	–	34,885
Other payables	1,373	3,428	29,593	34,394
	1,373	96,870	66,011	164,254

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's cash deposits and interest-bearing bank loans approximated to their fair values based on the prevailing borrowing rates available for deposits and loans with similar terms and maturities during the Relevant Periods.

The carrying amounts of the Group's other financial instruments approximated to their fair values due to the short term to maturity at the end of each of the Relevant Periods.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing financial risk during the Relevant Periods.

The Group is currently funding its capital expenditure through internal generated funds from its operations and new bank borrowings. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 5% and 50% over the long term. Net debt is defined as interest- bearing bank loans and an amount due to a related party, net of cash and cash equivalents and excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the owners of the Company and non-controlling interests. The gearing ratio at the end of each of the Relevant Periods is as follows:

	31 December			31 October
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	–	51,515	91,788	92,806
Amount due to a related party	36,400	11,400	227	–
Less: Cash and cash equivalents	(26,679)	(27,851)	(58,280)	(42,013)
Net debt	9,721	35,064	33,735	50,793
Equity	5,069	48,356	123,485	175,191
Equity and net debt	14,790	83,420	157,220	225,984
Gearing ratio	66%	42%	21%	22%

35. EVENT AFTER THE REPORTING PERIOD

On 1 February 2016, all the shareholders of the Company passed a written resolution to conditionally adopt a share option scheme and details of which are set out in Appendix VII to the Prospectus.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 October 2015.

Yours faithfully,

Certified Public Accountants
Hong Kong

This information set forth in this Appendix II does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this Prospectus and the Accountants' Report set forth in Appendix I to the prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of our adjusted consolidated net tangible assets as of 31 October 2015, which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 October 2015, and is based on our consolidated net tangible assets as at 31 October 2015, as set out in the "Accountants' Report" in Appendix I to this Prospectus.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true and fair picture of our financial position had the Global Offering been completed as of 31 October 2015 or any future dates.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as of 31 October 2015[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma net tangible assets of the Group attributable to the owners of the Company as of 31 October 2015	Unaudited pro forma net tangible assets of the Group attributable to the owners of the Company per Share as of 31 October 2015 [3][4]
	RMB'000	RMB'000	RMB'000	HK$
Based on an Offer Price of HK$0.80 per Offer share	98,149	213,914	312,063	0.23
Based on an Offer Price of HK$1.11 per Offer share	98,149	317,831	415,980	0.31

(1) The consolidated net tangible liabilities of the Group attributable to owners of the Company as of 31 October 2015 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of 31 October 2015 of RMB174.9 million.

(2) The estimated net proceeds from the Global Offering are based on 400,000,000 Offer Shares excluding Shares which may be issued upon the exercise of the Over-allotment Option, of an indicative Offer Prices of HK$0.80 (equivalent to RMB0.67) and HK$1.11 (equivalent to RMB0.93) per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates. For the purpose of the estimated net proceeds from the Global Offering, the amount stated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.8380 to HK$1 which is set forth on page 70 of this prospectus. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at HK$0.23 and HK$0.31 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 1,600,000,000 Shares were in issue assuming the Global Offering had been completed on 31 October 2015. It takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.

(4) No adjustment has been made to the pro forma adjusted net tangible assets of the Group attributable to owners of the Company as of 31 October 2015 to reflect any trading result or other transaction of the Group entered into subsequent to 31 October 2015.

(B) UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended 31 December 2015 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 2015. This unaudited pro forma estimated earnings per Share had been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ended 31 December 2015 or for any future period.

Estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2015 [(1)(3)] . . . . . not less than RMB67.8 million (approximately HK$80.9 million)

Unaudited pro forma estimated earnings per Share for the year ended 31 December 2015 [(2)(3)] . . . . . .not less than RMB0.04 (approximately HK$0.05)

Notes:

(1) The bases on which the above profit estimate has been prepared are summarized in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2015 based on the audited consolidated results for the ten months ended 31 October 2015 and the unaudited consolidated results based on management accounts of our Group for two months ended 31 December 2015.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results for the year ended 31 December 2015 attributable to owners of the Company, assuming that a total of 1,600,000,000 Shares had been in issued during the entire year. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

(3) The estimated consolidated profit attributable to owners of the Company and the unaudited pro forma estimated earnings per Share are converted into HK$ at the exchange rate of RMB0.8380 to HK$1.00.

(C) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our independent reporting accountants, Ernst& Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 February 2016

To the Directors of Sinco Pharmaceuticals Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of **Sinco Pharmaceuticals Holdings Limited** (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 October 2015, and the pro forma estimated earnings per share for the year ended 31 December 2015, and related notes as set out on pages II-1 and II-2 of the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes A and B.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 October 2015 and the Group's estimated earnings per share for the year ended 31 December 2015 as if the transaction had taken place at 31 October 2015 and 1 January 2015 respectively. As part of this process, information about the Group's financial position, and estimated profit has been extracted by the Directors from the Group's financial statements for the ten month ended 31 October 2015, on which an accountants' report has been published, and the Group's profit estimate for the year ended 31 December 2015, respectively.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong
29 February 2016

The estimate of our consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2015 is set out in the section entitled "Financial Information — Profit Estimate".

(A) BASES

The estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2015 has been prepared by the Directors on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in Appendix I to this prospectus, and has been prepared based on the audited consolidated results of the Group for the ten months ended 31 October 2015 as set out in Appendix I to this prospectus and the unaudited consolidated results shown in the management accounts of the Group for two months ended 31 December 2015.

(B) LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT ESTIMATE

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 February 2016

The Board of Directors
Sinco Pharmaceuticals Holdings Limited
China Merchants Securities (HK) Co., Limited

Dear Sirs,

Sinco Pharmaceuticals Holdings Limited ("the Company")
Profit estimate for the year ended 31 December 2015

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2015 ("the Profit Estimate") set forth in the section headed "Financial Information" in the prospectus of the Company dated 29 February 2016 ("the Prospectus").

