華潤醫藥集團有限公司
China Resources Pharmaceutical Group Limited

(Incorporated in Hong Kong with Limited Liability)
Stock Code: 3320

GLOBAL OFFERING

Joint Sponsors (in alphabetical order)

BofA Merrill Lynch
建银国际 CCB International
CICC 中金香港证券
Goldman Sachs

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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MIZUHO
中信建投國際 China Securities International
BOC INTERNATIONAL
招銀国际 CMB INTERNATIONAL
農銀國際 ABC INTERNATIONAL
J.P.Morgan

IMPORTANT

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

華潤醫藥集團有限公司

China Resources Pharmaceutical Group Limited

(Incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**1,543,141,500 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**77,158,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**1,465,983,500 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$10.15 per 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 and subject to refund)**
Stock code	**:**	**3320**

Joint Sponsors

(in alphabetical order)

BofA Merrill Lynch　建银国际 CCB International　CICC 中金香港证券　Goldman Sachs

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CICC 中金香港证券　Goldman Sachs　BofA Merrill Lynch　建银国际 CCB International　Morgan Stanley

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CMS 招商证券　ICBC 工银国际　HSBC　MIZUHO　中信建投國際 China Securities International

BOC INTERNATIONAL　招銀国际 CMB INTERNATIONAL　農銀國際 ABC INTERNATIONAL　J.P.Morgan

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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 paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Winding up and Miscellaneous Provisions) Ordinance . The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, October 21, 2016 (Hong Kong time) and, in any event, not later than Thursday, October 27, 2016 (Hong Kong time). The Offer Price will be not more than HK$10.15 and is currently expected to be not less than HK$8.45 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, October 27, 2016 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK$10.15 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$10.15.

The Joint Global Coordinators, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$8.45 to HK$10.15) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) 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. Such notices will also be available on the website of our Company at www.crpharm.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyer" in reliance on Rule 144A under the US Securities Act or another exemption from, or in a transaction not subject to, registration under the US Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the US Securities Act.

October 17, 2016

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2] . . . . . 11:30 a.m. on Thursday, October 20, 2016

Application lists open[3] . . . . . 11:45 a.m. on Thursday, October 20, 2016

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Thursday, October 20, 2016

Latest time to give **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Thursday, October 20, 2016

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Thursday, October 20, 2016

Application lists close . . . . . 12:00 noon on Thursday, October 20, 2016

Expected Price Determination Date . . . . . Friday, October 21, 2016

Announcement of Offer Price . . . . . Thursday, October 27, 2016

Announcement of:

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

to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on our website at **http://www.crpharm.com**[5] and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** [6] on or before . . . . . Thursday, October 27, 2016

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results") from . . . . . Thursday, October 27, 2016

Result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" . . . . . Thursday, October 27, 2016

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7] . . . . . Thursday, October 27, 2016

e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9] ..... Thursday, October 27, 2016

Dealings in Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on ..... Friday October 28, 2016

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

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

(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, October 20, 2016, the application lists will not open on that day. See "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 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) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Forms may collect refund cheques (where applicable) and Share certificates (where applicable) in person from our Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, October 27, 2016. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Share Registrar. Uncollected refund cheques and Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

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

(9) Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application.

The Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Friday, October 28, 2016. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security 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 authorization by, the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at www.crpharm.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 this is a summary, it does not contain all the information that may be important to you and is qualified by its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with an investment in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors," beginning on page 36 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading integrated pharmaceutical company in China, engaged in the research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products. We primarily operate in the following three segments:

- *Pharmaceutical manufacturing*. We engage in the research and development, manufacturing and sale of an extensive range of pharmaceutical and other healthcare products.

- *Pharmaceutical distribution*. We provide comprehensive, intelligent and integrated distribution solutions to pharmaceutical manufacturers and dispensers, such as hospitals and other medical institutions, distributors and retail pharmacies.

- *Pharmaceutical retail*. We operate and franchise a network of retail pharmacies across 16 provinces in China and Hong Kong, with an extensive and diverse product offering.

We enjoy leading positions across multiple segments of the PRC pharmaceutical industry. According to Frost & Sullivan, we were the second largest pharmaceutical manufacturer and pharmaceutical distributor in China, respectively, in terms of revenue in 2015. In particular, we were the largest manufacturer of OTC drugs in China in terms of revenue in 2015, maintaining a market leading position through our CR Sanjiu, Dong-E-E-Jiao and CR Zizhu brands. We also enjoy market leading positions in nutritional Chinese medicines, cardiovascular medicines, cold and flu remedies, large-volume IV infusion and emergency contraceptives.

We believe that our diversified business segments and product portfolio across the PRC pharmaceutical industry will not only help us mitigate the risks and uncertainties associated with an individual product area, but also enable us to benefit from government policies. For example, (i) although the "hierarchical diagnosis and treatment" (分級診療) policy may divert certain healthcare service demand from major hospitals, and may negatively impact our sales to these large hospitals, we expect such policy to benefit our pharmaceutical manufacturing and pharmaceutical distribution businesses to the extent that we can leverage our extensive coverage of primary medical institution customers that provide healthcare services to a significant portion of the PRC population with chronic and common diseases; (ii) the "two-invoice system" (兩票制), which only allows a single level of distributors for the sale of pharmaceutical products from the manufacturers to the hospitals, is expected to benefit, in the long term, our pharmaceutical distribution business which has a broad network of hospital customers and derives a majority of its revenue from them, despite limited

short-term negative impact on our sales to sub-distributors in our pharmaceutical distribution business; and (iii) the "separation of prescribing from dispensing" (醫藥分家) policy is intended to foster the long-term sustainable growth of the PRC healthcare and pharmaceutical industries in general, and is expected to bring great growth potential to our pharmaceutical retail business.

Our Company was established in 2007, following which we acquired equity interests in CR Dong-E and CR Sanjiu in 2008. Following the acquisition of Beijing Pharmaceutical in 2010, we completed the combination of CR Double-Crane, CR Zizhu, CR Pharmaceutical Commercial and Pharmaceutical R&D Center, which became our subsidiaries. During the Track Record Period, we completed a number of strategic acquisitions of pharmaceutical businesses, such as CR Nantong Pharmaceutical, Guilin CR Tianhe, CR Hunan Ruige Pharmaceutical, Zhejiang Zhongyi and Jinan Limin, which expanded and strengthened our pharmaceutical manufacturing and pharmaceutical distribution businesses.

We have experienced stable growth in recent years. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our revenue was HK$116,950.7 million, HK$135,749.2 million, HK$146,568.1 million, HK$71,262.9 million and HK$75,615.5 million, respectively, and our profit for the year or period was HK$5,454.6 million, HK$5,491.9 million, HK$6,082.2 million, HK$3,861.6 million and HK$3,180.5 million, respectively.

The following table sets forth our revenue, gross profit and gross margin by segment for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2013			2014			2015			2015			2016		
	Segment revenue	Segment gross profit	Segment gross margin	Segment revenue	Segment gross profit	Segment gross margin	Segment revenue	Segment gross profit	Segment gross margin	Segment revenue	Segment gross profit	Segment gross margin	Segment revenue	Segment gross profit	Segment gross margin
										(Unaudited)					
	(HK$ in millions, except percentages)														
Segments:															
Pharmaceutical manufacturing	22,315.4	12,879.4	57.7%	21,967.0	12,713.0	57.9%	24,253.6	14,158.6	58.4%	11,825.6	6,981.4	59.0%	12,224.4	7,080.4	57.9%
Pharmaceutical distribution	92,557.1	6,133.2	6.6	113,097.7	7,724.8	6.8	123,156.4	8,281.7	6.7	59,622.5	4,064.6	6.8	63,667.5	4,252.8	6.7
Pharmaceutical retail	2,600.6	643.2	24.7	3,040.3	720.6	23.7	3,651.2	700.2	19.2	1,840.9	394.9	21.4	1,921.5	386.3	20.1
Others	1,861.0	493.3	26.5	1,205.3	331.6	27.5	119.4	58.4	48.9	72.5	35.7	49.3	51.1	33.6	65.8
Elimination	(2,383.4)	—	—	(3,561.1)	—	—	(4,612.5)	—	—	(2,098.6)	—	—	(2,249.0)	—	—
Total	**116,950.7**	**20,149.1**	**17.2%**	**135,749.2**	**21,490.0**	**15.8%**	**146,568.1**	**23,198.9**	**15.8%**	**71,262.9**	**11,476.6**	**16.1%**	**75,615.5**	**11,753.1**	**15.5%**

Segment revenue and segment gross profit of our pharmaceutical manufacturing business, pharmaceutical distribution business and pharmaceutical retail business increased during the Track Record Period, except for a slight decrease in the segment revenue of our pharmaceutical manufacturing business from HK$22,315.4 million in 2013 to HK$21,967.0 million in 2014 and a slight decrease in the segment gross profit of our pharmaceutical manufacturing business from HK$12,879.4 million in 2013 to HK$12,713.0 million in 2014, which were primarily because we discontinued or disposed of certain businesses that were not aligned with our growth strategy.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our cost of sales was HK$96,801.6 million, HK$114,259.2 million, HK$123,369.2 million, HK$59,786.3 million and HK$63,862.4 million, respectively. The principal components of cost of sales of our pharmaceutical manufacturing business consist of raw materials and consumables used, labor costs and depreciation costs. The cost of sales of our pharmaceutical distribution business and pharmaceutical retail business mainly represents cost of pharmaceutical and other healthcare products purchased by us for resale.

Pharmaceutical Manufacturing

We were the second largest pharmaceutical manufacturer in China in terms of revenue in 2015, according to Frost & Sullivan. As of June 30, 2016, we manufactured and marketed 505 pharmaceutical products, including 294 chemical drugs, 160 Chinese medicines, nine biopharmaceutical drugs and 42 other pharmaceutical products. Of our pharmaceutical products, 302 were prescription drugs, 289 were included in the National Medical Insurance Drugs Catalog and 129 were included in the National Essential Drug List. In 2015, we had 32 pharmaceutical products with annual revenue of over HK$100.0 million, among which we had six pharmaceutical products with annual revenue of over HK$1.0 billion, namely E-Jiao block, basic infusion, Ganmaoling, Compound E-Jiao syrup, Chinese medicine formula granules and Hypentensive No. 0, and four pharmaceutical products with annual revenue of between HK$500.0 million and HK$1.0 billion, namely Shenfu injection, Yashida, Piyanping and Xintailin. We also manufacture active pharmaceutical ingredients, which are the substances in drugs that are pharmaceutically active, Chinese herbal medicines and other healthcare products. A number of our pharmaceutical products are leading drugs in their respective markets, such as Ganmaoling, Piyanping, E-Jiao, Compound E-Jiao Syrup, Hypertensive No. 0, Yashida, Xintailin and Yuting.

We focus on producing quality products by adhering to stringent quality assurance standards. As of June 30, 2016, we had obtained and maintained the necessary PRC GMP certifications for all of our production lines for pharmaceutical products. As of the same date, our annual design capacity for tablets, granules, capsules, liquid injections and large-volume injections was 9.7 billion units, 6.3 billion units, 3.2 billion units, 2.6 billion units and 2.0 billion units, respectively, and the utilization rate for these product forms was 47.8%, 73.9%, 42.0%, 45.8% and 68.3%, respectively.

Many of our products are marketed under trademarks that have long been widely recognized in the industry for high quality and effectiveness. For example, we own a number of Well-Known Trademarks recognized by the PRC trademark authority, including "Sanjiu (三九)" (also known as "999"), "Double-Crane (雙鶴)," "Saike (賽科)," "Zizhu (紫竹)," "Dong-E-E-Jiao (東阿阿膠)" and "Tianhe (天和)." We believe the strength of our brands, together with the quality of our products, enable us to market our products effectively.

Innovation and continued enhancement of existing products by our research and development operations are important to our pharmaceutical manufacturing. Our research and development activities are conducted both in-house and through collaborations with external research partners, such as research institutes, universities and hospitals. As of June 30, 2016, we had 33 drug candidates pending approval for production, 25 drug candidates in various stages of clinical trials and ten drug candidates pending approval to enter clinical trials. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, we had research and development expenditures of HK$635.5 million,

HK$851.4 million, HK$926.8 million, HK$340.1 million and HK$388.7 million, respectively, among which research and development expenses were HK$495.9 million, HK$786.6 million, HK$708.9 million, HK$272.8 million and HK$361.3 million, respectively, and the development costs incurred and capitalized as deferred development costs were HK$139.6 million, HK$64.8 million, HK$217.9 million, HK$67.3 million and HK$27.4 million, respectively.

We have established an extensive sales and marketing network comprising sales representatives located in all major markets in China where our products are sold. We regularly engage in a variety of marketing activities and have established strong sales channels for our OTC and prescription medicines. Our pharmaceutical products are generally sold first to distributors which then resell these products based on our sales and marketing teams' efforts or through their own sales and distribution networks. As of June 30, 2016, we had 2,699 distributors that were engaged in the distribution of our pharmaceutical products.

In recent years, the PRC government has promulgated a number of regulatory policies under the ongoing healthcare reform plans, which have implications including, among other things, uncertain timeline of provincial centralized tender processes and potential drug price cuts, more stringent review and approval standards for drug applications, and uncertainties in relation to the scope of the National Medical Insurance Drugs Catalog. For details, see "Risk Factors — Risks relating to Our Business and Industry."

The following table sets forth a breakdown of the segment revenue from our pharmaceutical manufacturing segment by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
	(HK$ in millions, except percentages)									
Chemical drugs	9,020.3	40.4%	9,144.2	41.6%	9,406.9	38.8%	4,790.2	40.5%	5,135.6	42.0%
Chinese medicines	10,105.2	45.3	10,908.6	49.7	12,336.5	50.9	5,855.9	49.5	6,042.7	49.4
Biopharmaceutical drugs	116.6	0.5	41.4	0.2	197.9	0.8	109.4	0.9	123.0	1.0
Nutritional and health products	303.1	1.4	374.6	1.7	382.5	1.6	171.5	1.5	162.9	1.3
Others[(1)]	2,770.2	12.4	1,498.2	6.8	1,929.8	7.9	898.6	7.6	760.2	6.3
Total	22,315.4	100.0%	21,967.0	100.0%	24,253.6	100.0%	11,825.6	100.0%	12,224.4	100.0%

(1) Revenue from sales of our other products include revenue from sales of Chinese herbs, pharmaceutical packages, rubber gloves and contraceptive products. In 2013 only, revenue from sales of our other products also included the revenue generated from Sanjiu Neurosurgical Hospital which has not been consolidated in our financial statements since 2014.

Pharmaceutical Distribution

We were the second largest pharmaceutical distributor in China in terms of revenue in 2015, according to Frost & Sullivan. As of June 30, 2016, we operated a nationwide distribution network comprising 109 subsidiaries and 114 logistics centers located strategically across 19 provinces in China. We conduct our pharmaceutical distribution business primarily through CR Pharmaceutical Commercial, one of our wholly-owned subsidiaries.

As of June 30, 2016, we distributed 34,348 types of prescription pharmaceutical products, 10,029 types of OTC pharmaceutical products, 47 types of medicine that can be both used as prescription products and OTC pharmaceutical products in China, and focused on products manufactured by leading international and PRC pharmaceutical manufacturers. We source products from 9,590 international and PRC pharmaceutical manufacturers, including the top 50 international pharmaceutical manufacturers with a presence in China and the top 200 PRC pharmaceutical preparations manufacturers in terms of revenue. We had exclusive rights to sell 47 pharmaceutical products and medical devices from large international and PRC pharmaceutical companies in China as of June 30, 2016. Among the 47 exclusive rights to distribute pharmaceutical products and medical devices that we have, 30 of such rights will expire within a year, 11 of such rights will expire in between one and two years, and six of such rights will expire in over two years. Except for certain cases of exclusive rights that provide for automatic annual renewal, before the expiry of such exclusive rights, we will negotiate with the supplier and have the option to renew such exclusive right upon mutual consent. Our comprehensive product portfolio aims to address increasingly complex healthcare needs. For example, our extensive range of products targeting chronic diseases addresses the rising prevalence of chronic diseases, while our oncology product offering caters to the increasing medical needs for these products.

Leveraging our comprehensive product offerings, wide distribution networks and strength in high-end pharmaceutical products, we directly distribute products to hospitals and other medical institutions in China, especially Class III and Class II hospitals. Direct sales to hospitals and other medical institutions generate higher margins than sales to other distributors. In 2015, our direct sales to hospitals and other medical institutions accounted for 61.1% of external sales from our pharmaceutical distribution business. Through our subsidiaries and logistics centers in China, we directly sold products to 1,165 Class III hospitals, 3,034 Class II hospitals and 37,424 primary medical institutions in China as of June 30, 2016. We expand our sales networks to reach other end-customers across the PRC through other distributors. We also distribute pharmaceutical and healthcare products to retail pharmacies and other retail outlets.

The following table sets forth a breakdown of revenue from our pharmaceutical distribution business by customer type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales
	(HK$ in millions, except percentages)									
External sales										
Hospitals and other medical institutions	55,811.5	60.9%	67,828.3	60.7%	74,082.1	61.1%	34,764.0	59.2%	38,159.9	60.9%
Other distributors	32,501.5	35.5	39,945.8	35.7	43,008.3	35.5	21,141.0	35.9	21,174.2	33.8
Retail pharmacies and others	3,338.9	3.6	4,015.7	3.6	4,100.5	3.4	2,850.7	4.9	3,348.6	5.3
Total	**91,651.9**	**100.0**	**111,789.8**	**100.0**	**121,190.9**	**100.0**	**58,755.7**	**100.0**	**62,682.7**	**100.0**
Inter-segment sales	905.2	1.0	1,307.9	1.2	1,965.5	1.6	866.8	1.5	984.8	1.6
Segment revenue	**92,557.1**	**101.0%**	**113,097.7**	**101.2%**	**123,156.4**	**101.6%**	**59,622.5**	**101.5%**	**63,667.5**	**101.6%**

Pharmaceutical Retail

We had the ninth largest retail pharmacy network in China in terms of revenue in 2015, according to Frost & Sullivan. As of June 30, 2016, we operated a retail pharmacy network of 722 retail pharmacies under national or regional premium brand names, such as "CR Care (華潤堂)," "Yibaoquanxin (醫保全新)," "Li'an chain (禮安連鎖)" and "Tung Tak Tong (同德堂)."

COMPETITIVE STRENGTHS

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

- Integrated pharmaceutical company with market-leading positions in China, well-positioned to capture the attractive growth potential in the PRC healthcare market;
- Strong mergers and acquisitions and integration capabilities with a proven track record;
- Leading pharmaceutical manufacturer in China with one of the most comprehensive product portfolios, well-recognized brands and outstanding capabilities in research and development, production and marketing;
- Leading pharmaceutical distribution and pharmaceutical retail businesses in China, with a nationwide network providing highly professional, efficient and innovative value-added pharmaceutical supply chain services to our customers;

- Integrated business model to strategically realize synergies across business segments and potential for resources sharing; and

- Professional management team with extensive experience, international vision and superior execution capabilities, as well as effective management systems.

BUSINESS STRATEGIES

Our goal is to capitalize on our existing market-leading positions across the pharmaceutical manufacturing, distribution and retail businesses to further enhance our position as a leading, integrated pharmaceutical company. We plan to pursue the following strategies:

- Continue to expand our pharmaceutical manufacturing business to further enrich our product portfolio to generate long-term sustainable growth;

- Further enhance our leadership as a comprehensive distribution solution provider through continued excellence and innovations;

- Strategically position ourselves in the fast-growing biopharmaceutical market, focus on research and innovation, and further upgrade our pharmaceutical manufacturing capabilities;

- Continue to pursue strategic acquisitions to further consolidate our leadership positions in the pharmaceutical industry;

- Continue to extract and maximize synergies in our integrated business model and optimize resource allocation and operating efficiency; and

- Enhance our comprehensive competitiveness through international cooperation.

CHINA RESOURCES HOLDINGS

As of the Latest Practicable Date, China Resources Holdings, our controlling shareholder, held through CRH (Pharmaceutical) 72% of our share capital. Immediately following completion of the Global Offering, China Resources Holdings will own approximately 54.00% of the share capital of our Company (assuming the Over-allotment Option is not exercised), or approximately 52.05% of the share capital of our Company (assuming the Over-allotment Option is exercised in full). China Resources Holdings will remain as our controlling shareholder after the Listing.

SUMMARY FINANCIAL INFORMATION

The following tables present our summary consolidated financial information as of and for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016. This summary has been derived from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus, including the accompanying notes, and the information set forth in "Financial Information" beginning on page 327 of this prospectus.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Revenue	116,950.7	135,749.2	146,568.1	71,262.9	75,615.5
Cost of sales	(96,801.6)	(114,259.2)	(123,369.2)	(59,786.3)	(63,862.4)
Gross profit	**20,149.1**	**21,490.0**	**23,198.9**	**11,476.6**	**11,753.1**
Other income	756.3	917.5	1,002.4	359.2	451.9
Other gains and losses	271.3	518.2	1,160.9	998.5	186.0
Selling and distribution expenses	(8,423.1)	(8,800.1)	(10,111.6)	(4,614.1)	(4,968.2)
Administrative expenses	(3,673.5)	(4,246.8)	(3,844.9)	(1,842.8)	(1,743.8)
Other expenses	(445.5)	(886.0)	(1,363.1)	(277.3)	(552.9)
Share of results of associates	54.9	64.6	58.2	20.1	31.8
Share of results of a joint venture	(5.9)	—	—	—	—
Listing expenses	—	—	—	—	(40.0)
Finance costs	(1,770.7)	(2,134.6)	(2,050.5)	(1,027.7)	(889.1)
Profit before tax	**6,912.9**	**6,922.8**	**8,050.3**	**5,092.5**	**4,228.8**
Income tax expense	(1,458.3)	(1,430.9)	(1,968.1)	(1,230.9)	(1,048.3)
Profit for the year or period	**5,454.6**	**5,491.9**	**6,082.2**	**3,861.6**	**3,180.5**
Attributable to:					
Owners of the Company	2,639.5	2,645.9	2,850.1	2,281.6	1,636.1
Non-controlling interests(1)	2,815.1	2,846.0	3,232.1	1,580.0	1,544.4

(1) Non-controlling interests include those in CR Sanjiu, Dong-E-E-Jiao, CR Double-Crane and other non-wholly-owned subsidiaries. For our shareholding interests and non-controlling interests in each of these subsidiaries, see note 36 in Appendix I — "Accountants' Report" to this prospectus.

The table below sets forth our adjusted revenue, adjusted gross profit and adjusted profit excluding the revenue, gross profit and profit of our three A-share listed subsidiaries, namely CR Sanjiu, Dong-E-E-Jiao and CR Double-Crane, for the periods indicated and is for illustrative purposes only:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	(HK$ in millions)				
Revenue	116,950.7	135,749.2	146,568.1	71,262.9	75,615.5
Less: Contribution from CR Sanjiu, Dong-E-E-Jiao, CR Double-Crane	(22,716.8)	(19,652.2)	(23,026.0)	(10,563.7)	(11,656.8)
Adjusted revenue	**94,233.9**	**116,097.0**	**123,542.1**	**60,699.2**	**63,958.7**
Gross profit	20,149.1	21,490.0	23,198.9	11,476.6	11,753.1
Less: Contribution from CR Sanjiu, Dong-E-E-Jiao, CR Double-Crane	(11,903.7)	(11,573.0)	(13,724.0)	(6,336.3)	(7,141.3)
Adjusted gross profit	**8,245.4**	**9,917.0**	**9,474.9**	**5,140.3**	**4,611.8**
Profit for the year or period	5,454.6	5,491.9	6,082.2	3,861.6	3,180.5
Less: Contribution from CR Sanjiu, Dong-E-E-Jiao, CR Double-Crane	(4,050.9)	(3,772.4)	(4,455.3)	(2,216.7)	(2,285.7)
Adjusted profit for the year or period	**1,403.7**	**1,719.5**	**1,626.9**	**1,644.9**	**894.8**

For details of our Company's control over Dong-E-E-Jiao and CR Double-Crane and the basis of consolidation, see "Financial Information — Critical Accounting Policies" beginning on page 334 of this prospectus.