DIRECTORS' RESPONSIBILITIES

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the ten months ended 31 October 2015 and the unaudited consolidated results based on the management accounts of the Group for two months ended 31 December 2015.

The Company's directors are solely responsible for the Profit Estimate.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Section A of Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants' Report dated 29 February 2016, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Certified Public Accountants
Hong Kong
29 February 2016

(C) LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor in connection with the profit estimate for the year ended 31 December 2015.

CMS 招商证券

29 February 2016

The Directors
Sinco Pharmaceuticals Holdings Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to owners of Sinco Pharmaceuticals Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2015 (the "Profit Estimate") as set out in the prospectus issued by the Company dated 29 February 2016 (the "Prospectus").

The Profit Estimate, for which you as the directors of the Company (the "Directors") are solely responsible, has been prepared by them based on the audited consolidated financial results of the Group for the ten months ended 31 October 2015 and the unaudited management accounts of the Group for the two months ended 31 December 2015.

We have discussed with you the bases and assumptions, as set forth in Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered and relied upon the letter dated 29 February 2016 addressed to you and us from Ernst & Young regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
China Merchants Securities (HK) Co., Ltd.
Thomas Man
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 Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 November 2015 of the properties held by the Group.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

29 February 2016

The Board of Directors
Sinco Pharmaceuticals Holdings Limited
E5-1805, Global Center
No. 1700, North Section of Tianfu Avenue
High-tech Zone
Chengdu City
Sichuan Province
The PRC

Dear Sirs,

In accordance with your instructions to value the properties held by Sinco Pharmaceuticals Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 November 2015 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests in Group I by 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. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

In valuing the property interest in Group II which was under development as at the valuation date, 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 adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including Building Ownership Certificate 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 — Zhong Lun Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in December 2015 and February 2016 by Ms. Kathy Wu and Mr. Jake Zhong. Ms. Kathy Wu has 1 year's experience in the valuation of properties in the PRC and Mr. Jake Zhong has 3 years' experience in the valuation of the properties in the PRC.

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).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note:

Eddie T.W. Yiu is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 30 November 2015
		RMB
1.	Block 8-1-2 No. 22 Xinwen Road Gaoxin West District Chengdu City Sichuan Province The PRC	8,860,000
2.	Units 1805 to 1809 of Entrance No. 2 Building No. 3 of Global Center No. 1700 Tianfu North Avenue High-tech Zone Chengdu City Sichuan Province The PRC	51,185,000
3.	Building No. 52-3, Building No. 53-4 No. 1 Chuanda West Road Shuangliu District Chengdu City Sichuan Province The PRC	12,548,000
	Sub-total:	**72,593,000**

Group II — Property interest held under development by the Group in the PRC

No.	Property	Market value in existing state as at 30 November 2015
		RMB
4.	Shuangliu warehouse under construction located at the southern side of Zhenggong Road Gongxing Jiedao Shuangliu District Chengdu City Sichuan Province The PRC	No commercial value
	Sub-total:	**Nil**
	Grand-total:	**72,593,000**

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
				RMB
1.	Block 8-1-2 No. 22 Xinwen Road Gaoxin West District Chengdu City Sichuan Province The PRC	The property comprises a 5-storey office building which was completed in 2010. The property is located at Xinwen Road in Gaoxin West District and is well-served by various facilities and public transportation along the main roads. The property has a gross floor area of approximately 1,330.41 sq.m.	As at the valuation date, the property was occupied by the Group for office use.	8,860,000

Notes:

1. Pursuant to a Building Ownership Certificate — Cheng Fang Quan Zheng Jian Zheng Zi Di No. 3434880, the property with a gross floor area of approximately 1,330.41 sq.m. is owned by Sichuan Sinco Pharmaceuticals Co., Ltd. ("Sichuan Sinco Pharmaceuticals"), a wholly-owned subsidiary of the Company.

2. Pursuant to a Mortgage Contract dated 6 January 2014, this property and property no. 2 are subject to a mortgage in favour of Bank of Chengdu Limited, Pixian Sub-branch (the "Bank"), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Sichuan Sinco Pharmaceuticals for an amount of RMB40,700,000 with the security term from 6 January 2014 to 5 January 2017.

3. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB6,500/sq.m. to RMB7,143/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of RMB6,660/sq.m. for the subject property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Sichuan Sinco Pharmaceuticals legally owns the building ownership rights of the property and is entitled to occupy and use the property; and

   b. Sichuan Sinco Pharmaceuticals is entitled to transfer, lease or re-mortgage or otherwise dispose of the property upon having the prior written consent from the Bank.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
				RMB
2.	Units 1805 to 1809 of Entrance No. 2, Building No. 3 of Global Center No. 1700 Tianfu North Avenue High-tech Zone Chengdu City Sichuan Province The PRC	The property comprises 5 units on Level 18 of a 19-storey office building which was completed in 2010. The property is located at Tianfu North Avenue in High-tech Zone and is well-served by various facilities and public transportation along the main roads. The property has a total gross floor area of approximately 2,214.54 sq.m. According to our site inspection, the Group had constructed a cockloft inside the property. As advised by the Group, the property currently has a total usable area of approximately 3,914.54 sq.m, including the cockloft with a usable area of approximately 1,700 sq.m.	As at the valuation date, the property was occupied by the Group for office use.	51,185,000

Notes:

1. Pursuant to a Building Ownership Certificate — Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 3699602, 3699618, 3699629, 3699632 and 3699647, the property with a gross floor area of approximately 2,214.54 sq.m. is owned by Sichuan Sinco Pharmaceuticals Co., Ltd. ("Sichuan Sinco Pharmaceuticals"), a wholly-owned subsidiary of the Company.

2. Pursuant to a Mortgage Contract dated 6 January 2014, this property and property no. 1 are subject to a mortgage in favour of Bank of Chengdu Limited, Pixian Sub-branch (the "Bank"), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Sichuan Sinco Pharmaceuticals for an amount of RMB40,700,000 with the security term from 6 January 2014 to 5 January 2017.

3. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB22,000/sq.m. to RMB25,500/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of RMB23,113/sq.m. for the subject property.

4. There is a cockloft inside the property. In arriving at our valuation, we have based on the gross floor area as stated on the Building Ownership Certificate which has not included the usable area of the cockloft. Besides, we have not taken into account any removal cost of such cockloft nor any enhancement in value of the same. Therefore, in valuation of the property, we have attributed no commercial value to this cockloft. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the cockloft as at the valuation date would be RMB20,301,000.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Sichuan Sinco Pharmaceuticals legally owns the building ownership rights of the property and is entitled to occupy and use the property; and

   b. Sichuan Sinco Pharmaceuticals is entitled to transfer, lease or re-mortgage or otherwise dispose of the property upon having the prior written consent from the Bank.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
				RMB
3.	Building No. 52-3, Building No. 53-4, No. 1 Chuanda West Road Shuangliu District Chengdu City Sichuan Province The PRC	The property comprises Levels 1 to 3 of two 3-storey residential buildings which were completed in 2010. The property is located at Chuanda West Road in Shuangliu District and is well-served by various facilities and public transportation along the main roads. The property has a gross floor area of approximately 783.73 sq.m.	As at the valuation date, the property was occupied by the Group for residential use.	12,548,000

Notes:

1. Pursuant to two Building Ownership Certificates — Shuang Fang Quan Zheng Jian Zheng Zi Di Nos. 1301237 and 1301238, the property with a total gross floor area of approximately 783.73 sq.m. is owned by Sichuan Sinco Pharmaceuticals Co., Ltd. ("Sichuan Sinco Pharmaceuticals"), a wholly-owned subsidiary of the Company.

2. Pursuant to a Mortgage Contract dated 30 October 2015, the property is subject to a mortgage in favour of Bank of China Limited, Chengdu Jinniu Sub-branch (the "Bank"), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Sichuan Sinco Pharmaceuticals for an amount of RMB20,000,000 with the security term of one year commencing from 30 October 2015.

3. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB15,528/sq.m. to RMB16,623/sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of RMB16,011/sq.m. for the subject property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Sichuan Sinco Pharmaceuticals legally owns the building ownership rights of the property and is entitled to occupy and use the property; and

   b. Sichuan Sinco Pharmaceuticals is entitled to transfer, lease or re-mortgage or otherwise dispose of the property upon having the prior written consent from the Bank.

VALUATION CERTIFICATE

Group II — Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
				RMB
4.	Shuangliu warehouse under construction located at the southern side of Zhenggong Road Gongxing Jiedao Shuangliu District Chengdu City Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 40,000.02 sq.m. and a warehouse which was being constructed thereon as at the valuation date. The property is located at Zhenggone Road, Gongxing Jiedao in Shuangliu District and is served by various public transportation along the main roads. The development is scheduled to be completed in 2017. Upon completion, the development will has a total gross floor area of approximately 87,000 sq.m. As advised by the Company, the total development cost is estimated to be approximately RMB156,406,000, of which approximately RMB64,899,000 had been incurred as at the valuation date.	As at the valuation date, the property was under construction.	No commercial value

Notes:

1. In the valuation of this property, we have attributed no commercial value to the property which has not obtained any title certificate and construction permits. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB92,000,000 assuming the land use rights certificate for industrial use and all relevant construction permits have been obtained and the property could be freely transferred.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Application for obtaining the land use rights, planning and construction rights are in progress. Shuangliu County Land Resources Bureau (雙流縣國土資源局), Shuangliu County Urban-Rural Construction Bureau (雙流縣城鄉建設局), Shuangliu County Planning Bureau (雙流縣規劃管理局) have separately stated that these related documents are in process for issuance, and there is no risk of administrative penalty by these afore-mentioned local bureaus has been found. Besides, there is no legal impediment for the Group in obtaining land use rights certificates and building ownership certificates once the Group has completed the requisite procedures required by these local bureaus.

The following discussion is a summary of certain anticipated tax consequences of our operations and of an investment in the shares under PRC income tax laws and Hong Kong tax laws. The discussion does not address all possible tax consequences relating to the Company's operations or to an investment in the Shares. In particular, the discussion does not address tax consequences under tax laws of jurisdictions other than Hong Kong and PRC. Accordingly, each prospective investor should consult a tax adviser regarding the tax consequences of an investment in the Shares. The discussion is based upon law and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change.

PRC TAXATION

Enterprise Income Tax

On 1 January 2008, the *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法》) came into effect; income derived from the PRC by enterprises or other organisations is subject to a unified enterprise income tax rate of 25%. The enterprise income tax on high and new technology enterprises that are necessary to be supported by the state shall be levied at the reduced tax rate of 15%.

Business Tax

Pursuant to the I*nterim Regulations of the People's Republic of China on Business Tax* (《中華人民共和國營業税暫行條例》) promulgated on 13 December 1993 and amended on 10 November 2008, 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.

Value Added Tax

According to the *Interim Regulations of the People's Republic of China on Value-added Tax* (《中華人民共和國增值税暫行條例》) promulgated on 13 December 1993 and amended on 10 November 2008, VAT is payable on the sale or import and export of goods and the provision of processing and repairing services in the PRC. VAT is generally levied at a rate of 17% in the PRC, however a rate of 13% is applicable to the sale or import of certain categories of goods and a rate of 0% is applicable to the export of goods except as otherwise provided by the State Council.

Dividends from our China operation

According to the *Enterprise Income Tax Law of the People's Republic of China* and *Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法實施條例》) promulgated on 6 December 2007 and effective on 1 January 2008, dividends payable by foreign-invested enterprises established in the PRC to their foreign investors that are not regarded as PRC resident for tax purposes are subject to a withholding tax of 10%, unless otherwise provided in accordance with tax treaties between the jurisdiction of such foreign investor and the PRC.

According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) promulgated and effective on 21 August 2006, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise is considered to be a non-PRC resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%.