Summary Consolidated Statement of Financial Position

	As of December 31,			As of June 30
	2013	2014	2015	2016
	(HK$ in millions)			
Non-current assets	36,025.2	37,520.4	38,291.7	37,929.7
Current assets	68,797.8	84,277.2	88,856.9	87,986.9
Total assets	**104,823.0**	**121,797.6**	**127,148.6**	**125,916.6**
Non-current liabilities	13,276.5	19,174.7	15,079.2	15,023.8
Current liabilities	58,897.9	65,472.5	72,223.8	71,190.4
Total liabilities	**72,174.4**	**84,647.2**	**87,303.0**	**86,214.2**
Total equity	**32,648.6**	**37,150.4**	**39,845.6**	**39,702.4**

Summary Consolidated Statement of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Net cash from operating activities	4,102.2	4,186.7	5,988.8	505.3	611.6
Net cash from (used in) investing activities	(5,788.7)	(7,979.1)	(3,919.2)	1,911.2	(426.9)
Net cash from (used in) financing activities	4,008.6	3,090.3	(1,554.3)	(2,442.3)	(2,527.5)
Net increase/(decrease) in cash and cash equivalents	**2,322.1**	**(702.1)**	**515.3**	**(25.8)**	**(2,342.8)**
Cash and cash equivalents at the beginning of the year or period	12,693.6	15,175.4	13,735.9	13,735.9	13,214.9
Effect of foreign exchange rate changes	159.7	(737.4)	(1,036.3)	12.2	(377.5)
Cash and cash equivalents at the end of the year or period	**15,175.4**	**13,735.9**	**13,214.9**	**13,722.3**	**10,494.6**

Selected Financial Ratios

The table below sets forth, as of the dates or for the periods indicated, certain financial ratios:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2013	2014	2015	2016
Current ratio (times) [(1)]	1.2	1.3	1.2	1.2
Quick ratio (times) [(2)]	1.0	1.0	1.0	1.0
Gearing ratio [(3)]	95.6%	100.3%	93.4%	95.0%
Return on assets [(4)]	5.7%	4.8%	4.9%	5.0%[(6)]
Return on equity [(5)]	19.0%	13.7%	13.3%	14.5%[(6)]

(1) Current ratio equals current assets divided by current liabilities.

(2) Quick ratio equals current assets excluding inventories divided by current liabilities.

(3) Gearing ratio equals total debts (the sum of bank borrowings and bonds payable) divided by total equity.

(4) Return on assets equals the profit for a period divided by the average balance of total assets at the beginning and the end of such period.

(5) Return on equity represents the profit attributable to owners of the Company for a period divided by the average balance of total equity attributable to owners of the Company at the beginning and the end of such period.

(6) These figures have been annualized to be comparable to those of prior years but are not indicative of the actual results.

RECENT DEVELOPMENTS

Since June 30, 2016, the PRC healthcare industry and our business have continued to grow. In the third quarter of 2016, our revenue increased compared with the same period in 2015, due primarily to the continued growth of our pharmaceutical manufacturing and pharmaceutical distribution businesses. Our gross profit remained relatively stable in the third quarter of 2016 compared to the same period in 2015, while our gross profit margin decreased due primarily to a change in our revenue mix as our pharmaceutical distribution business grew faster relative to pharmaceutical manufacturing business. Our total assets remained relatively stable in the third quarter of 2016.

From July 1, 2016 to the Latest Practicable Date, we have acquired or proposed to acquire various businesses in China, including regional pharmaceutical distributors, a manufacturer of oral cardiovascular medicines and a biotechnology company. See "History, Restructuring and Corporate Structure — Post-Track Record Period Acquisitions."

In addition, we entered into a non-binding memorandum of understanding with Reckitt Benckiser plc on October 8, 2016, pursuant to which we will further explore with Reckitt Benckiser plc a strategic cooperation between the respective groups in relation to certain designated OTC, medical devices and healthcare products in the PRC market. It is expected that the potential strategic cooperation would strengthen growth in existing businesses of and provide new market opportunities to us and Reckitt Benckiser plc. Reckitt Benckiser plc is a wholly-owned subsidiary of Reckitt Benckiser Group plc, which is the ultimate beneficial owner of one of our cornerstone investors, London International Trading (Asia) Limited. See "Cornerstone Investors" for further details.

On October 9, 2016, our shareholders approved a special pre-listing dividend distribution plan, pursuant to which we are required to distribute a special cash dividend of approximately HK$2,227.8 million from our consolidated retained earnings as of June 30, 2016 (as shown in our consolidated financial statements prepared in accordance with the HKFRS) to CRH (Pharmaceutical) and Beijing Pharmaceutical Investment in the proportion of 72% and 28%, respectively. The amount of the special dividend represents approximately 14.6% of our consolidated retained earnings of HK$15,223.8 million as of June 30, 2016. We intend to use cash resources, such as distributions from our subsidiaries and external financing (other than the proceeds from the Global Offering), to pay the special dividend, subject to applicable laws, regulations and accounting standards, and after our Company has attained sufficient distributable profits. Taking into account various factors including our business needs and financial resources, we shall take necessary steps to obtain consents from lenders for such distribution (if needed) and ensure that the special dividend would be distributed within 24 months from the Listing Date, with a view to maintaining sufficient flexibility for our operations and business expansion. Our shareholders other than CRH (Pharmaceutical) and Beijing Pharmaceutical Investment, including investors in the Global Offering and other new shareholders after the Global Offering, will not be entitled to this special dividend. Other than the special dividend, our accrued consolidated retained earnings before the Global Offering will be shared among our existing shareholders and new shareholders. We will disclose further details about the declaration, payment and the exact amount of the special dividend by way of announcement on the Hong Kong Stock Exchange before such payment.

Our Directors have confirmed, after performing all of the due diligence that the Directors consider appropriate, that there has been no event which could materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus since June 30, 2016 (being the latest date of our audited consolidated financial statements) and up to the date of this prospectus, and as of the date of this prospectus there has been no material adverse change in our financial or trading position or prospects.

USE OF PROCEEDS

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the stated range between HK$8.45 and HK$10.15 per Share) and assuming the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK$13,974.1 million from the Global Offering. In line with our strategies, we intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 45% of the net proceeds, or approximately HK$6,288.4 million, is expected to be used for making strategic acquisitions in China to expand our pharmaceutical manufacturing and pharmaceutical distribution businesses;

- approximately 15% of the net proceeds, or approximately HK$2,096.1 million, is expected to be used for establishing more advanced logistics centers and warehouses in China for our pharmaceutical distribution business;

- approximately 10% of the net proceeds, or approximately HK$1,397.4 million, is expected to be used for investment in our research and development platform to enhance our research and innovation capabilities and promote cooperation with research partners to jointly develop new products and optimize our product portfolio;

- approximately 10% of the net proceeds, or approximately HK$1,397.4 million, is expected to be used for improving and upgrading our information technology systems to strengthen our internal control management and operational efficiency, particularly for our "Hospital Logistics Intelligence" and "Network Hospital Logistics Intelligence" solutions;

- approximately 10% of the net proceeds, or approximately HK$1,397.4 million, is expected to be used for repaying a portion of our outstanding bonds; and

- approximately 10% of the net proceeds, or approximately HK$1,397.4 million, is expected to be used for working capital and general corporate purposes.

See "Future Plans and Use of Proceeds" beginning on page 400 of this prospectus for details of our use of proceeds from the Global Offering.

OFFER STATISTICS

The numbers in the following table are based on the assumptions that (i) the Global Offering has been completed and 1,543,141,500 Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 6,172,565,961 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$8.45 per Share	Based on an Offer Price of HK$10.15 per Share
Market capitalization of Shares after completion of the Global Offering . .	HK$52,158.2 million	HK$62,651.5 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[(1)]	HK$2.68	HK$3.10

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share was calculated after adjustments as specified in Appendix II to this Prospectus.

DIVIDEND POLICY

During the Track Record Period, we did not declare any cash dividends. After the Global Offering, other than the special dividend disclosed in "— Recent Developments," we expect to distribute not less than 20% of our annual distributable profit, excluding one-off gains, as dividends to our shareholders. One-off gains refer to gains that are not directly related to the ordinary course of our business or non-recurring gains related to our ordinary business operation. During the Track Record Period, our one-off gains primarily consisted of gain on disposal of associates, gain on disposal of subsidiaries and gain on disposal of prepaid lease payments. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we had pre-tax one-off gains of HK$34.2 million, HK$5.6 million, HK$1,062.9 million and HK$78.0 million, respectively, which may not be indicative of future results. For details of our dividend policy, see "Financial Information — Dividend Policy" beginning on page 396 of this prospectus.

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry, (ii) risks relating to the PRC, and (iii) risks relating to the Global Offering. We believe our major risks include:

- Our growth relies in part on the continuing expansion and reforms of the PRC healthcare industry, the anticipated growth of which may not be timely achieved, or at all.

- We are subject to changing legal and regulatory requirements in the PRC pharmaceutical industry, and new laws, rules and regulations may impose significant compliance burdens on us.

- We sell a number of our pharmaceutical products through a centralized tender process, and the pricing of our pharmaceutical products may be adversely affected by market competition.

- The majority of pharmaceutical products offered by us were subject to price restrictions and will continue to be subject to price competition in China.

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

- Our business, financial condition and results of operations may be materially and adversely affected if we are unable to compete effectively in the PRC pharmaceutical industry, and we may fail to sufficiently and promptly respond to rapid changes in government regulations, treatment of diseases and customer preferences.

- We may not be able to completely and successfully carry out our expansion plans, and we may fail to realize the anticipated benefits of acquisitions that we have made or intend to make.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We incurred listing expenses of HK$40.0 million which have been expensed in the six months ended June 30, 2016. We expect to incur additional listing expenses of approximately HK$337.1 million (assuming an Offer Price of HK$9.30 per Share, being the mid-point of the indicative Offer Price range, and the Over-allotment Option is not exercised), of which approximately HK$304.4 million will be directly attributable to the issue of our Shares to the public and capitalized, and the remaining HK$32.7 million will be expensed in the second half of 2016. Our Directors do not expect such expenses to materially impact our results of operations in 2016.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"affiliate(s)"	means 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** Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of directors of our Company
"BEID Fund"	Beijing Equity Investment Development Fund (Cayman II) L.P., an exempted limited partnership registered in the Cayman Islands on July 10, 2013, and our Shareholder
"Beijing Pharmaceutical"	Beijing Pharmaceutical Group Company Limited (北京醫藥集團有限責任公司), formerly known as Beijing Pharmaceutical Corporation (北京市醫藥總公司), a company incorporated under the laws of the PRC on March 28, 1987 and a wholly-owned subsidiary of our Company
"Beijing Pharmaceutical Holdings"	Beijing Pharmaceutical Holdings Limited (北京醫藥控股有限公司), a company incorporated with limited liability in the BVI on December 10, 2010, which is a wholly-owned subsidiary of Beijing State-Owned Capital Operations and Management Centre (北京國有資本經營管理中心) and our substantial shareholder
"Beijing Pharmaceutical Investment"	Beijing Pharmaceutical Investment Limited (北京醫藥投資有限公司), a company incorporated with limited liability in the BVI on January 12, 2011, which is a wholly-owned subsidiary of Beijing Pharmaceutical Holdings and our substantial shareholder
"Beijing Pharmaceutical Investment & Management (BVI)"	Beijing Pharmaceutical Investment and Management (BVI) Limited (北京醫藥投資管理(BVI)有限公司), a company incorporated with limited liability in the BVI on January 12, 2011 and a wholly-owned subsidiary of our Company

"Beijing Pharmaceutical Investment & Management (HK)"	Beijing Pharmaceutical Investment and Management (HK) Limited (北京醫藥投資管理(香港)有限公司), a company incorporated with limited liability in Hong Kong on March 3, 2011 and a wholly-owned subsidiary of our Company
"Beijing SASAC"	the State-Owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
"BSCOMC"	Beijing State-Owned Capital Operations and Management Centre (北京國有資本經營管理中心), a state-owned enterprise incorporated in the PRC on December 30, 2008 and our substantial shareholder
"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
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFDA"	the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局), formerly known as the State Food and Drug Administration of the PRC (國家食品藥品監督管理局)
"China Resources Holdings"	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability on July 8, 1983, which is a wholly-owned subsidiary of China Resources Co., Limited and our controlling shareholder

"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司), formerly known as China Resources Medications Group Limited (華潤醫藥集團有限公司) and Far Glory Holdings Limited, a company incorporated with limited liability in Hong Kong on May 10, 2007
"CR Care"	CR Care Company Limited (華潤堂有限公司), formerly known as CRC Medichall Limited (華潤堂有限公司), a company incorporated with limited liability in Hong Kong on December 29, 1999 and a wholly-owned subsidiary of our Company
"CR Dong-E"	China Resources Dong-E-E-Jiao Company Limited (華潤東阿阿膠有限公司), a company incorporated under the laws of the PRC on December 9, 2004 and a 56.62% owned subsidiary of our Company as of the Latest Practicable Date
"CR Double-Crane"	China Resources Double-Crane Pharmaceutical Company Limited (華潤雙鶴藥業股份有限公司), formerly known as Beijing Double-Crane Pharmaceutical Co., Ltd. (北京雙鶴藥業股份有限公司), a company incorporated under the laws of the PRC on May 16, 1997, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600062) and a 59.99% owned subsidiary of our Company as of the Latest Practicable Date
"CR Guangdong Pharmaceutical"	China Resources Guangdong Pharmaceutical Co., Ltd. (華潤廣東醫藥有限公司), formerly known as Guangdong Zhongjian Pharmaceutical Company Limited (廣東中健醫藥有限公司) a company incorporated under the laws of the PRC on December 25, 1993 and a 70.0% owned subsidiary of our Company as of the Latest Practicable Date
"CR Heilongjiang Pharmaceutical"	China Resources Heilongjiang Pharmaceutical Co., Ltd. (華潤黑龍江醫藥有限公司), formerly known as Heilongjiang Yongyu Pharmaceutical Co., Ltd. (黑龍江永裕醫藥有限公司), a company incorporated under the laws of the PRC on November 4, 2004 and a wholly-owned subsidiary of our Company

"CR Hunan Ruige Pharmaceutical"	China Resources Hunan Ruige Pharmaceutical Company Limited (華潤湖南瑞格醫藥有限公司), formerly known as Hunan Ruige Pharmaceutical Co., Ltd. (湖南瑞格醫藥有限公司), a company incorporated under the laws of the PRC on January 10, 2013 and a 51.0% owned subsidiary of our Company as of the Latest Practicable Date
"CR Hunan Shuangzhou Pharmaceutical"	China Resources Hunan Shuangzhou Pharmaceutical Co., Ltd. (華潤湖南雙舟醫藥有限公司), formerly known as Hunan Shuangzhou Commercial Trading Co., Ltd. (湖南雙舟商貿有限公司), a company incorporated under the laws of the PRC on December 1, 2011 and a 51.0% owned subsidiary of our Company as of the Latest Practicable Date
"CR Nantong Pharmaceutical"	China Resources Nantong Pharmaceutical Company Limited (華潤南通醫藥有限公司), formerly known as Jiangsu Pharmaceutical Industrial Corporation, Subei Branch Co. (江蘇醫藥實業總公司蘇北分公司) and Nantong Subei Pharmaceutical Co., Ltd. (南通蘇北醫藥有限公司), a company incorporated under the laws of the PRC on April 16, 1995 and a wholly-owned subsidiary of our Company
"CR Pharmaceutical Commercial"	China Resources Pharmaceutical Commercial Group Company Limited (華潤醫藥商業集團有限公司), formerly known as Beijing Pharmaceutical Co., Ltd. (北京醫藥股份有限公司), a company incorporated under the laws of the PRC on December 27, 2000 and a wholly-owned subsidiary of our Company
"CR Pharmaceutical Holdings"	China Resources Pharmaceutical Holdings Company Limited (華潤醫藥控股有限公司), formerly known as New Sanjiu Holdings Co., Ltd. (新三九控股有限公司), a company incorporated under the laws of the PRC on March 22, 2007 and a wholly-owned subsidiary of our Company
"CR Pharmaceutical Investment"	China Resources Pharmaceutical Investment Company Limited (華潤醫藥投資有限公司), formerly known as Shenzhen Sanjiu Enterprise Investment Management Co., Ltd. (深圳三九創業投資管理有限公司), Shenzhen Sanjiu Pharmaceutical Investment Management Co., Ltd. (深圳三九醫藥投資管理有限公司) and China Resources Pharmaceutical Beiyao Investment Co., Ltd. (華潤北藥投資有限公司), a company incorporated under the laws of the PRC on July 4, 2003 and a wholly-owned subsidiary of our Company

"CR Pharmaceutical Retail Group"	China Resources Pharmaceutical Retail Group Limited (華潤醫藥零售集團有限公司), formerly known as China Resources Medic Investments Limited and Starland Assets Limited, a company incorporated with limited liability in the BVI on January 6, 2000 and a wholly-owned subsidiary of our Company
"CR Purenhong Pharmaceutical"	China Resources Purenhong (Beijing) Pharmaceutical Co., Ltd. (華潤普仁鴻(北京)醫藥有限公司), formerly known as Beijing Purenhong Pharmaceutical Sales Co., Ltd. (北京普仁鴻醫藥銷售有限公司), a company incorporated under the laws of the PRC on November 3, 2000 and a 55.65% owned subsidiary of our Company as of the Latest Practicable Date
"CR Retail Group"	China Resources Retail (Group) Limited (華潤零售(集團)有限公司), a company incorporated with limited liability in Hong Kong on August 26, 1993 and a wholly-owned subsidiary of China Resources Holdings
"CR Sanjiu"	China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司), formerly known as Sanjiu Pharmaceutical Co., Ltd. (三九醫藥股份有限公司), a company incorporated under the laws of the PRC on April 21, 1999, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000999) and a 63.60% owned subsidiary of our Company as of the Latest Practicable Date
"CR Shanghai Pharmaceutical"	China Resources Pharmaceutical (Shanghai) Co., Ltd. (華潤醫藥(上海)有限公司), a company incorporated under the laws of the PRC on January 20, 1999 and a 70.0% owned subsidiary of our Company as of the Latest Practicable Date
"CR Suzhou Li'an"	China Resources Suzhou Li'an Pharmaceutical Company Limited (華潤蘇州禮安醫藥有限公司), formerly known as Suzhou Li'an Pharmaceutical Co., Ltd. (蘇州禮安醫藥有限公司), a company incorporated under the laws of the PRC on January 1, 1980 and a wholly-owned subsidiary of our Company
"CR Tianjin Pharmaceutical"	China Resources Tianjin Pharmaceutical Co., Ltd. (華潤天津醫藥有限公司), formerly known as Tianjin Tianshili Pharmaceutical Co., Ltd. (天津天時力醫藥有限公司), a company incorporated under the laws of the PRC on March 10, 2003 and a 70.0% owned subsidiary of our Company as of the Latest Practicable Date

"CR Wandong Medical Equipment"	China Resources Wandong Medical Equipment Company Limited (華潤萬東醫療裝備股份有限公司), a company incorporated under the laws of the PRC on May 12, 1997 and an Independent Third Party
"CR Hubei Pharmaceutical"	China Resources Hubei Pharmaceutical Company Limited (華潤湖北醫藥有限公司), formerly known as Hubei Huacheng Healthcare Products Co., Ltd. (湖北華成保健品有限公司), Hubei Century Longteng Trading Development Co., Ltd. (湖北世紀龍騰經貿發展有限公司), Xinlong Pharmaceutical Group Co., Ltd. (新龍藥業集團有限公司) and China Resources Xinlong Pharmaceutical Company Limited (華潤新龍醫藥有限公司), a company incorporated under the laws of the PRC on October 21, 1999, a 60.0% owned subsidiary of our Company as of the Latest Practicable Date
"CR Zizhu"	China Resources Zizhu Pharmaceutical Company Limited (華潤紫竹藥業有限公司), formerly known as Beijing No. 3 Pharmaceutical Factory (北京第三制藥廠) and Beijing Zizhu Pharmaceutical Co., Ltd. (北京紫竹藥業有限公司), a company incorporated under the laws of the PRC on November 26, 1980 and a wholly-owned subsidiary of our Company
"CRH (Pharmaceutical)"	CRH (Pharmaceutical) Limited (華潤集團(醫藥)有限公司), formerly known as Sky Joy Investments Limited (天喜投資有限公司), a company incorporated in the BVI on January 22, 2007, which is a wholly-owned subsidiary of China Resources Holdings and our controlling shareholder
"Directors"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"Dong-E-E-Jiao"	Dong-E-E-Jiao Company Limited (東阿阿膠股份有限公司), formerly known as Shandong Dong-E-E-Jiao Factory (山東東阿阿膠廠), Shandong Dong-E-E-Jiao (Group) Co., Ltd. (山東東阿阿膠(集團)股份有限公司) and Shandong Dong-E-E-Jiao Co., Ltd. (山東東阿阿膠股份有限公司), a company incorporated under the laws of the PRC on June 4, 1994, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000423) and controlled as to 27.80% by our Company as of the Latest Practicable Date
"EIT"	the enterprise income tax of the PRC

"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) issued on March 16, 2007 and its implementation rules issued on December 6, 2007, both effective from January 1, 2008
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report dated October 8, 2016 commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"Guilin CR Tianhe"	Guilin China Resources Tianhe Pharmaceutical Co., Ltd. (桂林華潤天和藥業有限公司), formerly known as Guilin Tianhe Co., Ltd. (桂林天和藥業股份有限公司), a company incorporated under the laws of the PRC on July 22, 1989 and a 98.54% owned subsidiary of CR Sanjiu as of the Latest Practicable Date
"Hong Kong dollar" or "HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at www.hkeipo.hk
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website www.hkeipo.hk
"HKFRS"	the Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Offer Shares"	the 77,158,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation)
"Hong Kong Public Offering"	the offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation) for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), on the terms and subject to conditions set out in this prospectus and the Application Forms
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	underwriters of the Hong Kong Public Offering whose names are set out in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 14, 2016 relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters and us, as further described in "Underwriting"
"Independent Third Party"	an individual or a company who or which is not a director, chief executive or substantial shareholder of our Company or any of our subsidiaries, or an associate of any of such director, chief executive or substantial shareholder
"International Offer Shares"	the 1,465,983,500 Shares (subject to reallocation and the Over-allotment Option) initially being offered by our Company for subscription pursuant to the International Offering
"International Offering"	the offering of the International Offer Shares at the Offer Price outside the United States in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the US Securities Act, as further described in "Structure of the Global Offering"
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering

"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around October 21, 2016 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting — Underwriting Arrangements and Expenses — The International Offering" in this prospectus
"Jinan Limin"	China Resources Double-Crane Pharmaceutical (Jinan) Company Limited (華潤雙鶴利民藥業(濟南)有限公司), formerly known as Jinan Limin Pharmaceutical Manufacturing Company Limited (濟南利民製藥有限責任公司), a company incorporated under the laws of the PRC on June 28, 2001 and a 60.0% owned subsidiary of CR Double-Crane as of the Latest Practicable Date
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch International, CCB International Capital Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, ICBC International Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, China Securities (International) Corporate Finance Company Limited, BOCI Asia Limited, CMB International Capital Limited, ABCI Capital Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering)
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch International, CCB International Capital Limited, Morgan Stanley Asia Limited