HONG KONG TAXATION

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the 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.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the Shares. The duty is charged at the *ad valorem* rate of 0.1% of the consideration for, or (if greater) the value of, the 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 the Shares.

In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Where a sale or purchase of the 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) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. 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 Shares whose death occur on or after 11 February 2006.

CAYMAN TAXATION

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by the Company.

FOREIGN EXCHANGE CONTROL IN THE PRC

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the Regulation of Foreign Exchange of the PRC (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulations") which became effective on 1 April 1996. The Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. The Foreign Exchange Regulations were subsequently amended on 14 January 1997 and on 1 August 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On 20 June 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 1 July 1996. The Settlement Regulations superseded the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行規定) 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 21 July 2005, the PBOC announced that the PRC would implement the managed floating exchange rate regime with effect from the same day, and exchange rates are determined based on market supply and demand with reference to a basket of currencies. The exchange rate of RMB is no longer pegged to the U.S. dollar. The PBOC will announce the closing prices of foreign currencies (such as the U.S. dollar) to RMB in the interbank foreign exchange markets after the closing of the markets on each working day, so as to determine the central parity for RMB trading on the next working day.

On 5 August 2008, the State Council promulgated the amended the Regulations on Foreign Exchange Administration of the PRC (中華人民共和國外匯管理條例) (the "Amended Regulations on Foreign Exchange") which made significant changes on the Supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorisation to the SAFE to enhance its Supervisory and administrative capacity.

Foreign exchange revenue in respect of current account items may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Before retaining foreign exchange revenue under the capital account or selling it to any financial institution operating a foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authorities shall be obtained, unless otherwise provided by SAFE.

Enterprises that require foreign exchange for recurring activities such as trading and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents. Where an enterprise requires foreign exchange for the payment of dividends, such as the distribution of profits by a foreign-invested enterprise to its foreign investor, then, subject to the due payment of taxes on such dividends, the amount required for the payment of dividends may be withdrawn from funds in foreign exchange accounts maintained with designated banks and, where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks.

Convertibility of foreign exchange in respect of capital account items, including direct investments and capital contributions, is still subject to restrictions, and prior approval from the SAFE must be obtained.

When conducting foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

According to the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Exchange Control Administration on Oversea Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) issued by SAFE on 28 January 2013, after shares of domestic companies get listed on foreign stock exchange, domestic shareholders of such companies, who would like to dispose of, or purchase, shares trading on the foreign stock exchange, shall apply to the relevant local foreign exchange administration of the city where they reside for registering of their shares of such companies trading on the foreign stock exchange.

This Appendix contains a summary of our Memorandum and Articles of Association. As the information set out below is in a summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, a copy of our Memorandum and Articles of Association is available for inspection.

1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association was conditionally adopted on 1 February 2016 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VIII in the section headed "Documents available for inspection".

2 ARTICLES OF ASSOCIATION

The Articles of Association were conditionally adopted on 1 February 2016 and effective on the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is HK$380,000 divided into 3,800,000,000 ordinary shares of HK$0.0001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be

exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement)

and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Hong Kong Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Hong Kong Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Hong Kong Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be

distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Hong Kong Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 March 2015 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 5 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking,

property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 31 March 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VIII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 16 March 2015. We have established a principal place of business in Hong Kong at Unit 4408A, 44/F, Cosco Tower, 183 Queen's Road Central, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 June 2015 under the same address. Ms. Wong Sau Ping has been appointed as our agent for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Law and to our constitution comprising our Memorandum and Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Companies Law is set out in Appendix VI to this prospectus.

2. Changes in our share capital

Our Company was incorporated in the Cayman Islands on 16 March 2015 to be the ultimate holding company of our Group and the issuer in the Global Offering. The initial share capital of our Company was HK$380,000 divided into 3,800,000,000 Shares of HK$0.0001 each. Upon incorporation, one Share was issued and allotted to the initial subscriber which was transferred to Risun on 16 March 2015. On 8 April 2015, our Company issued and allotted (i) 59,950,000 Shares, representing 5.0% of the issued share capital of the Company, to Brightsome; (ii) 1,039,049,999 Shares, representing 87.4% of the issued share capital of the Company, to Risun; and (iii) 90,000,000 Shares, representing 7.6% of the issued share capital of the Company, to Wisen, which is wholly-owned by Liu Sichuan.

On 28 May 2015, our Company further issued and allotted (i) 10,950,000 Shares to Risun; and (ii) 50,000 Shares to Brightsome.

Immediately following the completion of the Reorganisation and the Global Offering but not taking into account any Shares which may be issued pursuant to the Over-allotment Option or which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$160,000 divided into 1,600,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed in this Appendix, there has been no alteration in our share capital within the two years preceding the date of this prospectus.

3. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Hong Kong Stock Exchange. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus.

4. Changes in the share capital of our subsidiaries

Our subsidiaries are set out in the Accountants' Report set out in Appendix I to this prospectus. The following alterations in the share capital or registered capital (as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Hong Kong Prosperous

(i) On 20 December 2013, Hong Kong Prosperous was incorporated in Hong Kong. On 20 December 2013, 600,000,000 ordinary nil-paid shares were issued and allotted to Starwell

Group, a company incorporated in BVI and wholly-owned by Mr. Huang, which became the sole shareholder of Hong Kong Prosperous.

(ii) On 29 November 2014, 31,578,948 ordinary nil-paid shares were issued and allotted to Lumine Holdings, a company incorporated in BVI and wholly-owned by Mr. He Ji in exchange for Mr. He Ji's transfer of 5% interest in Sichuan Sinco Pharmaceuticals. As a result, Hong Kong Prosperous was held by Starwell Group and Lumine Holdings, as to 95% and 5%, respectively.

(iii) On 9 March 2015, Hong Kong Prosperous consolidated every 6,315,790 ordinary shares into 1 share, and immediately after the share consolidation, Starwell Group and Lumine Holdings held 95 shares and 5 shares, representing 95% and 5% respectively, in Hong Kong Prosperous.

(iv) On 22 May 2015, Hong Kong Prosperous reduced its share capital from HK$631,578,948 to HK$100 by way of a special resolution passed by the shareholders of Hong Kong Prosperous approving the reduction of the share capital under Section 215 of the Companies Ordinance and the publication of notice of reduction of share capital in the Government Gazette and newspaper under Section 218 of the Company Ordinances. On 23 May 2015, the total issued ordinary shares of Hong Kong Prosperous were credited as fully-paid. The purpose of the share consolidation and capital reduction of Hong Kong Prosperous was to streamline the share capital structure of Hong Kong Prosperous to serve its sole purpose as an investment holding company.

(v) On 28 May 2015, Lumine Holdings transferred 5 ordinary shares, representing 5%, of the issued share capital of Hong Kong Prosperous to Starwell Group, and as a consideration, Mr. Huang transferred 2,500 ordinary shares of Starwell Group, representing 5% of the issued share capital of Starwell Group, to Lumine Holdings. Immediately after the transfer, Hong Kong Prosperous was 100% held by Starwell Group. The purpose of the share transfer was to consolidate the shareholding of Hong Kong Prosperous in Starwell Group as part of the Reorganisation to form the new group structure.

Sinco Biotechnology

On 25 November 2013, Sinco Biotechnology was incorporated as a limited liability company in the PRC with a registered capital of RMB1,000,000.

Chengdu Sinco Pharmaceuticals

On 26 February 2014, Chengdu Sinco Pharmaceuticals was incorporated as a limited liability company in the PRC with a registered capital of RMB2,000,000.

Chengdu Hengsheng

On 4 March 2015, Chengdu Hengsheng was incorporated as a limited liability company in the PRC with a registered capital of RMB100,000.

Linzhi Ziguang

On 17 November 2014, Linzhi Ziguang was incorporated as a limited liability company in the PRC with a registered capital of RMB10,000,000.

5. Resolutions in writing of our Shareholders

At an extraordinary general meeting of the Company held on 1 February 2016, among other things, the following resolutions were passed by the Shareholders:

(i) our Company approved and adopted its new Memorandum and Articles of Association with effect from the Listing Date;

(ii) conditional upon the conditions for completion of the Global Offering being fulfilled:

(a) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;

(b) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the options which may be granted under the Share Option Scheme;

(iii) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering (excluding Shares which may be issued pursuant to the Over-allotment Option and options to be granted under the Share Option Scheme); and

(b) the aggregate nominal amount of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in sub-paragraph (iv) below.

Such mandate will expire:

— at the conclusion of the next annual general meeting of our Company;

— at the end of the period within which the next annual general meeting of our Company is required to be held by our Company's Memorandum and Articles of Association, the Cayman Companies Law or other applicable laws of the Cayman Islands; and

— when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company;

whichever occurs first;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering (excluding Shares which may be issued pursuant to the Over-allotment Option and options to be granted under the Share Option Scheme).

This mandate only relates to repurchase made on the Hong Kong Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

— at the conclusion of the next annual general meeting of our Company;

— at the end of the period within which the next annual general meeting of our Company is required to be held by our Company's Memorandum and Articles of Association, the Cayman Companies Law or other applicable laws of the Cayman Islands; and

— when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company;

whichever occurs first.

6. Repurchases of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on 1 February 2016, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising any repurchase by us of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(iii) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed.

(v) Suspension of repurchase

Pursuant to the Listing Rules, we may not make any repurchases of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material

adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 1,600,000,000 Shares in issue immediately following the completion of the Global Offering, could accordingly result in 160,000,000 Shares being repurchased by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) the equity interest transfer agreement dated 10 March 2014 entered into between Mr. Huang, Li Jieshi, Qian Wenhua and Hong Kong Prosperous, pursuant to which Mr. Huang, Li Jieshi and Qian Wenhua transferred 25%, 23% and 27% equity interests, respectively, in Sichuan Sinco Pharmaceuticals to Hong Kong Prosperous for a consideration of RMB1,250,000, RMB1,150,000 and RMB1,350,000, respectively;

(b) the equity interest transfer agreement dated 1 December 2014 entered into between Mr. Gui Guoping, Kelun Pharmaceuticals and Hong Kong Prosperous, pursuant to which Mr. Gui Guoping and Kelun Pharmaceuticals transferred 10% and 15% equity interests, respectively, in Sichuan Sinco Pharmaceuticals to Hong Kong Prosperous for a consideration of RMB5,600,000 and RMB8,400,000, respectively;

(c) the equity transfer agreement dated 12 March 2015 entered into between Beijing Ziguang and Sichuan Sinco Pharmaceuticals, pursuant to which Beijing Ziguang agreed to transfer a 100% equity interest in Linzhi Ziguang to Sichuan Sinco Pharmaceuticals for a consideration of RMB35 million;

(d) the deed of indemnity dated 1 February 2016, granted by the Controlling Shareholders to give certain joint and several indemnities in favour of the Company;

(e) the Deed of Non-competition;

(f) a cornerstone investment agreement dated 18 February 2016 entered into among the Company, Sichuan Huifeng Investment Development Co. Ltd (四川惠豐投資發展有限責任公司) and China Merchants Securities (HK) Co., Limited (招商證券(香港)有限公司), details of which are included in the section headed "Cornerstone Investors" of this prospectus;

(g) a cornerstone investment agreement dated 24 February 2016 entered into among the Company, Prestigious Leader Limited and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" of this prospectus; and

(h) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Name of Registered Proprietor	Registration Number	Class	Place of Registration	Date of Registration	Expiry Date
1	SINCO Pharmaceutical 兴科蓉 西安	Sichuan Sinco Pharmaceuticals	303300029	5, 10, 35, 39, 42, 44	Hong Kong	10 February 2015	9 February 2025
2	SINCO	Sichuan Sinco Pharmaceuticals	303300038	5, 10, 35, 39, 42, 44	Hong Kong	10 February 2015	9 February 2025
3	兴科蓉	Sichuan Sinco Pharmaceuticals	303300047	5, 10, 35, 39, 42, 44	Hong Kong	10 February 2015	9 February 2025