"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), CCB International Capital Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, ICBC International Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, China Securities (International) Corporate Finance Company Limited, BOCI Asia Limited, CMB International Capital Limited, ABCI Securities Company Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering)
"Joint Sponsors"	CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited
"Latest Practicable Date"	October 8, 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"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 on or around October 28, 2016 from which the Shares are listed and dealings in the Shares are first permitted to take place 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, supplemented or otherwise modified from time to time
"Medical Insurance Drugs Catalogs"	the National Medical Insurance Drugs Catalog and the Provincial Medical Insurance Drugs Catalogs
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"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)
"MOH"	the Ministry of Health of the PRC (中華人民共和國衛生部), one of the predecessors of the NHFPC
"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)
"National Essential Drug List"	the National Essential Drug List (2012 version) (《國家基本醫藥目錄》 (2012年版)) promulgated by the MOH, as amended, supplemented or otherwise modified from time to time
"National Medical Insurance Drugs Catalog"	a catalog of the list of pharmaceutical products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) as determined by the PRC central government authorities for general application throughout China, as amended, supplemented or otherwise modified from time to time
"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), which was reorganized from the former MOH and National Population and Family Planning Commission in March 2013
"Non-competition Agreement"	the non-competition agreement entered into on September 14, 2016 between our Company and China Resources Holdings
"Offer Price"	the final HK dollar price per Offer Share (exclusive of brokerage of 1%, the SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed under the Hong Kong Public Offering and the International Offer Shares are to be offered under the International Offering, to be determined in the manner further described in "Structure of the Global Offering — Pricing of the Global Offering"
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 231,471,000 additional 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
"Patent Law"	the Patent Law of the PRC (中華人民共和國專利法), as amended
"PBOC"	People's Bank of China, the central bank of the PRC
"Pharmaceutical R&D Center"	The National Institutes of Pharmaceutical R&D Co., Ltd. (中國醫藥研究開發中心有限公司), a company incorporated under the laws of the PRC on April 8, 2003 and a wholly-owned subsidiary of our Company
"PRC" or "China"	People's Republic of China, excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended
"PRC government"	central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Price Determination Date"	the date, expected to be on or around October 21, 2016 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Underwriters) and our Company may agree, but in any event no later than October 27, 2016
"prospectus"	this prospectus in connection with the Hong Kong Public Offering
"province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC

"Provincial Medical Insurance Drugs Catalogs"	the basic medical insurance, work injury insurance and maternity insurance drugs catalogs, issued by the local agencies of human resources and social security of provinces
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer as defined in Rule 144A
"Quanzhou Dongda"	Quanzhou Dongda Pharmaceutical Co. Ltd. (泉州市東大醫藥有限責任公司), a company incorporated under the laws of the PRC on June 27, 2000 and a 70.0% owned subsidiary of our Company as of the Latest Practicable Date
"R&D"	research and development
"Regulation S"	Regulation S under the US Securities Act
"Restructuring Agreement"	the restructuring agreement dated July 30, 2010 entered into between our Company, China Resources Holdings, China Resources Co., Limited, CR Pharmaceutical Holdings, Beijing Pharmaceutical and BSCOMC in relation to, among others, the restructuring of our Company and Beijing Pharmaceutical
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC government authority responsible for matters relating to foreign exchange administration
"SAIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sanjiu Neurosurgical Hospital"	Guangdong 999 Brain Hospital (廣東三九腦科醫院), a neurosurgical hospital owned by China Resources Co., Ltd. as of the Latest Practicable Date
"SASAC"	the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (國家税務總局)

"SDA"	the State Drug Administration of the PRC (國家藥品監督管理局), the predecessor of the State Food and Drug Administration of the PRC (國家食品藥品監督管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFDA"	the State Food and Drug Administration of the PRC (國家食品藥品監督管理局), the predecessor of the CFDA
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Medical Instruments"	Shanghai Medical Instruments Company Limited (上海醫療器械(集團)有限公司), a company incorporated under the laws of the PRC in March 14, 1991 and an Independent Third Party
"Shanghai Shenwei"	Shanghai Shenwei Industrial Co., Ltd. (上海申威實業有限公司), a company incorporated under the laws of the PRC on November 24, 1993 and a 70.0% owned subsidiary of our Company as of the Latest Practicable Date
"Share Registrar"	Tricor Investor Services Limited
"Shareholders"	holders of Shares
"Shares"	ordinary shares in the capital of our Company
"Shenzhen CR Jiuxin"	Shenzhen China Resources Jiuxin Pharmaceutical Company Limited (深圳華潤九新藥業有限公司), formerly known as Shenzhen Jiuxin Pharmaceutical Company Limited (深圳九新藥業有限公司), a company incorporated under the laws of the PRC on January 27, 1992 and a 63.60% owned subsidiary of our Company as of the Latest Practicable Date
"SIPO"	the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局)
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Track Record Period"	the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016
"Trademark Office"	Trademark Office of the SAIC

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US FDA"	Food and Drug Administration of the United States
"US" or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US Securities Act"	United States Securities Act of 1933, as amended
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"Well-Known Trademarks"	trademarks that enjoy high reputation and are well-known to consumers in the relevant industries in the PRC market are Well-Known Trademarks (馳名商標) according to the Provisions for the Determination and Protection of Well-Known Trademarks issued by the SAIC
"WHO"	World Health Organization, an international agency associated with the United Nations and based in Geneva
"Zhejiang Zhongyi"	Zhejiang Zhongyi Pharmaceutical Manufacturing Limited (浙江眾益製藥有限公司), formerly Zhejiang Zhongyi Pharmaceutical Manufacturing Company Limited (浙江眾益製藥股份有限公司), a company incorporated under the laws of the PRC on January 26, 2006 and a wholly-owned subsidiary of Shenzhen CR Jiuxin
"2011 Share Subscription Agreement"	the share subscription agreement dated October 10, 2011 entered into between Beijing Pharmaceutical Investment, BSCOMC, Beijing Pharmaceutical Investment & Management (BVI), China Resources Co., Limited, China Resources Holdings, CRH (Pharmaceutical) and our Company in relation to, among others, the subscription of our Shares by Beijing Pharmaceutical Investment
"2013 Share Subscription Agreement"	the share subscription agreement dated November 6, 2013 entered into between BEID Fund and our Company in relation to, among others, the subscription of our Shares by BEID Fund

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

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"active pharmaceutical ingredient(s)" or "API(s)"	the biologically active substance in a pharmaceutical product, responsible for the therapeutic effect of a drug
"alimentary tract"	a musculomembranous tube that extends from the mouth to the anus and that is lined with mucous membrane, in which the movement of muscles and the release of hormones and enzymes digest food
"antibiotics"	a substance, such as penicillin or streptomycin, produced by or derived from certain fungi, bacteria and other microorganisms, or produced by chemical processes that can destroy or inhibit the growth of other microorganisms; widely used in the prevention and treatment of infectious diseases
"biopharmaceutical drugs"	medicines created by means of biotechnology
"capsule(s)"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials which are sealed in a gelatin capsule
"cardiovascular"	relating to the circulatory system that comprises the heart and the blood vessels, which carries nutrients and oxygen to the tissue of the body and removes carbon dioxide and other wastes from them
"central nervous system"	a major division of the nervous system consisting of the brain and the spinal cord
"chemical drug(s)"	medicines created by means of chemistry or obtained by chemical processes
"Chinese herbal medicine(s)"	medicines using medicinal herbs, one of the branches of traditional Chinese medicines
"Chinese medicine(s)"	a type of drug where the active ingredients come from or are derived from natural plants, animals or minerals. Chinese medicine has a long history of use and a widely established reputation in China for the prevention and treatment of diseases, and is available in both traditional and modern forms. Chinese medicine can take the form of tablets, oral liquids, capsules, granules and injections

"Class II hospitals"	regional hospitals with minimum capacity that provide multiple communities with integrated medical services and undertake certain educational and scientific research missions are designated as Class II hospitals by the MOH hospital classification system
"Class III hospitals"	multi-regional hospitals with large capacity that provide multiple regions with high-quality professional medical services, undertake higher education and scientific research initiatives are designated as Class III hospitals by the MOH hospital classification system
"contract research organizations" or "CROs"	an organization that provides support to the pharmaceutical, biotechnology and medical device industries in the form of research services outsourced on a contract basis
"Direct-to-Patient"	a model under which high-value pharmaceutical products are directly sold and distributed to patients through certain authorized pharmacies which collect prescription from the patients, verify the prescription and arrange shipment of the products
"essential drug(s)"	drugs listed under the National Essential Drug List
"evidence-based medicine"	a systematic approach to clinical problem solving which allows the integration of the best available research evidence with clinical expertise and patient values
"first-to-market generic drugs"	generic drugs that first received approval to be marketed
"gastrointestinal"	relating to or affecting the stomach and intestines, which comprise the digestive system
"generic drug(s)"	drugs generic to brand-name drugs with similar quality and efficacy
"Good Manufacturing Practice" or "GMP"	guidelines and regulations issued to ensure that pharmaceutical products subject to those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use
"Good Clinical Practice" or "GCP"	international quality standards issued to ensure that clinical trials involving human subjects are scientifically authentic and that the clinical properties of the investigational product are properly documented

"granule(s)"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines which are formed into dry granules
"Good Supply Practice" or "GSP"	guidelines and regulations issued, from time to time, pursuant to the Law of the PRC on the Administration of Pharmaceuticals as part of quality assurance to ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with those guidelines and regulations
"innovative drug(s)"	synthetically or semi-synthetically-made active pharmaceutical ingredients and their preparations which have been approved for registration by the CFDA and which have never been sold in the PRC and overseas markets prior to such approval
"ISO14001"	an international standard published by ISO specifying processes for controlling and improving environmental performance, consisting of general requirements, environmental policy, planning, implementation and operation, checking and corrective action and management review
"IV infusion"	intravenous infusion
"metabolism"	the whole range of biochemical processes that occur within an organism
"over-the-counter drug(s)" or "OTC drug(s)"	drugs which may, upon receiving CFDA approval, be sold over the counter in China at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
"pediatrics"	relating to the medical care of infants, children, and adolescents
"prescription medicine(s)" or "prescription drug(s)"	medicines or drugs which may be prescribed only by qualified medical practitioners
"respiratory"	relating to the system that includes airways, lungs, and the respiratory muscles
"State Protected Chinese Medicine"	medicines listed under the Catalog of National Protected Chinese Medicines (《國家中藥保護品種目錄》), as amended from time to time by the CFDA

"tablet(s)"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines, which are formed into tablet form
"traditional Chinese medicine(s)"	a type of drug where the active ingredients come from or are derived from natural plants, animals or minerals
"two-invoice system"	a pilot program in certain PRC provinces introduced by the PRC government in early 2016, which in the literal sense means one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and one invoice between the pharmaceutical distributor and the hospital, and thereby only allows a single level of distributor for the sale of pharmaceutical products from the pharmaceutical manufacturer to the hospital

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- general business prospects under economic and political conditions, including macroeconomic policies of the PRC government;
- laws, rules and regulations of the PRC government regarding the pharmaceutical industry;
- future developments, trends and conditions in the pharmaceutical industry, both within the PRC and globally;
- the amount and nature of, and potential for, future development of our business, including through both organic growth and through acquisitions;
- our strategies, plans, objectives and goals, and our ability to successfully implement the same;
- our future debt levels and capital needs;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- capital market developments;
- the actions and developments of our competitors; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. The trading price of the Offer Shares could decrease significantly due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that most of our operations are conducted in China, which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see "Regulatory Environment." This prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results of our Company and our Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our growth relies in part on the continuing expansion and reforms of the PRC healthcare industry, the anticipated growth of which may not be timely achieved, or at all.

The PRC healthcare industry has undergone various stages of reform in recent years. The PRC government has promulgated rules and regulations and announced plans aimed at promoting the reforms of the PRC healthcare industry. These reforms were generally referred to as the "healthcare reform plans" in China. These initiatives taken, or to be taken, by the PRC government under the ongoing healthcare reform plans, are expected to significantly contribute to the growth of the PRC healthcare industry. See "Industry Overview." However, we cannot assure you that the healthcare reform plans would benefit our business, or that the relevant PRC government authorities would continue to introduce policies in line with the reform plans that are favorable to our business.

The continuing expansion and reform of the PRC healthcare industry are subject to factors beyond our control. The reform process may turn out to be significantly more time-consuming or costly than expected due to implementation difficulties or changing circumstances. As it is not clear whether the anticipated results or targets of the PRC reform plans could be timely achieved, or at all, our business decisions which are premised on the success of these reform plans may prove to be inappropriate in hindsight. As such, this may have an adverse effect on our business, financial condition, results of operations and prospects.

We are subject to changing legal and regulatory requirements in the PRC pharmaceutical industry, and new laws, rules and regulations may impose significant compliance burdens on us.

The pharmaceutical industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In particular, the current regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing, certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs, quality control, pricing of pharmaceutical products and environmental protection. Any violation of the relevant laws, rules and regulations may constitute a criminal offense under certain circumstances. Certain other laws, rules and regulations may affect

the pricing, demand and distribution of our products, such as those relating to procurement, prescription and dispensing of essential and other drugs by hospitals and other medical institutions, retail pharmacy, government funding for private healthcare and medical services, and the inclusion of products in the Medical Insurance Drugs Catalogs. In addition, the pharmaceutical manufacturing, pharmaceutical distribution, pharmaceutical retail, healthcare services and medical device industries in China are each subject to extensive and changing government regulations and supervision. Any unfavorable regulatory changes in these industries may also increase our compliance burden and materially and adversely affect our business, profitability and prospects.

For example, since July 2015, the CFDA has introduced a number of measures to deal with the drug applications backlog. On July 22, 2015, the CFDA issued the Notice in relation to the Self-review of Clinical Trials Data of Pharmaceutical Products (關於開展藥物臨床試驗數據自查核查工作的公告) (CFDA Notice No. 117 (2015)), which required the applicants of the then-existing 1,622 drug manufacturing or drug import applications to the CFDA to re-review the clinical trials data in respect of each such application. On July 31, 2015, the CFDA issued the Consultation on Policies in relation to Swiftly Resolving Drug Applications Backlog (關於徵求加快解決藥品註冊申請積壓問題的若干政策意見) (CFDA Notice No. 140 (2015)), according to which the CFDA planned to apply the most stringent standards to review and approve the current drug applications. In addition, on November 11, 2015, the CFDA issued Certain Policies in relation to the Review and Approval of Drug Applications (關於藥品註冊審評審批若干政策的公告) (CFDA Notice No. 230 (2015)), which set out ten key points to be applied in the process of reviewing and approving drug applications, with an emphasis on the accuracy of clinical trials data, effectiveness of the drug and consistency between the original innovative version and the generic version of a product as demonstrated in comparability studies. The combination of these policies means that pharmaceutical companies need to conduct self-review of their drug applications to determine if they meet the stringent standards of the CFDA, failing which the CFDA expects the relevant applicant to withdraw its drug application and resubmit the relevant drug application when the requirements are met. The more stringent standards in respect of drug applications may delay our applications in relation to our future products or, in the worst case scenario, require us to withdraw our applications. Taking into account the aforementioned regulatory developments and the self-reviews we performed, as of the Latest Practicable Date, we had voluntarily withdrawn seven of our drug applications. For details, see "Business — Pharmaceutical Manufacturing — Research and Development — Products under Development."

In March 2016, the General Office of the State Council issued the Opinion on Carrying out the Quality and Efficacy Consistency Evaluation of Generic Drugs (國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見), which requires pharmaceutical manufacturers to evaluate the quality and efficacy of certain of their generic drugs within the prescribed time limits. Failure to timely complete such evaluation could cause previous approvals for the sale of relevant generic drugs to be revoked and make them ineligible for registration. Accordingly, there is significant uncertainty relating to the substantive and procedural requirements of the evaluation process and the associated costs. If we fail to timely complete the evaluation for our generic drugs within the prescribed timeframe, we may not be able to register such drugs for sale, which may materially and adversely affect our business, financial condition, results of operations and prospects.

In April 2016, the PRC government announced a pilot program in certain provinces of China to implement a "two-invoice system" (兩票制) which only allows a single level of distributors for the sale of pharmaceutical products from manufacturers to hospitals. See "Regulatory Environment — Other PRC Laws and Regulations in Relation to the Pharmaceutical and Medical Devices and Food (Health Food) Industry — Two-invoice System." While the implications remain uncertain, should such pilot program become mandatory nationwide, given that a portion of our pharmaceutical distribution business is conducted through sales to other distributors, we may need to adjust our business model for our pharmaceutical distribution business, which could result in a material and adverse effect on our business, financial condition and results of operations.

We sell a number of our pharmaceutical products through a centralized tender process, and the pricing of our pharmaceutical products may be adversely affected by market competition.

During the Track Record Period, we derived substantial revenue in our pharmaceutical manufacturing business from sales to hospitals and other medical institutions owned or controlled by government authorities in China, which make substantially all of their purchases of pharmaceutical products through a centralized tender process. See "Regulatory Environment — Centralized Tendering System for Pharmaceutical Products by Medical Organizations."

Large PRC pharmaceutical enterprises, including ourselves, with relatively large manufacturing scales and nationwide distribution networks, are expected to benefit from this centralized tender procurement regime given their abilities to efficiently distribute pharmaceutical products. However, we may fail to win any tenders in such centralized tender processes due to various factors, including reduced demand for the relevant product, uncompetitive bidding price, failure to meet certain quality requirements, insufficient service quality to meet the tender requirements, and any damage to our reputation or other aspects of our operations by unforeseen events. A key factor underlying success in the centralized tender processes is our ability to successfully differentiate our products and price our bids in a manner that enables us to win tenders at profitable levels. If we are unable to do so, our products may not be selected and we may lose sales opportunities. As a result, the sales volumes of our pharmaceutical manufacturing business may suffer, and our market share, revenue and profitability may be materially reduced.

Pursuant to the Guiding Opinions on Enhancing Centralized Procurement of Pharmaceutical Products by Public Hospitals issued by the General Office of the State Council (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) in February 2015 and the Notice on Implementing the Guiding Opinions on Enhancing Centralized Procurement of Pharmaceutical Products by Public Hospitals issued by the NHFPC (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) in June 2015, all drugs (except for decoction pieces) used by public hospitals in China shall be procured through a provincial centralized drug procurement platform. However, there are uncertainties as to when a province will commence its centralized drug procurement process, and when the new prices will come into effect pursuant to the completion of a centralized tender process. In addition, drug prices face further downward pressure because the price of a drug in one province may be required to match the lower price of the same drug in another province pursuant to the centralized

tender process of the latter province, and hospitals are permitted to further negotiate drug prices it intends to procure following the provincial centralized tender process. The uncertain timeline in relation to the centralized tender process and potential drug price cuts could materially and adversely affect our business, results of operations and prospects.

The majority of pharmaceutical products offered by us were subject to price restrictions and will continue to be subject to price competition in China.

Before June 2015, a majority of our pharmaceutical products, primarily those included in the Medical Insurance Drugs Catalogs, were subject to government price controls in the form of fixed retail prices or retail price ceilings and periodic downward adjustments imposed by the NDRC and other authorities. See "Regulatory Environment — Price Controls." Pursuant to the Notice Regarding the Opinion on Facilitating the Pharmaceutical Pricing Reform (關於印發推進藥品價格改革意見的通知) jointly issued by the NDRC, the NHFPC and five other PRC government agencies in May 2015, the price ceilings imposed by the PRC government on pharmaceutical products other than narcotic and Class I psychotropic drugs were lifted on June 1, 2015, and these products would be subject to a more market-based pricing system adopted by medical insurance bureaus and relevant authorities.

Even prior to the lifting of government price controls on pharmaceutical products, the prices of prescription drugs in China had been determined by the centralized tender process and the prices of OTC drugs in China had been determined by arm's-length, commercial negotiation and market factors such as brand recognition, market competition and consumer demand. In many cases, the prices at which we sell our pharmaceutical products to our customers had been significantly lower than the retail price ceilings set by the government before the lifting of government price controls. As a result, as of the Latest Practicable Date, we did not observe any material fluctuation in the selling prices of the pharmaceutical products we offered due to the lifting of government controls. There is no assurance that the application of the more market-based pricing system will result in a higher product pricing compared to the government-controlled pricing, as competition from other manufacturers, particularly those offering the same products but with lower prices may force us to lower our bid prices or sales prices to the previous government-controlled price levels. Consequently, our profitability may suffer and our business, financial condition and results of operations may also be materially and adversely affected.

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

Under the national medical insurance program in China, patients purchasing pharmaceutical products that are listed in the Medical Insurance Drugs Catalogs or the National Essential Drug List are entitled to reimbursement of all or a portion of their purchase costs from the social medical fund. Consequently, the inclusion or exclusion of a pharmaceutical product in the Medical Insurance Drug Catalogs or the National Essential Drug List will significantly affect the demand for such product in China. As of June 30, 2016, 289 of our pharmaceutical products were included in the National Medical

Insurance Drugs Catalog. In 2013, 2014 and 2015 and the six months ended June 30, 2016, our revenue from sales of such products included in the National Medical Insurance Drugs Catalog accounted for approximately 56.5%, 60.1%, 56.5% and 62.8% of our pharmaceutical manufacturing business segment revenue for the respective period.

The Medical Insurance Drugs Catalogs and the National Essential Drug List are subject to review by the relevant government authorities from time to time based on various factors, including treatment requirements and clinical needs, frequency of use, efficacy and price of the pharmaceutical products. Many of such factors are beyond our control, and the relevant PRC government authorities may also change the scope of reimbursement for the pharmaceutical products due to budget control of the national medical insurance system. The current National Medical Insurance Drugs Catalog was published in 2009, and although there is expectation that an amendment is underway, it is uncertain as to when an amended National Medical Insurance Drugs Catalog will be published. In addition, we cannot assure you that our existing products that are currently included in the Medical Insurance Drugs Catalogs or the National Essential Drug List will continue to be included in such catalogs or list, or that changes to the scope of reimbursement by the government will not materially and adversely affect the demand for our products. If any of our products are removed from the Medical Insurance Drugs Catalogs or the National Essential Drug List, or if the scope of reimbursement for our products is changed, demand for our products may decrease, and our revenue and profitability may be materially and adversely affected.

In addition, there is significant uncertainty regarding the insurance coverage and reimbursement of newly approved pharmaceutical products. The commercial success of our new products is substantially dependent on whether reimbursement is available to hospitals and other medical institutions ordering these products for use by their patients. Any non-inclusion of our new products in the Medical Insurance Drugs Catalogs or the National Essential Drug List may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business, financial condition and results of operations may be materially and adversely affected if we are unable to compete effectively in the PRC pharmaceutical industry, and we may fail to sufficiently and promptly respond to rapid changes in government regulations, treatment of diseases and customer preferences.

The pharmaceutical industry is highly competitive. Our key competitors are large PRC and international manufacturers, PRC distributors of pharmaceutical and healthcare products, and large retail pharmacy chains. In addition, we compete with local manufacturers and distributors of pharmaceutical products, retail pharmacies and other healthcare product providers. Specifically, the major competitors of our pharmaceutical manufacturing business include, but are not necessarily limited to, Bayer AG, Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司), Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) and Xiuzheng Pharmaceutical Group Co., Ltd. (修正藥業集團股份有限公司). The major competitors of our pharmaceutical distribution business include, but are not necessarily limited to, Sinopharm Holding Distribution Co., Ltd. (國藥控股分銷中心有限公司), Shanghai Pharmaceutical Distribution Co., Ltd. (上海醫藥分銷控股有限公司) and Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司). The major competitors of our pharmaceutical retail business include, but are not necessarily limited to, Sinopharm Holding Guoda Drugstores Co., Ltd. (國藥控股國大藥房有限公

司), Shanghai Fahrenheit Pharmacy Co., Ltd. (上海華氏大藥房有限公司) and Laobaixing Pharmacy Chain Joint Stock Company (老百姓大藥房連鎖股份有限公司). These companies may have substantially greater financial, technical, research and development, marketing, distribution, retail and other resources than we do. They may also have longer operating histories, a larger customer base or broader and deeper market coverage. Furthermore, when we expand into other markets, we will face competition from new competitors, domestic or foreign, who may also enter markets where we currently operate.

The technologies that we and our competitors employ are evolving rapidly, and new developments frequently result in price competition, product obsolescence and altered market landscape. In addition, we may face competition from substitute products. Any significant increase in competition may have a material adverse effect on our revenue and profitability as well as on our business and prospects. We cannot assure you that we will be able to continually distinguish our products and services from our competitors', preserve and improve our supplier and customer relationships, or increase or even maintain our existing market share. We may lose market share, and our financial condition and results of operations may deteriorate significantly if we fail to compete effectively.