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which, in the opinions of our Directors, are material to our business:

No.	Trademark	Applicant	Application Number	Class	Place of Registration	Application Date
1		Sichuan Sinco Pharmaceuticals	16275954 16275942 16275997 16276205 16276430 16276476 16276641 16276870 16276795 16277017 16276979 16277093 16277106 16277233 16277248 16277566 16277412 16277459 16277576 16277598 16277896 16283358 16283438 16283450 16283475 16283675 16283781 16283783 16283952 16283964 16284020 16284071 16284170	1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 27, 28, 29, 35, 36, 37, 41, 42, 43, 44, 45	PRC	30 January 2015 2 February 2015

No.	Trademark	Applicant	Application Number	Class	Place of Registration	Application Date
2		Sichuan Sinco Pharmaceuticals	16284430 16284498 16084577 16284645 16284715	10, 35, 39, 42, 44	PRC	2 February 2015
3		Sichuan Sinco Pharmaceuticals	16285211 16285054 16284923 16284916 16284790 16284758	5, 10, 35, 39, 42, 44	PRC	2 February 2015

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1	sinco-pharm.cn	Sichuan Sinco Pharmaceuticals	12 November 2012	12 November 2017
2	sinco-pharm.com	Sichuan Sinco Pharmaceuticals	22 October 2012	22 October 2021

(c) Patents

As of the latest Practicable Date, we have registered the following patents:

No.	Patent	Type	Registered Owner	Place of Registration	Registration Number	Expiry Period
1.	Instant microscopic and optical identification of α-As_4S_4, a kind of Chinese medicine material (中藥雄黃粉末的顯微及光性即時鑒別)	Invention	Sichuan Sinco Pharmaceuticals	PRC	ZL201210021298.5	30 January 2032
2.	Standalone Chinese medicine cold grinding machine (一體化冷凍式中藥粉磨裝置)	Utility model	Sichuan Sinco Pharmaceuticals	PRC	ZL201420161771.4	3 April 2024

No.	Patent	Type	Registered Owner	Place of Registration	Registration Number	Expiry Period
3.	Hidden bar soft sealing valve (一種暗杆楔式軟密封閘閥)	Utility model	Sichuan Sinco Pharmaceuticals	PRC	ZL201420253377.3	15 May 2024
4.	Lincomycin freeze-dried injection and preparation method thereof (林可霉素凍乾粉針及其制備方法)	Invention	Sichuan Sinco Pharmaceuticals	PRC	ZL201410415179.7	21 August 2034

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(a) Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

Immediately following completion of the Global Offering (assuming that the Over-allotment Option has not been exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which will be required to be notified to us and the Hong Kong Stock Exchange, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), once the Shares are listed will be as follows:

(i) Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest
Mr. Huang	Interest in controlled corporation	1,050,000,000	65.625%

(ii) Interest in associated corporation

Name of Director	Name of associated corporation	Amount of registered share capital	Approximate percentage of shareholding interest
Zhang Zhijie	Sinco Biotechnology	RMB300,000	30%

(b) Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of the Company

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(i) Interest in the Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Risun(1)	Beneficial owner	1,050,000,000	65.625%
Mr. Huang	Interest in controlled corporation	1,050,000,000	65.625%

Note:

(1) Risun is owned as to 100% by Mr. Huang, who is therefore deemed to be interested in 65.625% of the issued share capital of our Company held by Risun.

(ii) Interest in Sinco Biotechnology

Name of shareholder	Capacity/Nature of interest	Amount of registered share capital	Approximate percentage of shareholding interest
Zhang Zhijie	Interest in corporation	RMB300,000	30%

2. Particulars of Service Contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with us, under which they agreed to act as executive Directors for an initial term of three years commencing from their respective date of appointment, which may be terminated by not less than three months' notice in writing served by either the executive Director or us.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association of the Company and the applicable Listing Rules.

(b) Independent Non-executive Directors

Each of the independent non-executive Directors has signed an appointment letter with us for a term of three years with effect from their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and the applicable Listing Rules.

(c) Others

(a) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) During the years ended 31 December 2012, 2013 and 2014 and the ten months ended 31 October 2015, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB101,000, RMB1,464,000, RMB302,000 and RMB62,000, respectively. Details of the Directors' remuneration are also set out in note 8 to the Accountants' Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the year ended 31 December 2014 and the ten months ended 31 October 2015, by us to the Directors.

(c) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending 31 December 2015 is estimated to be approximately RMB462,500.

(d) None of the Directors or any past directors of any members of our Group has been paid any sum of money for the three years ended 31 December 2014 and the ten months ended 31 October 2015 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(e) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended 31 December 2014 and the ten months ended 31 October 2015.

(f) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the sub-section headed "D. Other Information — 10. Consent of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;

(b) so far as is known to any of our Directors or chief executives, save as disclosed in this prospectus, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of our Directors nor any of the parties listed in the section headed "D. Other Information — 9. Qualification of Experts" of this Appendix is interested in our promotion, 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 us, or are proposed to be acquired or disposed of by or leased to us;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed "D. Other Information — 9. Qualification of Experts" of this Appendix 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 Group;

(e) save as in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "D. Other Information — 9. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. OTHER INFORMATION

1. Share Option Scheme

Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 1 February 2016 ("**Adoption Date**"):

(a) Purpose of the scheme and performance target

The purpose of the Share Option Scheme is to enable our Group to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to our Group. The Board has not specified any performance target that must be achieved before options can be exercised.

Given that the Board are entitled to determine any performance targets to be achieved and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Board, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increase of market price of the Shares in order to capitalise on the benefits of the options granted.

(b) Who may join

The Board may, at their absolute discretion, invite any person belonging to any of the following classes of participants (the "**Eligible Persons**"), to take up options to subscribe for Shares:

Any employee (whether full time or part time) of our Company, its subsidiaries or any entity (the "**Invested Entity**") in which our Group holds any equity interest, including:

(i) any executive Director of our Company, its subsidiaries or Invested Entity;

(ii) any non-executive Director (including independent non-executive Director) of our Company, its subsidiaries or any Invested Entity;

(iii) any senior management of our Company, its subsidiaries or Invested Entity;

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, any person who falls within any of the above classes shall not, by itself, unless the Board otherwise determines, be construed as a grantee of option under the Share Option Scheme.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company as consideration for the grant.

(c) Maximum number of Shares

(i) Subject to the provisions of sub-paragraph (ii) below:

A. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 160,000,000 Shares, being 10% ("**Scheme Mandate Limit**") of the Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any option which may be granted under the Share Option Scheme) unless our Company obtains a fresh approval from its shareholders pursuant to paragraphs (ii) and/or (iii) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

B. Our Company may seek an approval from the Shareholders in general meeting to refresh the Scheme Mandate Limit from time to time such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% of the Shares in issue as of the date of such shareholders' approval. Options previously granted under the Share Option Scheme (including options which are outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the new limit. Our Company must send a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to the shareholders.

C. Our Company may seek separate shareholders' approval in general meeting to grant options over and above the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is then obtained. Our Company must issue a circular containing, among others, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to the shareholders.

(ii) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 30% of the Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of our Company if such limit would be exceeded.

(iii) If our Company (or relevant subsidiaries) conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all of the share option schemes of our Company (or relevant subsidiaries) under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised or outstanding options) to each Eligible Person in any 12-month period must not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such Eligible Person and its associates abstaining from voting.

(e) Grant of options to connected persons

(i) Any grant of options under the Share Option Scheme and any other schemes of our Company to a connected person or any of their respective associates must be pre-approved by independent non-executive Directors of our Company (excluding any independent non-executive Director who is the grantee of the options).

(ii) Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

A. representing in aggregate over 0.1% of the Shares in issue of our Company; and

B. having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK$5 million;

such proposed grant of options must be approved by shareholders in general meetings of our Company. Our Company must send a circular to the shareholders. All connected persons of our Company must abstain from voting in favour of the proposed grant of options at such general meeting. Our Company shall comply with the requirements under Rule 13.40, Rule 13.41 and Rule 13.42 of the Listing Rules.

(f) Time of acceptance and exercise of Option

An option may be accepted by an Eligible Person within 15 days from the date of the offer of grant of the option.

Subject to the discretion of the Board who may impose restrictions on the exercise of the option, an option may be exercised one year after the date on which the option is granted and shall expire on the earlier of the last day of (i) a six years period from the date of such grant and (ii) the expiration of the Share Option Scheme.

(g) Subscription price for Shares

The subscription price (**"Subscription Price"**) for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Hong Kong Stock Exchange's daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Hong Kong Stock Exchange's daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

(h) Ranking of Shares

Shares issued upon the exercise of an option shall not carry voting rights until the registration on our Company's register of members of the option holder as the holder thereof. If under the terms of a resolution passed or an announcement made by our Company prior to the date of exercise of an option, a dividend is to be or is proposed to be paid to holders of Shares on the register of members on a date prior to such date of exercise, the Shares to be issued upon such exercise will not be entitled to such dividend. Subject as aforesaid, Shares allotted upon the exercise of an option shall rank equally in all respects with the Shares in issue on the date of such exercise.

(i) Restrictions on the time of grant of Options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of our Company's interim, quarterly, half-yearly or annual results (whether or not it is required under the Listing Rules), and (ii) the last date on which our Company must publish its interim, quarterly, half-yearly or annual results announcement under the Listing Rules (whether or not it is required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

The Board may not grant any option to any Eligible Person who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(j) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing from the Adoption Date.

(k) Lapse of Option

If the grantee of an option ceases to be an Eligible Person by reason of:

(i) termination of his employment (if the Eligible Person is an employee of our Company, its subsidiaries or any Invested Entity) as any one or more of the grounds that he has been guilty of misconduct, bankruptcy, insolvency or conviction for a criminal offence or has made any arrangements or composition with his creditors generally;

(ii) death, winding-up or dissolution; or

(iii) voluntary resignation, retirement, expiry of employment contract or termination of employment (if the Eligible Person is an employee of our Company, its subsidiaries or any Invested Entity) on any grounds other than those set out in (a) or (b) above,

then the grantee's outstanding option shall lapse on or before:

(i) in the case of (a) above, on the date of the grantee's termination of employment;

(ii) in the case of (b) above, on the date which is the earlier of 12 months after the grantee so ceases or the expiration of the Option Period (as defined in the Share Option Scheme); and

(iii) in the case of (c) above, on the date which is two months from the date of the grantee's cessation of employment.

(l) Rights on a general offer, a compromise or arrangement

In the event of a general offer, whether by way of take-over, or scheme of arrangement, is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlling the offeror and/or any person acting in association or concert with the offeror), and such offer becomes or is declared unconditional before the expiration of relevant option, a grantee (or his or her legal personal representative(s)) shall be entitled to exercise the option (to the extent not already exercised) at any time within one month after the date on which such offer becomes or is declared unconditional.

In the event of compromise or arrangement between our Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all option holders on the same date as it dispatches the notice which is sent to each shareholder or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each option holder (his or her personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than seven business days of Hong Kong and Cayman Islands prior to the proposed general meeting of our Company), accompanied by the remittance for the Subscription Price in respect of the relevant option, exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice provided that the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective and as soon as possible thereafter our Company shall allot and issue such number of Shares to the option holder which falls to be issued on such exercise credited as fully paid and register the option holder as holder of such Shares.

(m) Rights on winding up

In the event that a notice is given by our Company to the shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily windup our Company, our Company shall forthwith give notice thereof to all option holders and thereupon, each option holder (or his or her legal personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than seven business days of Hong Kong and Cayman

Islands prior to the proposed general meeting of our Company) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one business day of Hong Kong and Cayman Islands immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the option holders credited as fully paid.