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

We are subject to certain risks in our pharmaceutical distribution and pharmaceutical retail businesses, including:

- inability to successfully execute effective advertising, marketing and promotional programs necessary to maintain and increase the awareness of our brands, products and services;
- failure to implement effective pricing and other strategies in response to market competition;
- inability to respond to changes in consumer demand and preference in a timely manner;
- inability to secure and renew leases of properties for retail pharmacies in prime locations at competitive prices;
- inability to stock an adequate supply of pharmaceutical and healthcare products that customers desire;
- inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass PRC government inspections or audits; and
- the risk of, and resulting liability from, any contamination, injury or other harm caused by any use, misuse or misdiagnosis involving products distributed by us, our retail products or in-store medical diagnosis services.

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

If we are unable to efficiently operate, optimize or expand our pharmaceutical distribution and retail networks, we may be unable to meet customer demand, and our results of operations, financial condition and prospects may be materially and adversely affected.

As of June 30, 2016, our pharmaceutical distribution and pharmaceutical retail businesses distributed substantially all products to customers through a pharmaceutical distribution and retail network that consisted of 109 subsidiaries and branches and 114 logistics centers and warehouses, as well as 722 retail pharmacies. Our ability to meet customer demand may be significantly constrained if we are unable to efficiently operate, optimize or expand our distribution and retail networks, or if the operations of one or more of our subsidiaries, branches or logistics centers are disrupted or shut down for any reason, including the occurrence of natural disasters and regulatory changes. Any such disruption may result in increased costs or time associated with our pharmaceutical distribution and retail pharmacies.

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

We generally sell the products of our pharmaceutical manufacturing business to distributors who, in turn, re-sell those products to hospitals, other medical institutions or other distributors. For example, in 2015, inter-segment sales of our pharmaceutical manufacturing segment, which mainly represents the sales by our pharmaceutical manufacturing business segment through our own distribution network, accounted for 10.9% of our pharmaceutical manufacturing segment revenue. In line with industry practice, we generally do not enter into long-term agreements with distributors. We cannot assure you that all of our distributors will renew their agreements with us, or otherwise continue their business relationships with us. Nor can we assure you that our distributors will continue to purchase our products at current volumes or prices, or meet performance targets, in the future. In the event that a significant number of our distributors cease or reduce their purchase of our products or fail to meet performance targets or other terms in our distributor agreements, our business, financial condition and results of operations may be materially and adversely affected.

Our pharmaceutical distribution and pharmaceutical retail businesses are geographically concentrated, and a failure to expand our current businesses or compete in new markets may have a material and adverse effect on our business and results of operations.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our pharmaceutical distribution business derived 61.9%, 60.0%, 60.8%, 59.6% and 58.0%, respectively, of its external sales from the Northern and Eastern China Regions. As of June 30, 2016, among the 722 retail pharmacies in our retail pharmacy network, 555 were located in the Northern and Eastern China Regions, representing 76.9% of the total number of our retail pharmacies. Our business, financial condition and results of operations may be materially and adversely affected if there is any adverse change in the economic, political or social conditions in the Northern and Eastern China Regions.

We intend to expand our pharmaceutical distribution and pharmaceutical retail businesses to other regions in China to extend our customer geographical reach. Moreover, we intend to pursue selective acquisition opportunities focused on leading regional distributors in order to enhance our leadership and market share nationally. However, we cannot assure you that we will be successful in expanding our pharmaceutical distribution and pharmaceutical retail businesses as intended. The success of our planned expansion will depend on many factors, including our ability to optimize our pharmaceutical distribution and pharmaceutical retail businesses, form relationships with, and manage an increasing number of, customers nationwide. We also need to be able to anticipate and respond effectively to competition posed by other pharmaceutical distributors and retail pharmacies in new markets. If we fail to expand our pharmaceutical distribution and pharmaceutical retail businesses as planned or if we are unable to compete effectively with other distributors and retail pharmacies in new markets, our business, financial condition and results of operations may be materially and adversely affected.

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

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

For our pharmaceutical manufacturing business, we typically grant a credit period ranging between 30 and 120 days to our distributors. Customers of our pharmaceutical distribution business are generally invoiced at the time of the delivery of their orders, with credit terms generally up to 240 days for hospital and other medical institutions customers and generally up to 60 days for distributors and other retail customers. See "Business — Pharmaceutical Distribution — Sales and Distribution Arrangements — Payment." To the extent that revenue recognized under a sales contract has not been received, we record it as trade receivables. During the Track Record Period, some of our customers delayed their payments beyond the time period as permitted under their credit arrangements with us. As of June 30, 2016, we had in aggregate trade receivables after deduction of allowance for doubtful debts of HK$42,031.6 million, of which 51.0% had been outstanding for less than 30 days from the time the revenue was recognized, 16.4% for 31 days to 60 days, 7.2% for 61 days to 90 days, 16.0% for 91 days to 180 days and 9.4% for over 180 days. See "Financial Information — Liquidity and Capital Resources — Working Capital — Trade and Other Receivables — Trade Receivables."

As of June 30, 2016, our allowance for doubtful debts of trade receivables amounted to HK$426.6 million, or 1.0% of total trade receivables. We cannot assure you that our past provisioning practice will not change in the future or that our provision levels will be sufficient to cover defaults in our trade receivables. Our liquidity and cash flows from operations may be materially and adversely affected if our receivable cycles or collection periods, particularly those in respect of our pharmaceutical distribution business, lengthen further or if we encounter a material increase in defaults of payment or an increase in provisions for impairment of our receivables from customers, particularly those in respect of our pharmaceutical distribution and pharmaceutical retail businesses. Should these events occur, we may be required to obtain working capital from other sources, such as third-party financing, in order to maintain our daily operations, and such financing may not be available on commercially acceptable terms, or at all.

We may not be able to completely and successfully carry out our expansion plans, and we may fail to realize the anticipated benefits of acquisitions that we have made or intend to make.

One of our business strategies is to take advantage of the consolidation opportunities in the highly fragmented PRC pharmaceutical industry and engage in acquisitions. This approach had contributed significantly to the diversification of our product portfolio and our growth during the Track Record Period, and we intend to further expand our business operations through selective acquisitions in the future. Expansion through acquisitions involves many risks and uncertainties, including:

- inability to identify all suitable acquisition targets or compete for attractive acquisition targets;
- difficulties in obtaining financing required to fund our acquisitions;
- failure to complete acquisitions under commercially acceptable terms;
- inability to timely secure necessary governmental approvals, third-party consents or land use rights, which may result in liabilities, fines or penalties arising directly from such inability;
- managing a larger and growing business, operating in new geographic regions and optimizing the allocation of resources and operational efficiency;
- potential ongoing financial obligations and unforeseen, hidden or latent liabilities of our acquisition targets and other risks unidentified before the acquisitions;
- failure to promptly and effectively coordinate our and the acquisition targets' businesses, which may materially and adversely affect our ability to generate sufficient revenue to recover the acquisition costs, and to achieve synergies and other intended objectives;

- failure to effectively integrate research and development functions, standardize information technology systems, identify and eliminate redundant and underperforming operations and assets, conform standards, controls, procedures and accounting and other policies, and establish unified corporate cultures and compensation structures among the combined operations;

- managing costs or inefficiencies associated with the consolidation of the combined operations, and the poor performance of the acquired businesses that leads to potential impairment costs;

- decrease in our overall gross margins due to low average gross margins of certain sub-segments for some of our acquired businesses;

- potential negative effect on our liquidity position due to the net cash outflow of an acquired business;

- failure to retain the management team or research and development professionals of the acquired businesses; and

- diversion of resources and management attention from our existing businesses.

In addition, we may seek and pursue opportunities via joint ventures or strategic alliances for expansion from time to time, and we may face similar risks and uncertainties as listed above. Failure to properly address these risks and uncertainties may materially and adversely affect our ability to carry out acquisitions and other expansion plans, integrate and consolidate newly acquired or newly formed businesses and realize all or any of the anticipated benefits of such expansion, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be required to record a significant charge to earnings if our goodwill is determined to be impaired.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, our goodwill accounted for 14.2%, 12.6%, 12.9% and 13.1% of our total assets, respectively. As of June 30, 2016, the carrying value of our goodwill was HK$16,523.7 million. We have recorded significant goodwill relating to our completed acquisitions which amounted to HK$1,604.8 million in 2015. We may be required to record a significant charge to earnings in our financial statements if our goodwill is determined to be impaired, which could materially and adversely affect our profit. In order to determine whether our goodwill is impaired, we are required to estimate, among other things, the expected future cash flows that we will derive from the relevant group of assets. We are required to recognize goodwill impairment losses in our consolidated statements of profit or loss and other comprehensive income for the relevant period in an amount equal to our estimate of the reduction in value of the relevant group of assets when events or changes in circumstances indicate the carrying value may not be recoverable. See Appendix I — "Accountants' Report."

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, we recognized impairment losses of nil, nil, HK$60.1 million, nil and nil in respect of our goodwill. Our estimates of the future cash flows from the relevant assets may be susceptible to downward revision as a result of factors materially and adversely affecting the PRC pharmaceutical industry generally as well as factors specific to our businesses' growth rates, margins and operating expenses. If we record an impairment loss as a result of these or other factors, our business, financial condition and results of operations may be materially and adversely affected.

The existence of counterfeit products in the pharmaceutical distribution and retail markets in China may damage our brand and reputation, expose us to liability claims, and have a material adverse effect on our business, financial condition, results of operations and business prospects.

Certain products distributed or sold in the pharmaceutical distribution and retail markets in China may be manufactured without proper licenses or approvals and/or fraudulently mislabeled with respect to their content and/or manufacturer. These products are generally referred to as counterfeit pharmaceutical products. The current counterfeit product regulation control and enforcement system in China is not sufficiently mature to completely eliminate the manufacturing and sales of counterfeit pharmaceutical products. Counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products, and, in some cases, are very similar in appearance to the authentic pharmaceutical products. Therefore, the presence of counterfeit products of pharmaceuticals manufactured, distributed or sold by us can quickly erode our sales volumes and revenue for the relevant products.

Furthermore, counterfeit products may or may not have the same chemical composition as the authentic counterparts, which may make them less effective than the authentic ones, entirely ineffective, or more likely to cause severe adverse side effects. Any unintentional and unknowing sales of counterfeit products in our pharmaceutical distribution or retail businesses, or sales of counterfeit products by third parties illegally using our brand names, may subject us to negative publicity, fines and other administrative penalties, or even result in litigation against us. Moreover, the continuing presence of counterfeit products may reinforce the negative image of distributors and retail pharmacies among consumers in general, and may severely harm the reputation and brand names of pharmaceutical companies, including ourselves. Similarly, consumers may buy counterfeit products that are in direct competition with products distributed or sold in our pharmaceutical distribution and pharmaceutical retail businesses, or with products manufactured by us, which may materially and adversely affect the sales volumes of the relevant products in our portfolio and further impact our business, financial condition, results of operations and prospects.

We have in the past become aware of instances of a counterfeit version of our major products. We cannot assure you that we will be able to timely detect or even prevent future occurrences of such instances in China or any other markets. For our measures to monitor and combat counterfeit drugs, see "Business — Intellectual Property."

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

We rely on our manufacturing and storage facilities for the continuing operation of our pharmaceutical manufacturing business. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying these facilities, could significantly impair our ability to manufacture products and operate our business and destroy any inventory located in these facilities. We may not be able to replace these facilities and equipment in a timely manner, should any of the foregoing occur.

In addition, our pharmaceutical manufacturing facilities are designed, equipped and certified in accordance with applicable GMP standards for producing particular pharmaceutical products. Consequently, manufacturing facilities for one pharmaceutical product generally may not be converted to produce another product without being re-tooled, re-equipped and re-certified in accordance with the relevant GMP standards, which could be time-consuming, costly and impractical. Therefore, if we are required to change the output of pharmaceutical products manufactured at our production facilities, the operations of such facilities may be substantially disrupted, which may materially and adversely affect our business, financial condition and results of operations.

Development of new pharmaceutical products is time-consuming and costly, the outcome is uncertain, and there is only a low rate of successful commercialization.

The success of our pharmaceutical manufacturing business and long-term competitiveness depend in part on our ability to enhance our existing products and to develop and commercialize new products. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, we had research and development expenditures of HK$635.5 million, HK$851.4 million, HK$926.8 million, HK$340.1 million and HK$388.7 million, respectively, among which research and development expenses were HK$495.9 million, HK$786.6 million, HK$708.9 million, HK$272.8 million and HK$361.3 million, respectively, and the development costs incurred and capitalized as deferred development costs were HK$139.6 million, HK$64.8 million, HK$217.9 million, HK$67.3 million and HK$27.4 million, respectively.

The development process of pharmaceutical products is complex, time-consuming and costly, and the result is unpredictable. We cannot assure you that our research and development activities will enable us to successfully develop new pharmaceutical products. In general, relatively few research and development programs manage to achieve commercialization and mass-production of pharmaceutical products. A product candidate that appears promising during preliminary development may fail to reach the market for a number of reasons, including, but not limited to, the following:

- failure to meet the safety, efficacy or other standards during the research and development process;
- failure to obtain approvals for the intended use from relevant regulatory bodies, such as CFDA approvals;
- inability to economically manufacture and commercialize sufficient quantities of the products; and

- lack of proprietary rights, such as patent rights, to our product candidate and/or inability to acquire or license such rights at commercially reasonable terms, or at all.

Even if we successfully develop and launch a new product, we cannot assure you that it will be commercially accepted by the market. The product development process is usually protracted, largely due to the increasingly lengthy approval process for new drugs by the relevant authorities. Therefore, the competitive landscape for the pharmaceutical products under our development may differ significantly from what we had projected, and our products may no longer hold the competitive advantages in pricing or efficacy. In addition, the products that we develop may be approved for more limited indications than we had anticipated. As a result, the commercialization of the product may become less successful or profitable than we had expected. We may also fail to develop and implement an effective marketing strategy with respect to those products successfully developed. Consequently, our new pharmaceutical products may not yield an appropriate return on our related research and development costs, which may materially and adversely affect our business, financial condition and results of operations.

Moreover, the market acceptance of a product is affected by whether it is included in the Medical Insurance Drugs Catalogs or the National Essential Drug List whereby reimbursement would be available for insured patients. If any of our new products is not well-accepted by the market, we may not be able to recoup our investment, and our business, financial condition and results of operations may be materially and adversely affected. In addition, we have limited experience in developing and commercializing new pharmaceutical products for overseas markets, including the United States, which can be significantly more costly and time-consuming than for the PRC market. Our limited experience in overseas product development and commercialization may make it less likely that we will successfully develop any products for overseas markets, and even if we are able to successfully develop new pharmaceutical products, we may be disadvantaged in our ability to successfully commercialize such products due to our lack of sales and marketing capabilities and expertise in the relevant overseas market.

If we are unable to protect our intellectual property rights, or if the scope of our intellectual property rights fails to sufficiently protect our proprietary know-how, our competitive strengths may be eroded.

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

We own intellectual properties, such as patents, trademarks, domain names and copyrights. See "Business — Intellectual Property" and Appendix IV — "Statutory and General Information — 2. Further Information about Our Business — B. Our Intellectual Property Rights" for our material intellectual property rights. If we fail to adequately protect our intellectual property, competitors may be able to copy our products, use our technologies and erode or even wipe away any competitive advantage we may have had, which could harm our business and ability to achieve profitability.

The process of seeking patent protection can be lengthy and expensive, and we cannot assure you that our pending patent applications, or any patent applications we may make in the future, will be granted, or that any patents issued in the future will be able to provide us with meaningful protection, competitive advantages or commercial benefits. The scope of protection for issued patents may also vary across different jurisdictions. The PRC adopts a first-to-file system for patent application, under which whoever files the same application first will be first considered for the award of the patent. As a result, a third party may be granted a patent relating to a technology that we believe we had invented first.

Moreover, patent applications and issued patents may be challenged, invalidated or circumvented in the future, due to factors such as known or unknown prior acts, deficiencies in patent applications and lack of originality in the underlying technologies. Certain of our patented technologies are utilized in a number of our products and product candidates, and if the patents relevant to these technologies were to be declared invalid or unenforceable, it may have an adverse impact on the sales volumes and pricing levels of such products and our ability to successfully commercialize such product candidates.

In addition, although we have entered into confidentiality agreements, which include non-compete provisions, with our key research and development personnel and partners, these agreements may not provide meaningful protection or adequate remedies in the event of unauthorized use or disclosure of proprietary information.

We may not be able to identify the infringement of our intellectual property rights at an early stage, which may result in our inadvertent forfeiture of such intellectual property rights. Even if we are able to enforce our intellectual property rights in a timely manner, the intellectual property rights protection in China may not be effective. The experience and capabilities of PRC courts in handling intellectual property litigation vary, and outcomes are to some extent unpredictable. An unfavorable determination in any such litigation may materially impair our intellectual property rights. Furthermore, such litigation may require significant expenditures of cash and management resources to be diverted from our business operations and expansion, which may have an adverse effect on our business and prospects.

Furthermore, the patents and patent applications for our current products, as well as a substantial portion of the product candidates we intend to develop, generally relate to the underlying mechanism, compositions, preparation methods, production techniques and indications of the relevant products and do not cover any active pharmaceutical ingredients. Therefore, such patents may be insufficient to protect us from the development of substitute products by competitors, who may be able to do so by designing around our products using the same active pharmaceutical ingredients.

The patents that we hold, including the patents for our major products, are for a finite duration. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce direct substitute products to our major products which may be identical in formulation. In the event that our competitors introduce direct substitutes for these products, the sales volumes and pricing levels for such products may be materially and adversely affected.

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

Our success depends significantly on the efficiency of our internal control procedures and our ability to operate without infringing the patents and other proprietary rights of third parties. We have established and implemented internal control measures to minimize the risk of infringement upon the intellectual property rights of third parties. However, there can be no assurance that our efforts would be sufficient to eliminate any potential intellectual property claims by third parties. Patent applications in China are maintained in secrecy until their publication 18 months after the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications were filed. Even after reasonable investigation in the preliminary phase of product development, we may not know with certainty whether we have infringed upon a third party's patent, because such third party may have filed a patent application without our knowledge. If a third party claims that we have infringed upon its proprietary rights, any of the following may occur:

- we may become involved in time-consuming and costly litigations, even if the claim is without merit;

- we may become liable for substantial damages for past infringement if a court decides that our technology infringes upon a competitor's patent;

- a court may prohibit us from selling our products (including those manufactured by us and/or distributed through our pharmaceutical distribution and pharmaceutical retail businesses) unless we obtain a license from the patent holder, which may not be available at commercially reasonable terms, if at all; and

- the costs and expenses we spent on developing those products may be wasted, or we may have to reformulate the product in question to avoid infringement of the patent rights of others, which may not be viable or could be even more expensive and time-consuming.

If any of the foregoing events occur, our business, financial condition, results of operations and prospects may be materially and adversely affected and our reputation will be harmed.

If we fail to achieve the product development milestones disclosed in this prospectus, our prospects may be materially and adversely affected.

We disclose in this prospectus our expectations or targeted timing of certain milestones associated with our drug development programs, including the commencement and completion of clinical trials and anticipated regulatory approval for the manufacturing and sales of certain products. After the Global Offering, as a publicly listed company, we may continue to disclose our expectations in this respect. However, the successful implementation of our product development programs is subject to significant business, economic and competitive uncertainties and contingencies, including product development risk, availability of funds, competition, grant of relevant approvals and permits and regulation. We cannot assure you that we will be able to achieve such goals as anticipated.

The actual timing of our achievement of product development milestones could vary significantly from our expectations due to a number of factors, many of which are beyond our control, including the following:

- delays or failure in our pre-clinical studies or clinical trials;
- failure to maintain, renew or establish new relationships with our research collaborators or co-development partners;
- lengthy approval processes for new pharmaceutical products in China and the uncertainties inherent in that regulatory approval process; and
- delays in achieving manufacturing or marketing arrangements necessary to commercialize our pharmaceutical products.

If we fail to achieve one or more of these milestones as expected, our business prospects could be materially and adversely affected.

We depend on a limited number of major products. If we are unable to maintain the sales volumes, pricing levels and profit margins of our major products, our revenue and profitability could be materially and adversely affected.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, our revenue from the sales of our major products accounted for 74.3%, 80.0%, 80.7% and 80.1% of our pharmaceutical manufacturing business segment revenue, respectively. During the same periods, our top three major products in terms of sales revenue, namely E-Jiao block, basic infusion and Ganmaoling, together accounted for 29.6%, 33.2%, 31.4% and 29.1% of our pharmaceutical manufacturing business segment revenue, respectively. E-Jiao block, our top product line in terms of sales revenue, accounted for 11.1%, 14.2%, 15.5% and 14.5% of our pharmaceutical manufacturing business segment revenue in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

Because a substantial portion of our revenue is, and we expect will continue to be, derived from a limited number of major products, we may be particularly susceptible to factors materially and adversely affecting the sales volumes, pricing levels or profitability of any of these products, such as exclusion from the Medical Insurance Drugs Catalogs, unfavorable government price controls, lack of success in the centralized tender processes necessary for sales to PRC public hospitals and other medical institutions, interruptions in the supply of key raw materials, increases in the costs of key raw materials, issues with product quality or side effects, sales of substitute products by competitors, intellectual property infringements, adverse changes in pharmaceutical distribution and retail pharmacy channels, and unfavorable policy or regulatory changes. Many of the foregoing factors are beyond our control, and the occurrence of any of them may materially and adversely affect the sales volumes and pricing of our major products, which may, in turn, reduce our revenue and profitability.

If our products cause, or are perceived to cause, severe side effects, our business, financial condition and results of operations could be materially and adversely affected.

Our pharmaceutical products may cause severe side effects as a result of a number of factors, many of which are beyond our control. These factors include potential side effects not revealed in clinical trials, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of severe side effects is not obtained or is unobtainable.

In addition, our products may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products cause, or are perceived to have caused, severe side effects, or if one or more regulators, such as the CFDA, the FDA or the European Medicines Agency, or an international institution, such as the WHO, determine that products containing the same or similar pharmaceutical ingredients as our products could cause or lead to severe side effects.

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including, but not limited to:

- injuries or deaths of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- recalls or withdrawals of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- stricter and more frequent regulatory inspections of our production facilities and products;
- damages to the brand name of our products and our reputation;
- removals of relevant products from the Medical Insurance Drugs Catalogs; and
- risk of lawsuits and regulatory investigations with respect to the relevant products, which could result in liabilities, fines or penalties.

The occurrence of any of the foregoing consequences may cause our revenue and profitability to decline, and our business, financial condition, results of operations and prospects may be materially and adversely affected as a result.

If our products are not manufactured in accordance with applicable quality standards, it may harm our business and reputation, and our revenue and profitability could be materially and adversely affected.

Our products and manufacturing processes are required to meet certain quality standards. We have established a quality control management system and standard operating procedures to help prevent quality issues in respect of our products. See "Business — Risk Management and Internal Control Systems." Despite our quality control system and procedures, we may not be able to eliminate the risk of errors, defects or failure entirely. We may fail to detect or rectify quality defects for various reasons, many of which are beyond our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacturing processes;
- human errors or malfeasances by our quality control personnel;
- product tampering by third parties; and
- quality issues of raw materials.

Moreover, we source raw materials, supplemental materials and packaging materials mostly from third-party suppliers. Despite our guidelines, accessing procedures and agreements with suppliers, they may fail to meet the applicable quality standards, which may, in turn, materially and adversely affect the quality of our products produced from these raw materials.

Failure to detect quality defects in our products or to prevent such defective products from being delivered to end-users could result in injuries or deaths, product recalls or withdrawals, license revocations or regulatory fines, or lead to other problems that may severely harm our reputation and business, expose us to liability, and reduce our revenue and profitability, therefore materially and adversely affecting our business, financial condition and results of operations.

Non-compliance with, changes in, or amendments to, the applicable PRC regulatory licensing requirements may have a material adverse effect on our business, financial condition and results of operations.

We are required to obtain certain permits, approvals and certificates from various PRC governmental authorities for operating our pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail businesses in China, such as GMP certificates for manufacturing and GSP certificates for pharmaceutical wholesale and retail operations. See "Regulatory Environment — PRC Law and Regulations in Relation to Manufacturing Pharmaceutical Products and Medical Devices and Food (Health Food)" and "Regulatory Environment — PRC Law and Regulations in Relation to Distribution of Pharmaceutical Products and Medical Devices and Food (Health Food)." As of the Latest Practicable Date, we had obtained all material requisite permits, approvals and certificates for our business operations. Each PRC GMP or GSP certificate is valid for a term of five years upon issuance, and each GMP certificate may be renewed within six months before its expiration, while each GSP certificate may be renewed within three months before its expiration. We intend to apply for the renewal of these certificates when required by applicable laws, rules and regulations. However, the conditions for such renewal may change from time to time. We cannot assure you that we will be able to successfully renew all of these permits, approvals and certificates, including GMP and GSP

certificates. Any inability to renew such permits, approvals or certificates that are material to our operations could severely disrupt and materially and adversely affect our business. We may be required to obtain additional permits, approvals or certificates, and we also cannot assure you that we will successfully obtain them. We may incur significant additional costs and expenses as a result, which may materially and adversely affect our business, financial condition and results of operations.

In addition, we are subject to regular inspections, examinations, inquiries and audits by the regulatory authorities as part of the process of maintaining or renewing the various permits, approvals and certificates required for manufacturing and distributing pharmaceutical products as well as providing related logistics services. In the event that any of our products or facilities fail such inspections, our business, reputation and prospects may be materially and adversely affected.

Our business operations may be materially and adversely affected by changing environmental regulations or enforcement requirements.

We are subject to PRC environmental laws, rules and regulations concerning the discharge of effluent water and solid waste as well as the disposal of hazardous substances during our pharmaceutical manufacturing processes, and may become subject to similar laws, rules and regulations in China and other jurisdictions in the future. In addition, we are required to obtain clearances and authorizations from government authorities for the treatment and disposal of such discharge. The cost of complying with current and future environmental laws, rules and regulations and the liabilities which may potentially arise from the discharge of effluent water and solid waste as well as the disposal of hazardous substances may increase our costs and decrease our profit. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures, among other things, which in turn may materially and adversely affect our business, financial condition and results of operations. Moreover, the PRC government may take steps to adopt more stringent environmental regulations, which may substantially increase our compliance costs and have a material adverse effect on our business, financial condition and results of operations.

We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products and services, which may materially and adversely affect our reputation, financial condition and results of operations.

We are exposed to risks inherent in developing, manufacturing, packaging, marketing, distributing and selling pharmaceutical and healthcare products in China and other jurisdictions in which our pharmaceutical products are marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as improper filling of prescriptions, insufficient or improper labeling of products, unintentional distribution and retail of inferior quality pharmaceutical products, counterfeit medicines or providing inadequate warnings or insufficient or misleading disclosures of side effects.

Any product liability claims against us or product recalls, regardless of whether the claims are with merit, could strain our financial resources and consume the time and attention of our management, which might incur substantial costs and lead to diversion of resources. Even if we are not at fault or ultimately responsible for the quality of the products we distribute, we may be penalized by the relevant authorities as the first point of call and we will then need to claim reimbursement from the relevant manufacturers pursuant to the terms of the agreements with these manufacturers. In addition, claims or product recalls may not be fully covered by insurance, since our insurance coverage is limited, and we do not maintain business interruption insurance. See "Business — Insurance." The consumer demand for products distributed or manufactured by us may decline, and our reputation and sales may be materially and adversely affected. If any claims against us were to prevail, we might incur substantial monetary liabilities, and our reputation as well as our business, financial condition and results of operations may be materially and adversely affected. See "Business — Risk Management and Internal Control Systems — Pharmaceutical Manufacturing — Product Recalls." We have not been the subject of any other material product liability claims during the Track Record Period. However, we cannot assure you that we will not be subject to similar claims in the future, where our business, financial condition and results of operations may be materially and adversely affected.

In the event that any use or misuse of the products we manufacture or distribute results in personal injury or death, product liability claims may be brought against us for damages. If we are unable to defend ourselves against such claims, among other things, we may be subject to civil liabilities for physical injury, death or other losses caused by our products and to criminal liabilities and the revocation of our business licenses. In addition, we may be required to recall the relevant pharmaceutical products, suspend sales or cease sales. Other jurisdictions in which our products (including active pharmaceutical ingredients) are, or may in the future be, sold, in particular in more developed markets including the United States, may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims.

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

We may from time to time become party to litigation, other legal disputes and proceedings that may materially and adversely affect us.

In the course of our ordinary business operations, we may become a party to litigation, legal proceedings, claims, disputes or arbitration proceedings from time to time. Any ongoing litigation, legal proceedings, claims, disputes or arbitration proceedings may distract our senior management's attention and consume our time and other resources. In addition, even if we ultimately succeed in such litigation, legal proceedings, claims, disputes or arbitration proceedings, there may be negative publicity attached to such litigation, legal proceedings, claims, disputes or arbitration proceedings,

which may materially and adversely affect our reputation and brand names. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any damage to the reputation and recognition of our brand names may materially and adversely affect our business operations and prospects.

We depend on our reputation and brand names in many aspects, including, but not limited to:

- gaining access to, and for our products to be perceived favorably by, hospitals, other medical institutions and doctors, which are the main driving force behind the demand for our pharmaceutical products in China;

- winning the centralized tender processes and being able to work with the authorities that regulate the industry;

- gaining the trust of consumers and, in turn, competitively increasing our market share through brand recognition; and

- successfully attracting employees, distributors, retail pharmacies, third-party promoters and co-development partners to work with us and, in particular, enhancing our core competencies with respect to research and development activities.

However, we cannot assure you that we will be able to maintain a positive reputation or brand name for all our products in the future. Our reputation and brand names may be materially and adversely affected by a number of factors, many of which are beyond our control, including:

- adverse associations with our products, including with respect to their efficacy or side effects;

- lawsuits and regulatory investigations against us or otherwise relating to our products or industry;

- improper or illegal conduct by our employees, distributors, retail pharmacies and third-party promoters, whether or not authorized by us; and

- adverse publicity associated with us, our products or our industry, whether founded or unfounded.

Any damage to our brand names or reputation as a result of these or other factors may cause our products to be perceived unfavorably by hospitals, other medical institutions, doctors, regulators and patients and the existing and prospective employees, distributors, retail pharmacies and third-party promoters, and our business operations and prospects could be materially and adversely affected as a result.

We rely on the continued supply of raw materials for our pharmaceutical manufacturing business and the supplier relationships for our pharmaceutical distribution and pharmaceutical retail businesses.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, purchase of raw materials accounted for 38.7%, 44.7%, 40.8%, 41.7% and 43.4% of the total costs of sales in our pharmaceutical manufacturing business, respectively. In order to manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices in a timely manner. We may face supply shortages and fluctuations in market prices of raw materials. During the Track Record Period, the availability and prices of the raw materials required for our production of pharmaceutical products may be impacted by various factors, such as general market conditions, including limited sources of supply and increased demand for such materials, adverse weather conditions and natural disasters, many of which are unforeseeable and beyond our control.

If any of our suppliers fail to supply sufficient quantities of raw materials due to any of the foregoing or other reasons, we may have to obtain replacements for such raw materials from alternate suppliers. We cannot assure you that we will be able to do so in a timely manner at commercially reasonable terms. Such disruption in supply may delay the production and delivery schedules of the relevant products, which may result in the loss of customers and revenue. This may, in turn, materially and adversely affect our business, financial condition and results of operations.

We typically do not enter into long-term supply agreements with raw material suppliers. Should the prices of the raw materials increase significantly, we cannot assure you that we would be able to pass on any increase in raw material costs to our customers. Any substantial fluctuation in market prices of raw materials may significantly increase our costs, resulting in us reducing, suspending or ceasing production or sales of certain of our pharmaceutical products, thereby reducing our sales and profit.

Any disruption, loss or material change in our supplier relationships could have a material adverse effect on our pharmaceutical distribution and pharmaceutical retail businesses. Our agreements with suppliers may be terminated due to various reasons that are beyond our control, and we cannot assure you that we will be able to establish new supplier relationships, or renew our agreements with suppliers when they expire.

Moreover, our agreements with suppliers for some products are not exclusive, and we cannot assure you that our competitors will not obtain the pharmaceutical distribution or retail pharmacy rights of such products. If we fail to maintain or expand our supplier relationships, the revenue and profitability of our pharmaceutical distribution and pharmaceutical retail businesses could significantly decrease, and our financial condition and results of operations could be materially and adversely affected.

Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled customer orders, either of which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We need to maintain optimal inventory levels in order to operate our pharmaceutical distribution and pharmaceutical retail businesses successfully and meet our customers' demand. We are exposed to inventory risk as a result of rapid changes in product life cycles, changing consumer preferences, uncertainty of product developments and launches, manufacturer back orders and other vendor-related problems as well as the volatile economic environment in China. We cannot assure you that we can accurately predict these trends and events and avoid over-stocking or under-stocking of products. Furthermore, demand for products could change significantly between the time when the products are ordered and the time when they are ready for delivery. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately.

As our pharmaceutical distribution and pharmaceutical retail businesses carry an extensive range of products and maintain significant inventory levels for a substantial portion of our merchandise, we may be unable to sell such inventory in sufficient quantities or during the relevant sales seasons. Inventory levels in excess of customer demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. Net write-downs of our inventories to their net realizable value totaled HK$22.5 million, HK$35.6 million, HK$80.0 million and HK$6.5 million in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

Conversely, if we underestimate customer demand or if our suppliers fail to provide products to us in a timely manner, we may experience inventory shortages, which may, in turn, result in unfulfilled customer orders, leading to a negative impact on our customer relationships. We cannot assure you that we will be able to maintain proper inventory levels for our pharmaceutical distribution and pharmaceutical retail operations, and any such failure may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may need additional capital and may not be able to obtain it in a timely manner or under commercially acceptable terms, or at all.

As of June 30, 2016, we had cash and cash equivalents of HK$10,494.6 million. However, we may need to raise additional funds if our expenditures exceed our current expectations due to our business strategies and expansion plans, changed business conditions in China or other future developments. Our future liquidity and other business needs may require us to raise funds in the equity or debt capital markets, or obtain credit facilities from financial institutions. The issuance of additional equity securities or securities convertible into or exchangeable for our equity securities would result in dilution to you. In addition, the incurrence of additional indebtedness may result in increased debt servicing obligations as well as financing covenants that may restrict our operational flexibility.

We may be unable to obtain additional capital in a timely manner or under commercially acceptable terms, or at all. Our ability to raise additional funds in the future is subject to a variety of uncertainties, including:

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

Our failure to obtain such funding in a timely manner or under commercially acceptable terms may hinder our ability to successfully implement our business strategies, execute our expansion plans, or withstand unfavorable changes in the business conditions in China or other events in the future, which may materially and adversely affect our business, financial condition and results of operations.

Our financial statements are subject to currency fluctuation on translation.

We conduct our business mainly in Renminbi, while our financial information is presented in Hong Kong dollars. In preparing our consolidated financial statements, the results of operations and financial condition of our operating subsidiaries, which are initially prepared in their functional currencies, predominantly in Renminbi, are translated into Hong Kong dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong dollar impact our other comprehensive income which will be included in our translation reserve and, depending on the magnitude of these fluctuations, could obscure the underlying trends that would have been apparent if our consolidated financial statements had been prepared on a constant currency basis. See "Financial Information — Factors affecting Our Results of Operations and Financial Condition — Effects of Currency Fluctuation on Translation."

We cannot predict how the Renminbi will fluctuate against the Hong Kong dollar in the future, and currency translation or exchange differences may continue to impact our other comprehensive income. We cannot assure you that significant appreciation or depreciation of the Renminbi against the Hong Kong dollar will not occur.

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

The PRC government has provided various incentives to our businesses, including reduced enterprise income tax rates or periodic grants. For example, some of our subsidiaries, qualified as High and New Technology Enterprises, are entitled to a preferential corporate income tax rate of 15% subject to recertification every three years, as opposed to the 25% income tax rate generally applicable to PRC tax resident enterprises. The qualification for such preferential tax treatment depends on the satisfaction of a series of financial and non-financial requirements. Failure to renew the qualifications will subject such subsidiaries to the 25% income tax rate, and as a result, our net profit may be materially and adversely affected. In addition, the current or future preferential tax treatments, tax

concessions and tax allowances applicable to our Company and our subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. Our net profit may be materially and adversely affected as a result of one or more of these or other factors.

We have historically received government grants in the form of subsidies, some of which are for the purpose of compensating us for expenses incurred from research and development projects and the relocation of certain of our manufacturing and operating premises. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, we recognized total government grants of HK$253.7 million, HK$292.1 million, HK$255.5 million, HK$45.4 million and HK$85.1 million, respectively. Our eligibility for government grants is dependent on a variety of factors, including our contribution to the improvement of existing technologies, relevant government policies, the availability of funding at different granting authorities and the research and development progress made by other pharmaceutical companies. We cannot assure you that we will continue to receive similar levels of government grants, or at all. If we cease to receive government grants or the amount of government grants we receive decreases significantly, our net profit may be materially and adversely affected.

Our failure to comply with PRC anti-corruption measures, or effectively manage our employees, distributors and affiliates, could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks in relation to actions taken by us, our employees, distributors or affiliates that constitute violations of the PRC anti-corruption and other related laws. There have been several instances of corrupt practices in the pharmaceutical industry, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by pharmacies, hospitals and medical practitioners from manufacturers, distributors and retail pharmacies in connection with the prescription of pharmaceutical products. If we, our employees, our distributors or affiliates violate these laws, rules or regulations, we could be subject to fines and/or other penalties. In the case of our pharmaceutical manufacturing business and pharmaceutical distribution and pharmaceutical retail business, the products involved may be seized and our operations may be suspended. We continue to improve our internal control system to prevent the recurrence of such incidents. See "Business — Risk Management and Internal Control Systems — Anti-bribery measures." Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery, anti-corruption laws and regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, distributors or affiliates, which may in turn have a material adverse effect on our results of operations and prospects.

Our business may be materially and adversely affected by adverse news, scandals or other incidents associated with the PRC pharmaceutical industry.

Incidents that reflect doubt as to the quality or safety of pharmaceutical products manufactured, distributed or sold by other participants in the pharmaceutical industry, particularly the PRC pharmaceutical industry, including our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the pharmaceutical industry in general, even if such parties or incidents have no relation to us, our management, our employees, our suppliers, our distributors or our retail pharmacies. Such negative publicity may indirectly and adversely affect our reputation and business operations. In addition, incidents not related to product quality or safety, or other negative publicity or scandals implicating us or our employees, regardless of merit, may also have an adverse impact on us and our reputation and corporate image.

If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

As a public company, we have established our internal control system such as an organizational framework, policies and procedures that are designed to monitor and control potential risk areas relevant to our business operations. In connection with the Global Offering, we have examined our internal control system, and made certain enhancements where appropriate, so that it would satisfy our internal control requirements after the completion of the Global Offering. However, due to the inherent limitations in the design and implementation of our internal control system, our internal control system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

Furthermore, integration of various business operations from our future acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our internal control system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal controls also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments.

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

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

- facilitate the shipping, distribution and sale of pharmaceutical products to and from our logistics facilities;
- monitor and control the receipt and processing of orders, inventory levels and product flows;
- support our management of and oversight over business processes such as production, inventory management, quality control, maintenance and order management;
- manage billing and collections from customers;
- process payments to suppliers and service providers; and
- manage and monitor quality control of our products.

We have established security mechanisms regarding data access control, physical equipment security, network security, security management procedures and data backup. However, our information technology system may fail due to natural disasters or failures of public infrastructure, our information technology infrastructure or our applications software systems that are wholly or partially beyond our control. Any material disruption to the operation of our information technology system could have a material adverse effect on our business. Our failure to address these problems could result in our inability to perform, or delays in our performance of, critical business operational functions, loss of key business data, or our failure to comply with regulatory functions, which could materially and adversely affect our business operations and customer service.

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

Our future success depends heavily upon the continued services of our senior executives, key research and development personnel and key sales and marketing personnel. We rely on the expertise and experience of our senior management team, particularly those relating to the pharmaceutical industry. Our research and development team is critical to the development and commercialization of products produced by our pharmaceutical manufacturing business and realization of the potential benefits of our intellectual property. In addition, success in the pharmaceutical distribution and pharmaceutical retail of our products depends on the dedication and skills of our sales and marketing personnel. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness. Competition for these individuals could require us to offer higher compensation and

other benefits in order to attract and retain them, which would increase our operating expenses and, in turn, materially and adversely affect our financial condition and results of operations. If we are unable to attract or retain the personnel required to achieve our business objectives, our business could be severely disrupted.

We do not maintain key-person insurance for members of our management team. If we lose the services of any senior management, we may not be able to identify suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects and prolong our expansion strategies and plans. Furthermore, if any of our executive officers joins a competitor or forms a competing company, we may lose a significant number of our existing customers and potentially lose our substantial research and development achievements, which could have a material adverse effect on our business and results of operations.

Our rights to occupy and use some of our land and buildings are subject to legal uncertainties.

We face several legal uncertainties in our continued occupation of some of the properties we currently use.

As of June 30, 2016, we had not completed the ownership transfer procedures or obtained the building ownership certificates for 167 of our owned buildings, with a gross floor area of approximately 624,234.0 square meters and representing approximately 22.0% of the gross floor area of the buildings we owned as of the same date. Our rights in relation to such buildings, including the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such buildings in accordance with applicable PRC laws and regulations, may not be recognized and protected under PRC laws until we fully complete the relevant procedures or obtain the relevant title certificates. We cannot assure you that we will be able to obtain all necessary title certificates for each of these buildings.

As of June 30, 2016, we had not completed the transfer procedures or obtained the valid land use right for 42 parcels of our owned land, with a total site area of approximately 1,253,014.5 square meters, representing approximately 17.3% of the total site area of the land we owned as of that date. Our rights in relation to such land, including the rights to occupy, use, assign, transfer, lease, and mortgage or otherwise dispose of such land in accordance with applicable PRC laws and regulations, may not be recognized and protected under PRC laws until we fully complete the relevant procedures or obtain the relevant title certificates. We cannot assure you that we will be able to obtain all necessary title certificates for each parcel of such land.

3.3% of our revenue in 2015 was attributable to the owned buildings and land with defective titles without rectification plans, and these buildings and land were primarily used for manufacturing warehousing, commercial and other operational purposes. Out of such properties, 2.8% of our revenue in 2015 was attributable to properties with defective titles which were mostly used as warehouses or auxiliary facilities that can be replaced with little or no impact on our revenue, whereas 0.5% of our revenue in 2015 was attributable to the remaining properties with defective titles that may have an impact on our revenue during their replacement.

As of June 30, 2016, there were 129 buildings leased by us for which the landlords had not provided the relevant building ownership certificates or any documentary evidence in respect of the right to dispose of such leasehold buildings. The gross floor area of such buildings is approximately 147,263.5 square meters, representing 26.9% of the gross floor area of the buildings that we leased in China as of that date. Meanwhile, as of June 30, 2016, for 15 parcels of our leased land, with a total site area of approximately 301,416.0 square meters, representing 19.9% of the total site area of the land we leased, our landlords cannot provide relevant land use right certificates, or we have not fully executed relevant legal procedures, or our leases of relevant land are still pending local authorities' approvals. If our landlords or lessors do not have the legal building ownership use certificates or land use right certificates, or cannot obtain the relevant authorization documents from the legal owners, or if our landlords, lessors or we fail to execute relevant legal procedures in regard to the leases of such buildings or land, our continuous leases and use of the such buildings or land may be adversely affected. In addition, we cannot assure you that we will be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were to be terminated as a result of challenges by third parties or our lessors' refusal to renew them upon expiration of such leases, we might be forced to relocate some of our manufacturing operations or offices and incur losses or additional costs associated therewith. For further details on our properties, see "Business — Properties."

The interests of minority shareholders of our publicly-listed subsidiaries may, in certain circumstances, be inconsistent with our interests.

Our A-share subsidiaries, CR Sanjiu, Dong-E-E-Jiao and CR Double-Crane, are listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange. The interests of minority shareholders of these subsidiaries may, in certain circumstances, be inconsistent with our interests. In addition, these subsidiaries must comply with certain PRC regulations concerning the protection of the interests of minority shareholders. For example, under applicable PRC law and Hong Kong stock exchange listing rules, in case shareholders of a PRC-listed company vote by poll on connected transactions, all related parties must abstain from voting. If we are unable to obtain the approval from minority shareholders of CR Sanjiu, Dong-E-E-Jiao or CR Double-Crane, our transactions involving such companies may not be successfully implemented, which may materially and adversely affect our overall operational efficiency.

Furthermore, although our actions towards CR Sanjiu, Dong-E-E-Jiao and CR Double-Crane as their controlling shareholder may be regarded as proper under Hong Kong regulatory requirements, the minority shareholders of CR Sanjiu, Dong-E-E-Jiao or CR Double-Crane may take the view that they have been unfairly treated by us under their interpretation of the relevant PRC regulatory requirements. Consequently, we may be subject to legal proceedings initiated by such minority shareholders for reasons that are beyond our control. Such legal proceedings could lead to significant awards for damages against us and disruption to our or the relevant subsidiary's business, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

If we lose control over Dong-E-E-Jiao, one of our major subsidiaries, our financial condition, results of operations and business prospects could be materially and adversely affected.

One of our major subsidiaries, Dong-E-E-Jiao, is a publicly traded company listed on the Shenzhen Stock Exchange. As of June 30, 2016, we indirectly held 27.8% of the equity interests in Dong-E-E-Jiao. As of the same date, the remaining equity interests in Dong-E-E-Jiao were held by public shareholders that were unrelated to us, among which the single largest shareholder held less than 5%. We consolidated Dong-E-E-Jiao's results of operations during the Track Record Period and up to the Latest Practicable Date, because we had been the single largest shareholder of Dong-E-E-Jiao and were able to control the board of directors of Dong-E-E-Jiao. See "Financial Information — Critical Accounting Policies — Control over Dong-E-E-Jiao" and Appendix I — "Accountants' Report — A. Financial Information — Note 5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty — Critical judgments in applying accounting policies — Control over Dong-E-E-Jiao." In 2015, Dong-E-E-Jiao contributed to 4.6% and 9.3% of our total revenue and profit attributable to owners of the Company for the year, respectively.

If Dong-E-E-Jiao's other shareholders holding a substantial aggregate interest collectively misalign their votes with ours in shareholders' meetings, especially under the circumstance that a hostile bidder acquires sufficient equity interests in Dong-E-E-Jiao from the open market, thereby becoming a larger shareholder than us, or otherwise, we may lose our control over Dong-E-E-Jiao. Our ability to increase our equity interest in Dong-E-E-Jiao to counter such attempts is subject to our financial resources and regulatory restrictions on acquisition of a public company's shares, including those relating to mandatory general offer. If we lose control over Dong-E-E-Jiao, we may not continue to consolidate the financial results of Dong-E-E-Jiao, and Dong-E-E-Jiao may make business decisions, take risks or otherwise act in a manner that is not in line with our interests, which may materially and adversely affect our financial condition, results of operations and business prospects.

Our controlling shareholder is able to exercise significant influence over us.

Immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our controlling shareholder will own approximately 54.0% of our share capital. Accordingly, our controlling shareholder may have the ability to exercise significant influence over our business, including matters relating to:

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

This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of opportunities to receive a premium for their shares as part of a sale of us or our assets, and might reduce the price of our shares. Due to our controlling shareholder's significant shareholding position in our shares, 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.

The use of the "China Resources" brand name by other members of China Resources Holdings may expose us to reputational risks if these entities take actions that damage the "China Resources" brand name.

China Resources Holdings, our controlling shareholder, is a large, state-owned conglomerate with significant interests in diverse industry sectors, including commodity, electricity, real property, pharmaceutical and finance in China. As the "China Resources" brand name is also used by ourselves and other members of the China Resources Group, if we or these entities or the respective directors, management personnel or other employees take any action that damages the "China Resources" brand name or its corporate image, or if any material negative publicity is associated with any of them, for example, as a result of regulatory investigations into, or other proceedings involving, wrongdoing or corrupt practices engaged by any directors, management personnel or employees, our brand image and reputation as well as our market value may be adversely affected.