(n) Adjustments to the subscription price

In the event of any reduction, sub-division or consolidation of the share capital of our Company or any rights issue or capitalization issue, or any distribution of capital assets to shareholders pro rata, the Subscription Price and/or the number of Shares that should be issued so far as unexercised and/or the subscription price and/or the method of exercise of the option shall be adjusted in such manner as the Board may think fair and reasonable, provided always that (i) an option holder shall have the same proportion of issued share capital of our Company as that to which he was previously entitled before prior to such adjustments; and (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares or other securities of our Group as consideration for the acquisition of any assets or business of our Group may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any adjustments made on a capitalization issue, an independent financial adviser or the auditors of our Company must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(o) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the Board, with participants and their associates abstaining from voting. New options may be issued to an option holder in place of his cancelled options only if there are available unissued options (excluding the cancelled options) within the limit set out in paragraph c above.

(p) Termination of the Share Option Scheme

The Board may terminate the Share Option Scheme at any time and in such event no further options shall be offered, but options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

In the event of such termination of the Share Option Scheme, details of the options granted, including options exercised or outstanding, under the Share Option Scheme and options that become void or non-exercisable shall be disclosed in a circular to shareholders seeking approval of the first new scheme established thereafter.

(q) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(r) Others

Any alternations to the Share Option Scheme in relation to the following areas shall be approved by the shareholders in general meeting:

(i) any provisions relating to the matters set out in Rule 17.03 of the Listing Rules and the alternation to the terms and conditions will be more favourable to the Eligible Persons;

(ii) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

(iii) the amended terms of the Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules; or

(iv) any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme.

Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

(a) Approval of the Listing Committee required

The Share Option Scheme is conditional upon (i) the passing of a resolution in writing by the shareholders of the Company adopting the Share Option Scheme; (ii) the Listing Committee granting approval of the listing of and permission to deal in the Shares and any Shares (representing not more than 10% of our Company's issued share capital upon listing) falling to be issued pursuant to the exercise of the options under the Scheme Option Scheme; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof; and (iv) the commencement of dealings in the Shares on the Hong Kong Stock Exchange.

(b) Application for approval

Application has been made to the Listing Committee of the Hong Kong Stock Exchange for the approval of the listing of and permission to deal in the Shares (representing not more than 10% of our Company's issued share capital upon listing) which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

2. Estate Duty

We have been advised that no material liability for estate duty under HK, PRC law is likely to fall upon us.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

As a matter of BVI law, no estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

3. Indemnities

Our Controlling Shareholders (the "**Indemnifiers**") have entered into a deed of indemnity (the "**Deed of Indemnity**") with our Company in favour of us (being the contract referred to in paragraph (a) of the sub-section headed "B. Further Information about Our Business — 1. Summary of Material Contracts" above) to provide the following indemnities:

Pursuant to the Deed of Indemnity, the Indemnifiers shall indemnify us against, among other things, (a) any depletion in or diminution of the value of our assets as a direct or indirect consequence of, and in respect of any amount which we may become liable to pay, resulting from any taxation falling on us resulting from, or relating to or in consequence of, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; or (b) all property losses and property claims arising from, or in connection with, directly or indirectly, the properties owned or occupied by our Group with defective title.

The Indemnifiers also shall indemnify us against any losses, future losses (including without limitation all losses suffered by the Company in the event the cold chain facility is confiscated and/or removed by the relevant government authorities), penalties and future penalties suffered or incurred by the Group in connection with the non-compliance incident in relation to the lack of the land use rights certificate or lack of the required permits for the construction of the Company's cold chain facility and research and development base before construction commenced.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among other things, (a) provision has been made for such taxation in the audited accounts of our Company; (b) the taxation falling on us in respect of any accounting period commencing on or after 1 January 2012 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers or us otherwise than in the course of normal day to day trading operations on or before the Listing Date; and (c) the taxation arises or is incurred as a consequence of any change in law or the interpretation thereof or practise by the relevant tax authority having retrospective effect coming into force after the Listing Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

4. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

5. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees to the Sole Sponsor were approximately HK$8 million and were payable by us.

6. Preliminary expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately US$4,060 and were paid by us.

7. Promoter

We have no promoter for the purpose of the Listing Rules. 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 nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

China Merchants Securities (HK) Co., Limited	A licenced corporation under the SFO permitted to engage in type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined under SFO)
Ernst & Young	Certified public accountants, Hong Kong
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
Maples and Calder	Cayman legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Zhong Lun Law Firm	PRC legal adviser

10. Consent of Experts

Each of the experts named in paragraph 9 has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

12. Reserves available for distribution

As at 31 October 2015, we had nil reserves available for distribution to our Shareholders.

E. MISCELLANEOUS

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(v) 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.

(b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) Save as disclosed in this prospectus, our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since 31 October 2015 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

(d) Our principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) The Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Cayman Companies Law.

(h) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. 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:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 10. Consent of Experts" in Appendix VII to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Shearman & Sterling at 12th Floor Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the texts of which are set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information received from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(d) the letters relating to the profit estimate, the text of which is set out in Appendix III to this prospectus;

(e) the audited consolidated financial statements of our Company for the years ended 31 December 2012, 2013, 2014 and the ten months ended 31 October 2015;

(f) the legal opinions issued by Zhong Lun Law Firm, our PRC legal advisers, dated 29 February 2016 in respect of certain aspects of the Group and the property interests of the Group;

(g) the legal opinion issued by Maples and Calder, our Cayman legal advisers, summarising the constitution of our Company and certain aspects of Cayman Islands Companies Law referred to in the section headed "Summary of the Memorandum and Articles of Association and Cayman Companies Law" in Appendix VI to this prospectus;

(h) the Cayman Companies Law;

(i) copies of material contracts referred to in section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus;

(j) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 10. Consent of Experts" in Appendix VII to this prospectus;

(k) service contracts and letters of appointment entered into between the Company and each of the Directors; and

(l) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set of in Appendix IV to this prospectus.

Sinco Pharmaceuticals Holdings Limited

兴科蓉医药控股有限公司

(incorporated under the laws of the Cayman Islands with limited liability)