RISKS RELATING TO THE PRC

Changes in China's economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects.

A substantial majority of our assets are located in China, and a substantial majority of our revenue is derived from our businesses in China. Accordingly, our financial condition, results of operations and prospects are, to a material extent, affected by economic, political and legal developments in China. The PRC economy differs from the economies of developed countries in many respects, including, among others, the degree of government involvement, investment control, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in China is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may materially and adversely affect us. For example,

our financial condition and results of operations may be materially and adversely affected by government policies on the pharmaceutical industry in China or changes in tax regulations applicable to us. If the market condition in China deteriorates, our business in China may also be materially and adversely affected.

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

PRC laws and regulations govern our operations in China. Certain of our operating subsidiaries are organized under PRC laws. China's 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 precedential value. The PRC government has significantly enhanced laws and regulations regulating commerce and business affairs, such as foreign investment, corporate organization and governance, trading of commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and because the published decisions are limited in volume and non-binding, the interpretation and enforcement of these laws and regulations involve uncertainties. These uncertainties may materially and adversely affect our business and prospects and may further affect the legal protections and remedies available to investors, which, in turn, may materially and adversely affect the value of your investment.

In particular, the PRC pharmaceutical industry is highly regulated. Many aspects of our business depend upon the receipt of the relevant government authorities' approvals and permits. As the PRC legal system and pharmaceutical industry develop, changes in relevant laws and regulations, or in their interpretation or enforcement, could materially and adversely affect our business, financial condition and results of operations.

Investors may experience difficulties in effecting service of legal process and enforcing judgments obtained from non-PRC courts in China against us and our Directors, Supervisors and management.

Although we are a company incorporated under the laws of Hong Kong, a substantial majority of our assets are located in China. In addition, most of our Directors and executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and executive officers. Moreover, the PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments with the United States, the United Kingdom, or most other western countries or Japan. Although the Supreme People's Court has promulgated Agreement of Recognition and Enforcement of Judgment of Civil and Commercial Cases under the Jurisdiction between the Courts of the Mainland and Hong Kong, it may only be limited to the situations where any People's Court of the Mainland or any court of the HKSAR has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing. In addition, Hong Kong has not entered into arrangements with the United States for the reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States or any of the other jurisdictions mentioned above in relation to any matter that is not pursuant to a binding arbitration provision may be difficult or impossible.

We may be deemed to be a PRC tax resident enterprise under the PRC Enterprise Income Tax Law, which may materially and adversely affect our profitability and the value of your investments.

We are a company incorporated under the laws of Hong Kong. Pursuant to the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of China (《中華人民共和國企業所得税法實施條例》), or collectively the "EIT Law", if an enterprise incorporated outside the PRC has its "de facto management bodies" within China, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the State Administration of Taxation issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. We are currently not regarded as a PRC tax resident enterprise. However, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay PRC enterprise income tax at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

On February 3, 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税若干問題的公告) ("Circular 7"), which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得税管理的通知) ("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 that 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 provides 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.

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 China 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 from our non-PRC tax resident enterprise holders or to any future acquisition by us outside of China 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 from our non-PRC tax resident enterprise holders, or any future acquisition by us outside the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may lead to additional PRC tax reporting obligations or tax liabilities for our Shareholders and us.

We rely principally on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in Hong Kong and operate our core businesses through our subsidiaries in China. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay us dividends or other distributions. As a result, our ability to pay dividends will be restricted. The applicable PRC laws, rules and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including the HKFRS. The applicable PRC laws, rules and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These reserves are not distributable as dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also affect the ability of our PRC subsidiaries to provide capital or declare dividends to us and affect our ability to receive distributions. As a result, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

Under the Arrangement between Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion（《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》), or the Double Taxation Arrangement (Hong Kong), which became effective on December 8, 2006, and the Notice of the State Administration of Taxation ("SAT") Regarding Interpretation and Recognition of Beneficial Owners under Tax Treaties （《國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知》), (國稅函[2009]601號), which became effective on October 27, 2009, dividends from our PRC subsidiaries paid to us may be subject to PRC corporate income tax at a rate of 10%, or at a rate of 5% if we are considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). We are actively monitoring the PRC income taxation to minimize our tax impact.

Under the EIT Law, if we are deemed a PRC tax resident enterprise by the PRC tax authorities in the future, certain qualifying dividends payments between PRC resident enterprises will be tax free. However, we cannot assure you that we will be deemed as a PRC tax resident enterprise, or that entities we incorporate in China and our PRC subsidiaries will not need to pay dividend withholding tax when they are paying dividends to us.

You may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realized on the transfer of our Shares.

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under PRC Individual Income Tax law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under "—We may be deemed to be a PRC tax resident enterprise under the PRC Enterprise Income Tax Law, which may materially and adversely affect our profitability and the value of your investments," dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-residents investors, the value of your investment in our Shares may be materially and adversely affected.

The PRC regulations relating to registration requirements for employee share ownership plans or share option plans may subject our management to personal liability or administration sanction, or limit our subsidiaries' ability to distribute profits to us, or otherwise materially and adversely affect our financial position.

SAFE issued the Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of Offshore Investment, Financing and Inbound Investment through Special Purpose Companies by PRC Residents ("Circular 37") on July 4, 2014. According to Circular 37, a special purpose company means an offshore company that is directly established or indirectly controlled by PRC domestic residents (including domestic entities and domestic individuals), for financing purposes, with its onshore or offshore assets or equities legally

held by such domestic residents. In the event that an unlisted special purpose company intends to issue share incentives to the employees of its PRC subsidiaries with its own shares, such employees who are PRC individuals shall conduct foreign exchange registration for that special purpose company with the competent foreign exchange authority.

SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Companies (or the Stock Option Rules) on February 15, 2012. According to the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on their behalf. The participants must also appoint an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and transfer of funds. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material aspects. We and our management, who have been granted share options and restricted shares, will be subject to these regulations upon the completion of this Offering.

Although Circular 37 of the Stock Option Rules is silent on the liabilities of the special purpose company's PRC subsidiaries in the event of such employees' failure to conduct such foreign exchange registration, in practice, such PRC subsidiaries may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore special purpose company, which in turn limits some of our subsidiaries' ability to distribute profits to us, and this may materially and adversely affects our financial position. Also, failure to complete SAFE registrations by our PRC share option holders or restricted shareholders or such member under Circular 37 may subject such members to fines and legal sanctions or other administrative sanctions.

If, in the future, such members are regarded by SAFE to have violated Circular 37 or other relevant regulations due to their holdings of our Shares without conducting the foreign exchange registration as requested, such members may be subject to fines and legal sanctions. Our subsidiaries' ability to distribute profits to us may also be limited. This may materially and adversely affect our financial position.

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

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the net proceeds of the Global Offering, are subject to PRC regulations. For example, our loans to our PRC subsidiaries may not exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under relevant PRC laws and the registered capital of our major PRC subsidiaries, and such loans must be registered with the local branch of

SAFE. In addition, our capital contributions to our major PRC subsidiaries must be approved by MOFCOM or its local branches. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, and their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material adverse effect on our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or health or public security hazards in China may severely disrupt our business and operations and may have a material adverse effect on our financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza, the Ebola virus or Middle East Respiratory Syndrome, may materially and adversely affect our business, financial condition and results of operations. In 2009, there were reports of the occurrence of H1N1 influenza in certain regions of the world, including the PRC and Hong Kong, where we conduct business. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the business activities in affected areas, which may, in turn, materially and adversely affect our business. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in China may materially and adversely affect its economy and our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

Restrictions on currency exchanges may limit our ability to utilize our revenue effectively and the ability of our PRC subsidiaries to obtain financing.

We currently receive a significant amount of our revenue in Renminbi. Renminbi is not presently a freely convertible currency, and the restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund our business activities outside the PRC or payments in currencies other than Renminbi. The PRC government, through SAFE and other government agencies, regulates conversion of Renminbi into foreign currencies. Under the PRC's foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade, are freely exchangeable into foreign currencies without prior government approval provided certain procedural requirements are met. However, the PRC government may limit the foreign exchange under the payments of current account items in the future, and, as a result, we may not be able to pay dividends to our shareholders in a foreign currency.

Conversion of currency in the "capital account" (e.g. capital items such as direct investments or loans) requires the approval of SAFE or its local branches. These limitations could materially and adversely affect the ability of our PRC operating subsidiaries and affiliated companies to obtain foreign currencies through equity financing or for capital expenditures, therefore impeding our overall business operations.

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

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

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations between our Company and the Joint Global Coordinators on behalf of the Underwriters and the Offer Price may differ significantly from the market price of our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Hong Kong Stock Exchange. The Listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;

- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and Hong Kong and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

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

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

Future sales or perceived sales of a substantial number of our Shares in public markets could cause the prevailing market price of our Shares to decrease significantly, as well as dilute our Shareholders' shareholdings.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings when we issue additional securities in future offerings. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

As the Offer Price of our Shares is higher than our consolidated net tangible book value per Share, purchasers of our Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets of HK$2.89 per Share (assuming an Offer Price of HK$9.30 per Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our

existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience further dilution of their interest if the Over-allotment Option is exercised or if we issue additional Shares in the future to raise additional capital.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Under applicable laws and the constitutional documents of our operating subsidiaries, the payment of dividends may be subject to certain limitations. The calculation of certain of our operating subsidiaries' profit under applicable accounting standards differs in certain respects from the calculation under HKFRS. As a result, our operating subsidiaries may not be able to pay a dividend in a given year even if they have profit as determined under HKFRS. Accordingly, since our Company derives all of our earnings and cash flows from dividends paid to us by our operating subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders.

During the Track Record Period, we did not declare or pay any dividends. In October 2016, our shareholders approved our plan to distribute a special cash dividend of approximately HK$2.2 billion to two of our shareholders. See "Summary — Recent Developments." We cannot assure you that dividends will be declared or paid in the future. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law. For more details on our dividend policy, see "Financial Information — Dividend Policy."

Certain facts and statistics derived from government and third-party sources contained in this document may not be reliable.

We have derived certain facts and other statistics in this document, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors. Therefore, we cannot assure you of the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections entitled "Risk Factors," "Industry Overview" and "Business." Due to possibly flawed or ineffective collection methods or discrepancies between the published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as the similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there had been press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Listing, we have applied to the Hong Kong Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of the transactions under Chapter 14A of the Listing Rules.

See the section headed "Connected Transactions" in this prospectus for details.

MANAGEMENT PRESENCE

Pursuant to Rules 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must ordinarily reside in Hong Kong. Given that our business operations are principally located, managed and conducted in the PRC and our Group's executive Directors and senior management team principally reside in the PRC, and the management and operation of our Group have mainly been under supervision of the executive Directors of our Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Group's business, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules, subject to the following conditions to maintain regular and effective communication between the Hong Kong Stock Exchange and ourselves:

1. Authorized Representatives: We have appointed Mr. WANG Chuncheng and Mr. LI Guohui as our authorized representatives ("Authorized Representatives") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by the Hong Kong Stock Exchange, and if required, will be able to meet with the Hong Kong Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time;

2. Directors: When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. To enhance communication between the Hong Kong Stock Exchange, our Authorized Representatives and our Directors, we have implemented the following measures: (a) each Director must provide his/her telephone number, e-mail address and facsimile number to the Authorized Representatives; (b) in the

event that a Director expects to travel or is otherwise out of office, he or she will provide the telephone number of the place of his or her accommodation to the Authorized Representatives; and (c) we have provided the telephone number, e-mail address and facsimile number of each Director to the Hong Kong Stock Exchange.

Our executive Director, Mr. LI Guohui, who is also our Authorized Representative, ordinarily resides in Hong Kong and is readily contactable by telephone, email and/or facsimile by the Hong Kong Stock Exchange. Each of our other Directors who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange within a reasonable period of time;

3. Compliance Advisor: We have appointed China International Capital Corporation Hong Kong Securities Limited as our compliance advisor ("Compliance Advisor") pursuant to Rule 3A.19 of the Listing Rules, who will provide us with professional advice on continuing obligations under the Listing Rules and act as our additional channel of communication with the Hong Kong Stock Exchange during the period from the Listing Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after the Listing. The Compliance Advisor will be available to answer inquiries from the Hong Kong Stock Exchange; and

4. Company secretary: We have appointed Mr. LO Chi Lik Peter, who is a Hong Kong resident, as our company secretary. Mr. LO will maintain constant contact with our Directors and senior management team members through various means.

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2) AND 4.04(4) OF THE LISTING RULES

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, the issuer shall include in its accountants' report the results and balance sheet of any subsidiaries and/or businesses acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Certain members of our Group have acquired and/or proposed to acquire subsidiaries and/or businesses after the Track Record Period and up to the Latest Practicable Date, including:

(i) CR Heilongjiang Pharmaceutical entered into an acquisition agreement on July 15, 2016 with Zhang Shaohua (張少華) in relation to the acquisition of 100% interest in Heilongjiang Huajian Pharmaceutical Co., Ltd. (黑龍江省華健醫藥有限公司) (the "Heilongjiang Acquisition");

(ii) CR Sanjiu entered into an acquisition agreement on July 27, 2016 with Lan's Int'l Medicine Investment Co., Limited (藍氏國際醫藥投資有限公司), Kunming Dianjiao Investment Advisory Co., Ltd. (昆明滇驕投資諮詢有限公司), Pingtan Xinghang Longqing Equity Investment LLP (平潭興杭隆慶股權投資合夥企業(有限合夥)), Shanghai Xingdan Investment Management Centre LLP (上海興丹投資管理中心(有限合夥)), New Yu Jun

Cheng Investment LLP (新余君成投資合夥企業(有限合夥)) and Shanghai Qiesi Investment Management LLP (上海切思投資管理合夥企業(有限合夥)) to acquire a total of 100% interest in Kunming Shenghuo Pharmaceutical Group Co., Ltd. (昆明聖火醫藥(集團)有限公司) ("Kunming Shenghuo") (the "Sanjiu Acquisition");

(iii) CR Pharmaceutical Commercial entered into a cooperation agreement on June 29, 2016 with, among others, Shaanxi Kangcheng Pharmaceutical Co., Ltd. (陝西康誠醫藥有限公司) in relation to the acquisition of certain of its assets and businesses (the "Proposed Shaanxi Acquisition"); and

(iv) CR Tianjin Pharmaceutical is interested in, and is considering, an acquisition of all or some interest in Jin Run (Tianjin) Pharmaceutical Co., Ltd. (津潤(天津)藥業有限公司) (the "Possible Tianjin Acquisition");

(v) Quanzhou Dongda is interested in, and is considering to, acquire certain assets and businesses of Southeast Pharmaceutical Logistics Co., Ltd. (東南醫藥物流有限公司) (the "Possible Southeast Pharmaceutical Acquisition");

(vi) CR Shanghai Pharmaceutical is interested in, and is considering, an acquisition of all or some interest in or certain assets and businesses of Shanghai Baochang Drugstore Co., Ltd. (上海寶昌藥店有限公司) (the "Possible Shanghai Acquisition");

(vii) CR Pharmaceutical Commercial is interested in, and is considering, an acquisition of all or some interest in Chengdu Pharmaceutical Group Co., Ltd. (成都市醫藥集團有限公司) (the "Possible Chengdu Acquisition"); and

(viii) Our Company is interested in, and is considering, an acquisition of a minority interest in a biotechnology company (the "Possible Biotech Acquisition").

(the Possible Tianjin Acquisition, the Possible Southeast Pharmaceutical Acquisition, the Possible Shanghai Acquisition, the Possible Chengdu Acquisition and the Possible Biotech Acquisition are collectively referred to as the "Possible Acquisitions"; and together with the Heilongjiang Acquisition, the Sanjiu Acquisition and the Proposed Shaanxi Acquisition, the "Post-Track Record Period Acquisitions")

For details, see "History, Restructuring and Corporate Structure — Post-Track Record Period Acquisitions" in this prospectus.

Based on the following reasons, our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules:

1. **Immateriality:** The scale of the businesses operated by the target companies under the Post-Track Record Period Acquisitions as compared to that of our Group is not material. Based on the financial information of the target companies for the year ended 31 December 2015 available to our Company, each of the relevant size tests for the Post-Track Record Period Acquisitions, individually or in aggregate, is below 5%. Notwithstanding that the Post-Track Record Period Acquisitions represent suitable strategic acquisition targets of our Group, the Post-Track Record Period Acquisitions, as and if completed or materialized, would not significantly affect the financial position of our Group as a whole. It is expected that none of such target companies will constitute a material subsidiary of our Company, even if the relevant acquisitions are completed or materialized.

2. **Undue burden to obtain and prepare historical financial information of the target companies to be acquired:** Since the Heilongjiang Acquisition and the Sanjiu Acquisition were completed recently and our Group was not previously involved in the day-to-day management of Heilongjiang Huajian nor Kunming Shenghuo, it will require considerable time and resources for our Company and its reporting accountant to fully familiarize with the accounting policies of Heilongjiang Huajian and Kunming Shenghuo and to gather and compile the necessary financial information and supporting documents for disclosure in the listing document of our Company. As such, it would be impracticable within the tight timeframe between the completion of the Heilongjiang Acquisition and the Listing for our Company to disclose the financial information of Heilongjiang Huajian and Kunming Shenghuo for each of the three financial years immediately preceding the issue of the listing document of our Company.

   The Proposed Shaanxi Acquisition had not been completed as of the Latest Practicable Date, and remain subject to the conditions precedent under the relevant acquisition agreement, including but not limited to the requisite change in industrial and commercial registration. As such, our Company does not have full access to the relevant financial records for purposes of audit by its reporting accountant and disclosure in the listing document of our Company. In addition, all of the Possible Acquisitions are still subject to negotiation between the parties, and our Company and/or the relevant subsidiaries of our Company have not entered into any form of agreement (binding or otherwise) with the counterparties with respect to such Possible Acquisitions. There is no assurance as to whether any of the Post-Track Record Period Acquisitions (save for the Heilongjiang Acquisition and the Sanjiu Acquisition) would proceed as of the Latest Practicable Date.

Accordingly, having considered the immateriality of the target companies under the Post-Track Record Period Acquisitions as well as the time and resources required to obtain, compile and audit such historical information in conformity with our Company's accounting policies, it would be unduly burdensome for our Company to prepare and include the financial information of the target companies under the Post-Track Record Period Acquisitions in the listing document of our Company.

3. **Alternative disclosure:** With a view of allowing the potential investors to understand the Post-Track Record Period Acquisitions in greater details, we have provided in this prospectus information in relation to the Heilongjiang Acquisition, the Sanjiu Acquisition the Proposed Shaanxi Acquisition and the Possible Acquisitions (if they materialize), which is comparable to the information that is required for a discloseable transaction under Chapter 14 of the Listing Rules, including, (a) general description of the scope of principal business activities of the target companies and the counterparties, and financial information on the target companies available to our Company; (b) the consideration of the transaction; (c) the basis on which the consideration is determined; (d) how the consideration will be satisfied and the payment terms; (e) reasons for and benefits of the transactions; and (f) any other material terms in relation to the Post-Track Record Period Acquisitions.

CLAWBACK MECHANISM

Paragraph 4.2 of Practice 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 with respect to the Hong Kong Public Offering are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules.

See "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving our information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and, having made all reasonable inquiries confirm 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 there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 77,158,000 Offer Shares and the International Offering of initially 1,465,983,500 Offer Shares (subject to reallocation and the Over-allotment Option as set out in "Structure of the Global Offering"). For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

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

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, create any implication that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

OFFER SHARES FULLY UNDERWRITTEN

The listing of our Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price on or before the Price Determination Date. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to the Offer Price being agreed.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see "Underwriting" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

OVER-ALLOTMENT OPTION AND STABILIZATION

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

RESTRICTIONS ON OFFER AND 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 acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the US.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on the Hong Kong Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Hong Kong Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on October 28, 2016. Except for our pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares, no part of our share or loan capital is listed on or dealt in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and our 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 any other date as determined by HKSCC. Settlement of transactions between Hong Kong Stock 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 advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on the Share register of members of our Company maintained by our Share Registrar, Tricor Investor Services Limited, in Hong Kong.

Dealings in the Shares registered on the Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. 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).

Unless determined otherwise by our Company, dividends payable in respect of our Shares will be paid to the Shareholders listed on the Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, advisors or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposing of, or dealing in, or the exercise of any rights in relation to, the Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of Renminbi amounts into Hong Kong dollars, of Renminbi amounts into US dollars and of Hong Kong dollars into US dollars at specified rates. Unless indicated otherwise, the translation of Renminbi amount into Hong Kong dollars, of Renminbi amount into US dollars and of Hong Kong dollars into US dollars, and vice versa, in this prospectus have made at the following rates:

RMB0.86097 to HK$1.00 (being the prevailing exchange rate on September 30, 2016 set by the PBOC)

RMB6.6685 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on September 30, 2016)

HK$7.7555 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on September 30, 2016)

No representation is made that any amounts in Renminbi, Hong Kong dollars or US dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. WANG Chuncheng (王春城先生)	S306, OCT Portofino-the Riuiera IV, Shenzhen, PRC	Chinese
Mr. SONG Qing (宋清先生)	H2, Jinghu Garden, Yinhu, Shenzhen, PRC	Chinese
Mr. LI Guohui (李國輝先生)	Flat D, 12/F, Block 2, Cayman Rise, 29 Ka Wai Man Road, Kennedy Town, Hong Kong	Chinese Hong Kong
Non-executive Directors		
Mr. FU Yuning (傅育寧先生)	Flat B, 28/F, Block 1, The Floridian, 18 Sai Wan Terrace, Hong Kong	Chinese
Mr. CHEN Rong (陳荣先生)	Unit 3506, Block A, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong	Chinese
Mr. YU Zhongliang (余忠良先生)	Flat C, 31/F, Lime Habitat, 38 Ming Yuen Western Street, North Point, Hong Kong	Chinese Hong Kong
Mr. WANG Chenyang (王晨陽先生)	Room 704, Unit 2, Building 8, Dongzhimen South Street, Dongcheng District, Beijing PRC	Chinese

Name	Address	Nationality
Ms. WANG Jing (王京女士)	Flat 601, Building 12, Yard No.20, Chegongzhuangxi Road, Haidian District, Beijing, PRC	Chinese
Independent Non-executive Directors		
Mr. TSANG Hing Lun (曾慶麟先生)	B-16/F, Building 3, The Grand Panorama, 10 Robinson Road, Hong Kong	Chinese Hong Kong
Mr. KWOK Kin Fun (郭鍵勳先生)	8B, Block 1, Elegant Terrace, 36 Conduit Road, Central Mid-level, Hong Kong	Chinese Hong Kong
Mr. FU Tingmei (傅廷美先生)	8/F, Harbour View Terrace, 114 Tin Hau Temple Road, North Point, Hong Kong	Chinese Hong Kong
Mr. ZHANG Kejian (張克堅先生)	Flat 1606, 3 Nanguo Yijie, Tianhe District, Guangzhou, PRC	Chinese

See "Directors, Senior Management and Employees" for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors *(in alphabetical order)*	**CCB International Capital Limited** 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong **Goldman Sachs (Asia) L.L.C.** 68/F Cheung Kong Center 2 Queen's Road Central Hong Kong **Merrill Lynch Far East Limited** 55/F Cheung Kong Center 2 Queen's Road Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong **Goldman Sachs (Asia) L.L.C.** 68/F Cheung Kong Center 2 Queen's Road Central Hong Kong **Merrill Lynch International** 2 King Edward Street London EC1A 1HQ United Kingdom

	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom
	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering) 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
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The information and statistics presented in this section and elsewhere in this prospectus are derived from the Frost & Sullivan Report, as well as various official or publicly available publications. The information derived from the Frost & Sullivan Report reflects estimates of the market conditions based on information from various sources. See "— Source of Information" below. We believe that the sources of the information and statistics in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any part has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or adversely impact the quality of the information in this section. We, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters, or their respective affiliates or advisors or any other party involved in the Global Offering have not independently verified, and make no representation as to, the accuracy of the information and statistics from official government or other third-party sources. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the official government and other third-party sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

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

This prospectus contains information extracted from the Frost & Sullivan Report in sections such as "Industry Overview" and "Business." We paid Frost & Sullivan a fee of RMB700,000 for the preparation and update of the Frost & Sullivan Report.

THE PRC HEALTHCARE INDUSTRY

Overview

The PRC healthcare industry is one of the largest components of the national economy. According to the National Bureau of Statistics, Economist Intelligence Unit and Frost & Sullivan, healthcare expenditure in China has significantly increased from RMB2,434.6 billion in 2011 to RMB3,926.8 billion in 2015, representing a CAGR of 12.7%. It is believed that PRC total healthcare expenditure will continue to increase rapidly as a result of a combination of favorable factors, including rising income levels, an aging population, growing health awareness, longer life expectancy, wider coverage of social medical insurance, and strong policy support. As a result, total healthcare expenditure in China is expected to grow to RMB6,188.9 billion in 2020, representing a CAGR of 9.5%, according to Frost & Sullivan.

According to the National Bureau of Statistics, Economist Intelligence Unit and Frost & Sullivan, the total healthcare expenditure of China accounted for approximately 5.8% of its GDP in 2015, compared to 17.1% in the United States. Among the world's 12 largest countries by GDP in 2015, the PRC ranked 11th in terms of per capita healthcare expenditure, which was only US$458.7. The PRC's relatively low healthcare expenditure, either as a percentage of GDP or on a per capita basis, indicates considerable growth potential.

Primary Growth Drivers of the PRC Healthcare Industry

Increasing Affordability and Rising Health Awareness

Along with its GDP growth, personal disposable income in the PRC has experienced rapid growth and is expected to continue growing in both urban and rural areas, leading to higher affordability for healthcare products and services. The social medical insurance programs run by the PRC government also contribute to the increasing affordability in both urban and rural areas and further drive the demand for health products and services. According to Frost & Sullivan, as of December 31, 2014, the social medical insurance programs collectively covered 97.5% of the PRC population. Together with the increasing health awareness, the rise in healthcare affordability played a major role in driving the growth of the total healthcare expenditure in China. According to the National Bureau of Statistics, Economist Intelligence Unit and Frost & Sullivan, from 2011 to 2015, per capita healthcare expenditure of the PRC has grown from RMB1,807.0 to RMB2,856.6, representing a CAGR of 12.1%, and is expected to reach RMB4,392.0 in 2020, representing a CAGR of 9.0%.

Aging Population, Rising Life Expectancy and Epidemiological Transitions

The rapidly aging population, along with increasing life expectancy, is expected to drive the demand for health products and services in China. Historically, healthcare expenditure per capita for senior citizens aged 65 years and above in China was significantly higher than that for all other age groups. Meanwhile, the share of the PRC population aged 65 years and above increased from 9.1% in

2011, or 122.9 million people, to 10.5% in 2015, or 143.9 million people; and this ratio is expected to further increase to 13.2%, or 186.6 million people, by 2020. The rising average life expectancy, from 68.6 years in 1990 to 76.3 years in 2015, has also contributed to the growth of the PRC's aging population during the same period, both in absolute numbers and as a percentage of the total population.

According to Frost & Sullivan, over the past decades there has been an increasing prevalence of chronic diseases in China, such as cancer, metabolic diseases, cardiovascular diseases and arthritis, associated with an aging population, unhealthy lifestyle, high social and living pressure and environmental pollution. Among such chronic diseases, cardiovascular disease has become a major hazard to public health and is increasingly prevalent in China. The prevalence of hypertension has increased more than fourfold from 2003 to 2013, according to Frost & Sullivan. Correspondingly, the PRC cardiovascular drug market size grew significantly from RMB90.4 billion in 2011 to RMB158.8 billion in 2015, representing a CAGR of 15.1%, and is expected to reach RMB236.6 billion in 2020, representing a CAGR of 8.3%.

Ongoing Healthcare Reform that Focuses on the Improvement of Quality and Efficiency of Healthcare

The PRC healthcare reform in recent years has shifted its focus to the quality and efficiency of healthcare. In August 2012, the NHFPC released the Healthy China 2020 (健康中國2020) plan that provides a strategic reform roadmap to improve the health of the PRC population and equal access to public health services. The 13th Five-Year Plan issued in March 2016 emphasizes the continual improvement of the basic healthcare system and encourages the coordinated reform of healthcare services, medical insurance and pharmaceuticals (三醫聯動) and the separation of prescribing from dispensing (醫藥分家).

In April 2016, the State Council issued the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (深化醫藥衛生體制改革2016年重點工作任務) that outlines several important targets for the current healthcare reform, including: (i) hierarchical diagnosis and treatment (分級診療), which aims to improve the match between public health services and local needs and improve the allocation efficiency across the PRC; (ii) the reform of health insurance payment to standardize the payment system, extend health insurance coverage to underserved parts of the population and encourage the development of commercial insurance; and (iii) the reform of essential drug system, centralized procurement of pharmaceuticals and pricing, as well as the introduction of the "two-invoice system" (兩票制) which only allows a single level of distributors for the sale of pharmaceutical products from the manufacturers to the hospitals. These healthcare reforms are expected to further improve the quality and efficiency of the healthcare industry and lead to a more liberalized market, healthier competition and more sustainable development.

Pharmaceutical Industry Value Chain

In China, there are generally five primary stages along the pharmaceutical industry value chain: (i) research and development; (ii) intermediate and active pharmaceutical ingredient manufacturing; (iii) finished dosage form manufacturing; (iv) distribution; and (v) retail sales. Research and

development refers to the process of drug discovery, drug development to commercial approval, drug formulation and manufacturing technology development. Intermediate and active pharmaceutical ingredient manufacturing is the production of intermediates and active pharmaceutical ingredients. Finished dosage form manufacturing is the production of pharmaceutical products with excipients and active pharmaceutical ingredients. Distribution covers warehousing and shipping of drugs from pharmaceutical companies to dispensers, such as hospitals and pharmacies. Retail sales refer to the selling of drugs to patients by pharmacies, hospitals and other healthcare institutions. Many PRC pharmaceutical companies operate across one or more primary value-chain stages, but only a few of them are integrated vertically across all primary stages of the value chain.

THE PRC PHARMACEUTICAL MANUFACTURING INDUSTRY

Overview

The PRC pharmaceutical manufacturing industry has experienced rapid growth in recent years. According to Frost & Sullivan, the market size at the wholesale price level of the three major sectors that constitute the PRC pharmaceutical manufacturing industry, namely, chemical drugs, Chinese medicine and biopharmaceuticals, grew rapidly from RMB743.1 billion in 2011 to RMB1,220.7 billion in 2015, representing a CAGR of 13.2%, and is expected to further grow to RMB1,791.9 billion in 2020, representing a CAGR of 8.0%. The primary drivers of such growth are the same favorable socioeconomic factors that have contributed to the growth of the overall PRC healthcare industry.

The following table sets forth the five largest pharmaceutical manufacturers by revenue in the PRC pharmaceutical market in 2015:

Rank	Manufacturer	Revenue	Market share (%)
		(RMB in billions)	
1	Company A	47.5	7.1
2	China Resources Pharmaceutical Group	17.6[(1)]	2.6
3	Company B	16.5	2.5
4	Company C	11.5	1.7
5	Company D	10.1	1.5
	Total	**103.2**	**15.4**

Source: the Frost & Sullivan Report

(1) The revenue is calculated at an exchange rate of HK$1.00 = RMB0.8029, and only covers chemical drugs, Chinese medicines and biopharmaceutical drugs.

Pharmaceutical products can be categorized into prescription drugs and OTC drugs, depending on whether they can only be purchased with a prescription from qualified medical practitioners. According to Frost & Sullivan, we ranked first in the PRC OTC drug market in terms of estimated sales at the retail price level in 2015.

The PRC Chemical Drug Industry

The chemical drug market is the largest segment of the pharmaceutical market in China, accounting for 56.0% of the total market in terms of sales in 2015, according to Frost & Sullivan. The market size of chemical drugs has quickly expanded from RMB473.3 billion in 2011 to RMB683.6 billion in 2015, representing a CAGR of 9.6%, and is expected to reach RMB878.0 billion in 2020, representing a CAGR of 5.1% from 2015 to 2020.

The following table sets forth the therapeutic areas of the PRC chemical drug market by sales in 2015:

Rank	Therapeutic area	Market share of sales (%)[1]
1	Anti-infective	16.7
2	Alimentary tract and metabolism	14.8
3	Cardiovascular system	11.3
4	Central nervous system	10.4
5	Blood and blood forming organs	8.8
6	Oncology	8.0
7	Respiratory system	5.6
8	Musculo-skeletal system	4.4
9	Systemic hormonal preparations (excluding sex hormones)	3.7
10	Genito-urinary system and sex hormones	3.0
	Others	13.3
	Total	**100.0**

Source: the Frost & Sullivan Report

(1) The sales are calculated at the wholesale price level.

The PRC Chinese Medicine Industry

Chinese medicine is a type of drug where the active ingredients are derived from natural plants, animals or minerals. Chinese medicine has a long history and a widely established reputation in China for the prevention and treatment of diseases. Chinese medicine is now available in both traditional and modern forms. Chinese medicine can take the form of tablets, oral liquids, capsules, granules and injections. A Chinese medicine formula contains various ingredients and could take effect on a variety of symptoms and diseases, and is generally considered suitable for treating chronic diseases, preventing diseases, and improving overall health.

The Chinese medicine market accounted for 32.1% of the PRC pharmaceutical market in terms of sales in 2015. Driven by modern techniques and strong government support, the Chinese medicine market grew from RMB210.3 billion in 2011 to RMB391.8 billion in 2015, representing a CAGR of 16.8%, and is expected to reach RMB580.6 billion in 2020, representing a CAGR of 8.2%, according to Frost & Sullivan.

The following chart illustrates the therapeutic areas of the PRC Chinese medicine market by sales in 2015:

Rank	Therapeutic area	Market share of sales (%)[1]
1	Cardiocerebral vascular system	34.2
2	Oncology	16.8
3	Respiratory system	12.0
4	Musculo-skeletal system	8.3
5	Gastrointestinal system	6.5
6	Gynecological drugs	5.6
7	Genito-urinary system	5.2
8	Ear, nose and throat	3.1
9	Dermatology	2.0
10	Buyibuxue (補益補血)	1.5
	Others	4.8
	Total	**100.0**

Source: the Frost & Sullivan Report

(1) The sales are calculated at the wholesale price level.

The PRC Biopharmaceutical Drug Industry

Biopharmaceutical drugs are medicinal products manufactured in, extracted from, or semi-synthesized from biological sources. Different from chemically synthesized pharmaceuticals, they include vaccines, blood and blood components, allergenics, somatic cells, gene therapies, tissues, recombinant therapeutic proteins, anti-bodies and living cells used in cell therapy. The biopharmaceutical drug market accounted for 11.9% of the PRC pharmaceutical market in terms of sales in 2015. The market size of biopharmaceutical drugs has quickly expanded from RMB59.4 billion in 2011 to RMB145.3 billion in 2015, representing a CAGR of 25.0%, and is expected to reach RMB333.3 billion in 2020, representing a CAGR of 18.1% from 2015 to 2020, according to Frost & Sullivan.

Key Trends of the PRC Pharmaceutical Manufacturing Market

Improvement of Quality and Efficiency in Pharmaceutical Manufacturing and Increasing Market Concentration

Currently, the PRC pharmaceutical manufacturing industry is highly fragmented. According to Frost & Sullivan, there were over 5,000 pharmaceutical manufacturers, among which the top five and the top 20 companies by sales in 2015 accounted for only 15.4% and 27.8% of the total market, respectively. Such competitive landscape is expected to change given the current trend towards market consolidation, which is partly motivated by the regulatory efforts in optimizing the PRC pharmaceutical manufacturing industry.

The ongoing healthcare reform plan emphasizes the improvement of quality and efficiency in the pharmaceutical manufacturing process. Pharmaceutical manufacturers have to comply with stricter regulatory requirements, such as those with respect to GMP certification, consistency evaluation on the quality and efficacy of generic drugs and environmental protection.

Furthermore, various pro-patient initiatives under the healthcare reform have been introduced, such as the centralized procurement and distribution of essential drugs at the provincial level. This can lead to loss of revenue for pharmaceutical manufacturers that produce such drugs, especially for the smaller manufacturers, since larger PRC pharmaceutical manufacturers can outcompete them with stronger manufacturing capabilities, larger economies of scale and wider distribution networks to satisfy the regional needs of essential drugs and to effectively distribute those drugs to different levels of hospitals and community healthcare centers and clinics.

These regulatory requirements and initiatives can significantly increase the compliance costs and create financial difficulties for many small and medium-sized pharmaceutical manufacturers. They may need to seek larger economies of scale through consolidation in order to reduce costs and remain competitive. Meanwhile, large pharmaceutical manufacturers, with the necessary financial strengths and rigorous quality controls to ensure stable supplies of a wide range of high-quality, competitively priced drugs, may pursue consolidation to obtain access to new technologies, customers and geographic locations and to reduce costs, in order to enhance their economies of scale and emerge as leaders in the PRC pharmaceutical manufacturing market.

The PRC Government's Encouragement on Drug Innovation as well as Research and Development

In recent years, the PRC government has issued and implemented a number of supportive policies to encourage drug innovation and research and development. The Opinions of the General Office of the State Council on Strengthening the Technological Innovation Position and Comprehensively Improve the Innovation Capabilities of Enterprises (關於強化企業技術創新主體地位全面提升企業創新能力的意見) issued by the State Council in 2013 specified the PRC government's intention to establish an enterprise-centered innovative regime and foster the development of a large number of innovative enterprises, aiming to increase both research and development investments and applications for intellectual property rights. In March 2016, the State Council issued the Guiding Opinions on Promoting the Healthy Development of the Pharmaceutical Industry (關於促進醫藥產業健康發展的指導意見) that aims to further improve the innovative environment for the PRC pharmaceutical manufacturing industry through measures such as providing financial support to innovative drug development, and optimizing and standardizing the approval processes for innovative drugs. Large pharmaceutical manufacturers are better positioned to take advantage of these policies given their superior financial resources and research and development capabilities compared to their small and medium-sized counterparts.

Enhanced Regulation and Modernization of the Chinese Medicine Market

In recent years, the PRC government has implemented more stringent regulations and quality control measures on Chinese medicine manufacturing. Meanwhile, Chinese medicine manufacturers have increased their reliance on modern technologies to develop and manufacture Chinese medicine products that are safe, effective, suitable for mass production and easy for intake. These developments have enhanced and are expected to continue to enhance the market acceptance of Chinese medicine treatments and products, resulting in a larger customer base. For example, Chinese medicine formula granule is a new form of traditional Chinese medicine that utilizes modern science and technology that retain the efficacy of traditional Chinese herbal medicines while achieving more stable and reliable quality. There are only a few certified manufacturers in the PRC Chinese medicine formula granule market. Due to favorable government policies, this market grew considerably from RMB2.9 billion in 2011 to RMB9.7 billion in 2015 by sales at the wholesale price level, representing a CAGR of 35.7%. With the release of the Administrative Measures of Chinese Medicine Formula Granule (Consultation Draft) (中藥配方顆粒管理辦法(徵求意見稿)) in December 2015 which lifted the entry restrictions on manufacturing Chinese medicine formula granule, this market is expected to further grow from RMB9.7 billion in 2015 to RMB52.6 billion in 2020, representing a CAGR of 40.1%.

Rise of the Biopharmaceutical Industry

The global biopharmaceutical industry is expected to experience rapid growth in the next decade. In order to keep pace with the development of cutting-edge biotechnologies and to meet the rising domestic demand for biopharmaceutical drugs, the PRC government has proposed various measures to support and accelerate the research and development of biopharmaceutical drugs such as monoclonal antibody drugs, vaccines, genetically engineered protein and peptide drugs, and to encourage manufacturers to actively carry out research on nucleic acid drugs, gene therapy drugs, stem cells and other cell therapy products.

THE PRC PHARMACEUTICAL DISTRIBUTION INDUSTRY

Overview

Pharmaceutical distribution services mainly consist of the marketing, sales, tendering and logistics of pharmaceutical products. The PRC pharmaceutical distribution industry is an essential part of the pharmaceutical industry value chain, linking up the pharmaceutical manufacturers with pharmaceutical dispensers, including hospitals, chain pharmacies and independent pharmacies.

Driven by the growing pharmaceutical market, increasing healthcare service capabilities, favorable government policies and technology development, the pharmaceutical distribution market grew from RMB749.3 billion in 2011 to RMB1,291.3 billion in 2015, representing a CAGR of 14.6%, and is expected to grow to RMB1,860.1 billion in 2020, representing a CAGR of 7.6%.

The following table sets forth the five largest distributors in the PRC pharmaceutical distribution market by revenue in 2015:

Rank	Distributor	Revenue	Market share (%)
		(RMB in billions)	
1	Company A	252.5	19.6
2	China Resources Pharmaceutical Group	98.9(1)	7.7
3	Company B	93.7	7.3
4	Company C	47.7	3.7
5	Company D	31.0(2)	2.4
	Total	**523.8**	**40.7**

Source: the Frost & Sullivan Report

(1) The revenue is calculated at an exchange rate of HK$1.00=RMB0.8029.

(2) The revenue is based on Frost & Sullivan estimates.

Large pharmaceutical distributors in China typically offer complementary logistics and value-added services to both the pharmaceutical manufacturers and dispensers, including distributor data integration and reprocessing, payment collection for the pharmaceutical manufacturers, delivery of special pharmaceutical products, technical support and assistance, import assistance, customs clearance and free trade zone warehousing. The capacity and quality of these services in China are highly valued and are in increasing demand by many larger dispensers, such as hospitals. Consequently, large distributors that provide these value-added services have significant competitive advantages over distributors that do not.

Key Trends of the PRC Pharmaceutical Distribution Market

Fragmentation of the Pharmaceutical Distribution Market and the Trend towards Consolidation

The PRC pharmaceutical distribution market is highly fragmented with more than 13,000 distributors as of the end of 2014, most of which distribute locally, according to Frost & Sullivan. In the past few years, partly driven by stricter GSP rules that have disqualified many smaller pharmaceutical distributors and favorable government policies that have encouraged consolidation, the PRC pharmaceutical distribution industry has undergone significant consolidation. According to Frost & Sullivan, the market share of the top five pharmaceutical distributors in the PRC pharmaceutical distribution market increased from 32.8% in 2011 to 40.7% in 2015. However, this market remains fragmented compared to those of more developed countries. For example, the top three pharmaceutical distributors in China accounted for only 34.6% of the PRC pharmaceutical distribution market by sales in 2015, as compared to over 90% in the United States.

In April 2016, the PRC government announced a pilot program in certain provinces in China to implement a "two-invoice system" (兩票制) which only allows a single level of distributors for the sale of pharmaceutical products from the manufacturers to the hospitals. For details of the

"two-invoice system," see "Regulatory Environment — Other PRC Laws and Regulations in Relation to the Pharmaceutical and Medical Devices and Food (Health Food) Industry — Two-invoice System." The streamlined distribution process may potentially intensify the competition in and further help consolidate the fragmented PRC pharmaceutical distribution market.

Innovative Business Models in the PRC Pharmaceutical Distribution Market

Driven by the new healthcare reform, some leading pharmaceutical distributors started to implement innovative business models, such as the "Hospital Logistics Intelligence" solutions. This innovative model extensively applies information technologies to help hospitals automatize drug procurement, delivery planning and drug dispensing, among others. It can significantly reduce the waiting time of patients and enhance the accuracy of drug dispensing. In addition, the intelligent logistics within hospitals enable timely tracking of prescription and inventory levels.

THE PRC RETAIL PHARMACY INDUSTRY

Market Size and Growth of the PRC Retail Pharmacy Market

Retail pharmacies are one of the major points of sale in the PRC pharmaceutical retail industry, along with other dispensers such as hospitals and other medical institutions. The PRC pharmaceutical retail market grew from RMB187.3 billion in 2011 to RMB328.9 billion in 2015 by sales, representing a CAGR of 15.1%, and is expected to increase to RMB530.8 billion in 2020, representing a CAGR of 10.0%, according to Frost & Sullivan.

In China, both prescription drugs and OTC drugs can be purchased from retail pharmacies. The following table sets forth the ten largest pharmaceutical retailers in the PRC pharmaceutical retail market by revenue in 2015:

Rank	Retail pharmacy	Revenue	Market share (%)
		(RMB in billions)	
1	Company A	8.7	2.7
2	Company B	5.4	1.6
3	Company C	5.2	1.6
4	Company D	5.0[(2)]	1.5
5	Company E	5.0[(2)]	1.5
6	Company F	5.0	1.5
7	Company G	4.3	1.3
8	Company H	3.2	1.0
9	China Resources Pharmaceutical Group	2.9[(1)]	0.9
10	Company I	2.9[(2)]	0.9
	Total	**47.6**	**14.5**

Source: the Frost & Sullivan Report

(1) The revenue is calculated at an exchange rate of HK$1.00=RMB0.8029.

(2) The revenue is based on Frost & Sullivan estimates.

Key Trends of the PRC Retail Pharmacy Market

Fragmentation of the PRC Retail Pharmacy Market and Trend towards Consolidation

The PRC retail pharmacy market is highly fragmented with more than 434,900 retail pharmacies as of the end of 2014, according to Frost & Sullivan. During the past few years, due to enhanced financing capabilities of retail pharmacy players, intense competition and supportive policies, large retail pharmacy chains have expanded their businesses through mergers and acquisitions. Consolidation has become a trend of the PRC retail pharmacy market, resulting in higher concentration rate. According to Frost & Sullivan, the market share of the top ten retail pharmacies in the PRC increased from 9.4% in 2011 to 14.5% in 2015. Compared to that of developed countries, the proportion of chain stores in the retail pharmacy market in the PRC is relatively low, leaving considerable room for market leaders' further expansion. In 2014, 39.4% of pharmacies in the retail pharmacy market are chain stores in the PRC compared to 62.5% in the United States.

Separation of Prescribing from Dispensing (醫藥分家)

The policy of separation of prescribing from dispensing restrains the hospitals' ability to make profit from sales of pharmaceutical products to patients, which is generally favorable to the development of the pharmaceutical retail industry. According to Frost & Sullivan, in 2015, approximately 21.5% of sales in the PRC pharmaceutical market were made by retail pharmacies, compared to 68.8% by hospitals, and the sales made by retail pharmacies are expected to account for 27.0% of the PRC pharmaceutical market in 2020.

Innovative Business Models in the PRC Retail Pharmacy Market

Driven by a combination of favorable factors, including increasing demand for high-value and special pharmaceutical products from patients and rising profit pressure from retail pharmacies as well as innovative trends in the service model of the retail pharmacy industry, some leading retail pharmacies started to implement innovative business models, such as the "Direct-to-Patient" model. Under a "Direct-to-Patient" model, retail pharmacies directly sell and distribute high-value pharmaceutical products to patients through authorized "Direct-to-Patient" pharmacies, which collect prescription from the patients, verify the prescription and arrange the shipment of the products.

Development of the Pharmaceutical Retail E-commerce Market

With the rapid development of the Internet and the consequent changes in lifestyles and shopping habits, the pharmaceutical retail e-commerce market for B2C (business-to-customer) sales has surged in recent years. According to Frost & Sullivan, the pharmaceutical retail e-commerce market size grew significantly from RMB0.9 billion in 2011 to RMB14.1 billion in 2015 by sales, representing a CAGR of 98.1%, and is expected to further increase to RMB95.3 billion in 2020, representing a CAGR of 46.5%. In addition, it accounted for 4.3% of the PRC retail pharmacy market by sales in 2015, and is expected to account for 17.9% in 2020.

At present, prescription drugs are strictly prohibited for online B2C (business-to-customer) sales in China. However, the restriction may be lifted in the future by the PRC government. The Supervision and Management Measures of Food and Drug Trading on the Internet (Consultation Draft) (互聯網食品藥品經營監督管理辦法(徵求意見稿)) issued in 2014 by the CFDA explicitly sets out measures regulating the online trading of prescription drugs, which implies that the PRC government may allow online B2C (business-to-customer) sales of prescription drugs when such regulations are fully promulgated.

THE PRC NUTRITIONAL AND HEALTHY FOOD INDUSTRY

Nutritional and healthy food comprises organic food, wholesome food, functional food and nutritional supplements. In line with the PRC's growing economy and increasing purchasing power of individuals, nutritional and healthy food in China is gradually turning into dietary supplemental necessities from high-end consumer goods. An aging population and changes in lifestyle, which have led to the expansion of sub-health groups and rising prevalence of chronic diseases, as well as increasing health awareness that focuses on chronic disease prevention and self-care, have all driven the demand for nutritional and healthy food products. According to Frost & Sullivan, the PRC nutritional and healthy food market grew significantly from RMB321.0 billion in 2011 to RMB565.8 billion by retail sales in 2015, representing a CAGR of 15.2%, and is expected to grow to RMB1,077.9 billion in 2020, representing a CAGR of 13.8%. The regulatory environment for the PRC nutritional and healthy food industry has also become increasingly standardized, as the PRC government has promulgated regulations and industry standards for the nutritional and healthy food industry in recent years.

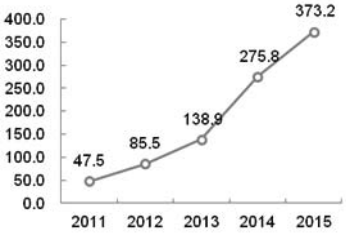
As the competition in the nutritional and healthy food market intensifies, large nutritional and healthy food manufacturers with strong brand recognition and research and development capabilities are better positioned than their smaller counterparts to address the unmet demand in the market. A comprehensive network to conduct effective marketing campaigns and customer education is another key factor to success in this market.

MARKET PRICE TREND OF MAJOR RAW MATERIALS

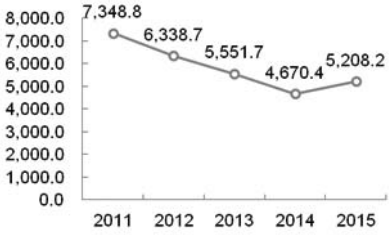
The major raw materials of China Resources Pharmaceutical Group Limited's products include donkey-hide, cane sugar and red ginseng. According to Frost & Sullivan, the prices of donkey-hide have experienced sharp fluctuations in China since 2011.

The following charts illustrate the historical prices for donkey-hide, white granulated sugar and red ginseng from 2011 to 2015. According to Frost & Sullivan, as there is no publicly available information on the historical prices of cane sugar and the historical prices of cane sugar have been closely correlated with those of white granulated sugar, we use the historical prices of white granulated sugar as a proxy for those of cane sugar.

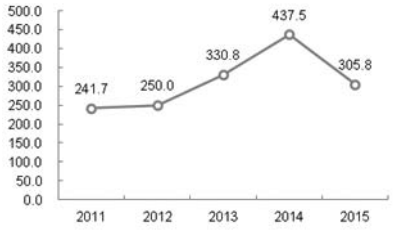
Historical Prices of Donkey-hide in China (RMB/kg)



Historical Prices of White Granulated Sugar in China (RMB/ton)



Historical Prices of Red Ginseng in China (RMB/kg)



Source: the Frost & Sullivan Report

The price of donkey-hide increased from RMB47.5 per kg in 2011 to RMB373.2 per kg in 2015. The increased price of donkey-hide was mainly because of the decrease in donkey stock and the growing demand for donkey-hide. The price of our E-Jiao block, a gelatin made from donkey-hide, increased from RMB1,500 per kg in 2011 to RMB4,730 per kg in 2015.

The price of white granulated sugar decreased from RMB7,348.8 per ton in 2011 to RMB5,208.2 per ton in 2015. The decrease in price was mainly due to the expanded volume of importation and the reduced domestic demand.

The price of red ginseng increased from RMB241.7 per kg in 2011 to RMB437.5 per kg in 2014, and decreased to RMB305.8 per kg in 2015. The increase during 2011 to 2014 was primarily due to the rising demand for pharmaceutical products and healthcare products made from red ginseng, while the decrease in 2015 was principally due to increased supply of red ginseng in the market.

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our Group's operation and business.

PRC REGULATORY FRAMEWORK AND PRINCIPLE REGULATORY AUTHORITIES IN RELATION TO THE PHARMACEUTICAL INDUSTRY AND MEDICAL DEVICES AND FOOD (HEALTH FOOD) INDUSTRY

Regulatory Framework

As a manufacturer and distributor of pharmaceutical products, medical devices and food (health food), we are subject to regulation and oversight by different levels of the food and drug administration in China, in particular, the CFDA. The Law of the PRC on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》), which was promulgated by the Standing Committee of the National People's Congress on September 20, 1984 and came into effect on July 1, 1985, as amended on February 28, 2001 and came into effect on December 1, 2001 and as further amended and became effective on December 28, 2013 and as subsequently amended and became effective on April 24, 2015, together with its implementation regulations, which became effective from September 15, 2002 and proposed to be revised at the end of 2016, provides the legal framework for the administration of the production and sale of pharmaceutical products in China and covers the manufacturing, distributing, registration, packaging, pricing and advertising of pharmaceutical products in China.

We are also subject to other PRC laws and regulations that regulate the manufacture and distribution of pharmaceutical products, medical devices and food (health food).

Principal Regulatory Authorities

The CFDA, the NHFPC and MOHRSS are principal regulatory authorities of pharmaceutical products, food and medical devices industries in the PRC.

The CFDA is responsible for drafting laws and regulations for the supervision and administration of food, pharmaceutical products and medical devices, drawing up policy planning, formulating departmental rules; responsible for formulating implementation measures on food administrative licensing and supervising the implementation thereof, participating in formulation of food safety standards; responsible for formulating and promulgating drug and medical devices standards and classification management system such as Chinese pharmacopoeia; responsible for formulating the good practices for the research and development, manufacturing, operation and usage of pharmaceutical products and medical devices and supervising the implementation thereof; responsible for registration of pharmaceutical products and medical devices and supervision and administration thereof; responsible for formulating the National Essential Drug List and cooperating in the implementation of national essential medicines system; responsible for formulating the inspection system for food, pharmaceutical products and medical devices and organizing the inspection thereof.

The NHFPC is responsible for planning the overall allocation of medical, health and family planning service resources; responsible for organizing and formulating national essential medicines system; responsible for assessing food safety risks and formulating food safety standards.

MOHRSS is responsible for formulating medical insurance policy, planning and standard; formulating medical insurance, fund management method; organizing the formulation of designated medical institution, medical insurance service management of pharmacy, accounting method and scope of payment; formulating supplementary medical insurance policy and management method of authorities, companies and entities.

Industrial Policy

Investment in China conducted by foreign investors and foreign-owned enterprises is governed by Catalog for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) ("Foreign Investment Catalog"), which was initially promulgated by the State Planning Commission, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation on June 20, 1995, and it was subsequently amended on December 31, 1997, then on March 11, 2002, and then on November 30, 2004, and then on October 31, 2007, and then on December 24, 2011, and then on March 10, 2015 and become into effective on April 10, 2015. Foreign Investment Catalog is a long-standing tool that PRC policymakers have used to manage and direct foreign investment. Foreign Investment Catalog divides industries into three basic categories: encouraged industries, restricted industries and prohibited industries. Foreign investors and foreign-owned enterprises are not allowed to make investments which fall under the "prohibited" industry under Foreign Investment Catalog. Industries not listed in Foreign Investment Catalog are generally open to foreign investment unless specifically barred in other PRC regulations.

The businesses conducted by certain subsidiaries of CR Sanjiu and Dong-E-E-Jiao involve the application of preparation techniques such as steaming, frying, broiling and calcination of herbal pieces and the production of traditional Chinese medicine products under confidential prescriptions and fall within the prohibited businesses of foreign investment industries under the Foreign Investment Catalog. However, pursuant to Shang Zi Pi [2007] No.1638 Official Reply regarding Consenting to the Merger with and Acquisition of New Sanjiu Holdings Co., Ltd. by China Resources Pharmaceutical Group Limited and the Capital Increase (《關於同意華潤醫藥集團有限公司併購新三九控股有限公司及增資的批覆》) issued by MOFCOM in 2008, such subsidiaries of CR Sanjiu and Dong-E-E-Jiao do not enjoy the treatment of foreign investment enterprises as their domestic enterprise nature has remained unchanged following acquisition by CR Pharmaceutical Holdings. Therefore, such subsidiaries have obtained approval and exemption for engaging in such businesses and are entitled to lawfully operate such businesses.

In addition, none of our other PRC subsidiaries engage in operations that fall within the prohibited or restricted categories of the Foreign Investment Catalog.

PRC LAW AND REGULATIONS IN RELATION TO THE RESEARCH AND DEVELOPMENT OF PHARMACEUTICAL PRODUCTS

Institutions engaging in research for applications for clinical trials and production of medicines are required to register in accordance with Pharmaceutical Product Research Institution Filing Procedures (Trial) (《藥品研究機構登記備案管理辦法(試行)》), which was promulgated on and effective from October 19, 1999 by the SFDA (the predecessor of the CFDA). Research institutions engaged in conducting clinical trials of medicines are required to carry out their clinical trials in accordance with the Administrative Standards of Pharmaceuticals Clinical Trials (《藥物臨床試驗質量管理規範》) promulgated by the SFDA on August 6, 2003 and effective from September 1, 2003, which apply to the design, organization, implementation, supervision, recording, analysis and reporting of clinical trials conducted following approval from the CFDA. Research institutions engaged in conducting pre-clinical research are required to carry out their research activities in accordance with Administrative Standards of the Pharmaceuticals Non-Clinical Research (《藥物非臨床研究質量管理規範》) promulgated by the SFDA on August 6, 2003 and effective from September 1, 2003, which apply to research on, amongst others, synthetic techniques, fractionation methods, chemical nature and purity, forms of intake, production methods, examination methods, quality standards, stability, and toxicity studies of a medicine conducted prior to the submission of the application for clinical trials to the CFDA. If certain actions in the pre-clinical trial research and clinical research conducted for a clinical application trial, and/or in the application procedures for registration of medicines, are in violation of the relevant rules and regulations, the CFDA is authorized to handle such cases pursuant to the Measures regarding Non-compliance with Relevant Rules of Research and Application for Registration of Medicines (Trial) (《藥品研究和申報註冊違規處理辦法(試行)》) promulgated on August 12, 1999 and effective from September 1, 1999.

PRC LAW AND REGULATIONS IN RELATION TO MANUFACTURING PHARMACEUTICAL PRODUCTS AND MEDICAL DEVICES AND FOOD (HEALTH FOOD)

Pharmaceutical Products manufacturing licenses and approvals

Each pharmaceutical manufacturing enterprise is required to obtain a Drug Manufacturing Certificate and a Business License. Pursuant to Regulations for the Implementation of the Drug Administration Law of the PRC(《中華人民共和國藥品管理法實施條例》), which was promulgated on August 4, 2002 by the State Council and effective from September 15, 2002 and amended on February 6, 2016, and the Measures on the Supervision and Administration of the Manufacture of Pharmaceuticals (《藥品生產監督管理辦法》) promulgated by the SFDA on August 5, 2004 and effective from August 5, 2004, the Drug Manufacturing Certificate is issued by provincial drug administrative authorities. The grant of such certificate is subject to an inspection of the manufacturing facilities, and a finding that their staff qualification, the surroundings, sanitary conditions, quality assurance systems, management structure and equipment meet the required standards. Drug Manufacturing Certificate is valid for five years and may be renewed at least six months prior to its expiration date upon re-examination by the relevant authority. Drug administrative authorities shall conform to national plan and industrial policy for the development of pharmaceutical industry when issuing such certificate to pharmaceutical manufacturer.

Medical Devices manufacturing licenses and approvals

In accordance with the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) which was promulgated on March 7, 2014 and became effective on June 1, 2014, the manufacture of Class II and Class III medical devices is subject to inspection and approval by the local food and drug administrative authority of the provinces, autonomous regions and municipalities and required to obtain the Medical Device Manufacturing Enterprise License (醫療器械生產企業許可證), manufacture of Class I medical devices shall be carried out record-filing with the food and drug administrative authority at the districted city level where the manufacturer is located. The list of each class of medical devices is set forth in the Medical Device Product Categories (醫療器械分類目錄), which is promulgated and updated by the CFDA from time to time. The term of the validity of the Medical Device Manufacturing Enterprise License is five years. Re-inspection is required for the renewal of the license.

Health Food manufacturing licenses and approvals

In accordance with provisions of the Regulations of the PRC for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) (the "Production License Regulations"), which was promulgated by the State Council on July 9, 2005 and came into effect on September 1, 2005, and the Measures for the Implementation of the Regulations of the PRC for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》), which were promulgated on September 15, 2005 by the General Administration of Quality Supervision, Inspection and Quarantine and came into effect on November 1, 2005 and amended on April 21, 2010, and April 21, 2014 and came into effect on August 1, 2014, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the centralized administration of production license for industrial products, while the competent authorities of the county level or above for industrial production license are responsible for the administration of production license for industrial products within their own jurisdictions and the imposition of penalties on acts that violate the production license pursuant to the relevant requirements.

On August 31, 2015, the new Measures for the Administration of Food Production Licensing (《食品生產許可管理辦法》) were promulgated and came into effect on October 1, 2015. According to the new Measures for the Administration of Food Production Licensing, the validity term for a food production license is changed into five years and the food producers shall file applications with the food and drug administrative authorities that originally issued the license 30 working days before its expiry of the particular product for extending the validity period of the food production license. A manufacturer of health food must apply for a food production license to the food and drug administrative authority of the province, autonomous region and municipality where it is located.

Pursuant to the Administrative Measures on Health Food (《保健食品管理辦法》) promulgated by the MOH on March 15, 1996 and became effective on June 1, 1996, a seller of health food products shall obtain from its suppliers a permit which includes the Health Food Approval Certificate (保健食品批准證書) in the permitted business scope from the health administrative department.

Good Manufacturing Practices (2010 Revision) or GMP (《藥品生產質量管理規範 (2010年修訂)》)

A GMP certificate is required for the production of each dosage form of pharmaceutical products. In addition, the Good Manufacturing Practices (2010 Revision), which was promulgated by the MOH on January 17, 2011 and effective on March 1, 2011, is a set of detailed basic guidelines on manufacture and quality control of pharmaceutical products, with the purpose of ensuring that pharmaceutical products are consistently and appropriately manufactured to their intended use as well as statutory registration requirements for the pharmaceutical products, by minimizing the risks of contamination, cross contamination, mix-ups and/or errors during the manufacture process.

GMP certification criteria include sections regarding quality control, institution and staff qualifications, hygiene requirements for the staff, production premises and facilities, equipment, material and products, recognition and inspection, documentation maintenance, manufacture management, quality control and quality assurance, contractual manufacture and contractual inspection for the products, product distribution and recalls and self-inspection.

Under the Administrative Measures for Certification of the Good Manufacturing Practices (《藥品生產質量管理規範認證管理辦法》) promulgated by the SFDA on and effective from August 2, 2011, a new pharmaceutical manufacturer, or a pharmaceutical manufacturer that extends its manufacturing scope or establishes a new workshop shall apply for GMP certification, and where a pharmaceutical manufacturer rebuilds or extends its existing plants or production lines, it shall reapply for GMP certification. GMP certificates shall be renewed no later than six months before the expiry of its valid term. Such renewal shall be granted upon re-examination by the relevant authority.

Pursuant to the Announcement on Matters relating to the Implementation of Good Manufacturing Practices (2010 Revision) (《關於實施<藥品生產質量管理規範(2010年修訂)>有關事宜的公告》) issued by the SFDA on February 28, 2011, the production of aseptic drugs such as blood products, vaccines and injections of pharmaceutical manufacturing enterprises shall meet the requirements of Good Manufacturing Practices (2010 Revision) (《藥品生產質量管理規範(2010年修訂)》) before December 31,2013. The production of other categories of drugs shall meet the requirements of Good Manufacturing Practices (2010 Revision) (《藥品生產質量管理規範(2010年修訂)》) before December 31,2015.

Under the Notice of China Food and Drug Administration on Matters concerning Implementation of Good Manufacturing Practices (《國家食品藥品監督管理總局關於切實做好實施藥品生產質量管理規範有關工作的通知》) which was promulgated by the CFDA and became effective on December 30, 2015, the CFDA firstly requires that the relevant pharmaceutical manufacturing enterprises that fail to obtain the Good Manufacturing Practices (2010 Revision) certification in accordance with the relevant requirements are required to suspend production from January 1, 2016 and will not be issued with Drug Manufacturing Certificate; those enterprises that are under technical modification are given one-year transition period, i.e. they should apply to renew their Drug Manufacturing Certificate and GMP certification to the relevant food and drug administrations at province, autonomous region and municipality level for before December 31, 2016; those pharmaceutical manufacturing enterprises that fail to obtain GMP certification and voluntarily abandon the production modification of all or part of their dosage forms are allowed to submit registration application for transferring their pharmaceutical technologies before December 31, 2016 and one dosage form may only be transferred on a one-off

basis to an enterprise with GMP certification of the relevant dosage form. An application will not be accepted if submitted after the deadline. Moreover, the CFDA requires the relevant food and drug administrations at province, autonomous region and municipality level to take charge of the GMP certification process from January 1, 2016.

Good Manufacturing Practices for Medical Devices (《醫療器械生產質量管理規範》)

According to Good Manufacturing Practices for Medical Devices (《醫療器械生產質量管理規範》, promulgated on 29 December 2014 and effective as of 1 March 2015, is regarded as the basic principles of the quality control system of medical devices manufacturing and is applicable to the entire process of design and development, production, sales and services of medical devices. Manufacturing enterprises of medical devices shall establish quality control systems in accordance with the features of the products and the GMP requirements, and to maintain effective operations.

Good Manufacturing Practices for Health Food (《保健食品良好生產規範》)

The national standard of Good Manufacturing Practices for Health Food (《保健食品良好生產規範》was promulgated by the MOH on May 5, 1998 and took effect at the time, which provides the basic technical requirements on personnel, design and facility, production process of raw material, storage and transportation of finished good as well as management of quality and hygiene of the enterprises producing specific healthy food. This standard is applicable to all manufacturers of health food. Pursuant to the Notice of the MOH on Circulating the Examination Methods and Assessment Guidelines of Good Manufacturing Practices of Health Food (《衛生部關於印發保健食品良好生產規範審查方法與評價準則的通知》) promulgated by the MOH and effective as of April 2, 2003, healthcare administrative department at province level shall conduct the inspection of Good Manufacturing Practices for Health Food for manufacturers of health food in such province and issue hygiene license to manufacturers satisfying the above standard. For manufacturers that fail to satisfy the requirements and to obtain hygiene license or workshops without the license, they may entrust manufacturers satisfying Good Manufacturing Practices for Health Food to produce.

Good Agricultural Practice for Chinese Herbal Medicines (《中藥材生產質量認證管理規範》)

According to Measures for the Administration of Good Agricultural Practice for Chinese Herbal Medicines (for Trial Implementation) (《中藥材生產質量管理規範認證管理辦法(試行)》), promulgated by the CFDA on September 19, 2003 and came into effect on November 1, 2003, and the Tentative Norms for the Quality Management of the Production of Chinese Herbal Medicines (《中藥材生產質量管理規範》) promulgated by the CFDA on April 17, 2002 and came into effect on June 1, 2002, these Norms are the basic guidelines for the quality management of the production of the traditional Chinese medicinal materials, and are applicable to the whole production process of Chinese medicinal materials (include but not limited to planting, picking, and packing etc.) conducted by traditional Chinese medicinal materials manufacturing enterprises (hereinafter referred to as Production Enterprises).

According to the Decision of the State Council on Abolishing 13 Administrative Licensing Items of the Departments of the State Council (《國務院關於取消13項國務院部門行政許可事項的決定》), which came into effect on February 3, 2016, the Good agricultural practice (GAP) certification for the production of Chinese Herbal Medicines was abolished.

Chinese Traditional Medicine Formula Granules (中藥配方顆粒)

According to the Interim Rules on the Administration of Chinese Traditional Medicine Formula Granules (《中藥配方顆粒管理暫行規定》), which was promulgated on July 5, 2001, Chinese traditional medicine formula granules shall be brought into the scope of administration of crude slices of prepared Chinese Traditional medicines from December 1, 2001, and shall be subject to the administration of approval registration numbers. Enterprises for pilot manufacturing which satisfy conditions upon assessment are confirmed by the CFDA and enterprises for pilot manufacturing which are not confirmed shall not manufacture.

PRC LAW AND REGULATIONS IN RELATION TO THE APPROVAL AND REGISTRATION OF PHARMACEUTICAL PRODUCTS AND MEDICAL DEVICES AND FOOD (HEALTH FOOD)

Registration of New Drugs

Under the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), promulgated by the SFDA on July 10, 2007 and effective from October 1, 2007, new drugs refer to those products which have never been launched for sale in China. Pharmaceutical products taking different dosage forms or routes of administration or having curative effects for additional diseases are treated as new drugs.

Under the Opinions of the State Council on Reforming the System for Review and Examination and Approval of Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》), which was promulgated by the State Council and became effective on August 9, 2015, the definition of new drugs shall be adjusted from the prevailing definition of "drugs that have never been sold on the market within PRC" to "drugs that have never been sold on the market both within and outside PRC". In addition, new drugs can be categorized into innovative drugs and improved new drugs based on the principle and novelty of material base, the scope of which is narrowed as compared to the previous scope.

New drugs are registered under three different types: Chinese medicines and natural medicine, chemical pharmaceutical products and biochemical products, each of which is divided into different categories. Different requirements are applicable to the registration under different types. All new drugs must undergo four phases before the launching: pre-clinical research, application for clinical trials, clinical trials and approval for production.

Upon the completion of pre-clinical research, pharmaceutical manufacturers are required to obtain approval from the CFDA prior to commencing clinical trials of any new drugs.

Under the Measures for the Qualification Accreditation of Institutions Performing Pharmaceutical Clinical Trials (Trial) (《藥物臨床試驗機構資格的認定辦法(試行)》), promulgated by the SFDA on February 19, 2004 and effective from March 1, 2004, these Measures are formulated and amended jointly by the SFDA and the MOH. The CFDA shall be in charge of the administration of the Qualification Accreditation nationwide. The NHFPC shall be responsible for the relevant works related to the administration of the Qualification Accreditation within the scope of its authority. The CFDA and the Departments of Health of all provinces, autonomous regions, municipalities directly under the Central Government shall be responsible for the preliminary examination, formalities examination and the daily supervision and administration within their respective administrative regions.

Clinical trials comprise four phases: phase I (preliminary pharmacology and human safety evaluation studies), phase II (preliminary exploration on therapeutic efficacy), phase III (confirmation of therapeutic efficacy) and phase IV (research on applications after launching of new pharmaceuticals). The number of tested cases of clinical trials shall accord with the aim of each phase of clinical trials and relevant statistical requirements, and shall not be less than the statuary minimum number of clinical trial cases, save for otherwise approved by the CFDA in the case of rare diseases, special diseases and other exceptional circumstances.

Upon the completion of clinical trials, the applicant shall also apply for an approval to manufacture the new medicines. If the new medicines meet with the specific technical standard/ requirements which include such as quality indicators, testing approaches and manufacturing process promulgated by the CFDA, the applicant will be granted a new drug certificate and a drug approval number by the CFDA. The manufacturer may then commence commercial production of the new drug.

The CFDA may stipulate a monitoring period of up to five years in respect of any new medicine approved for production to monitor the safety of such new medicine on an ongoing basis. The CFDA will not approve the production, change dosage forms and import of such new medicine by other enterprises during the monitoring period. No applications for the registration of similar pharmaceutical products by other applicants shall be accepted after the commencement of the monitoring period for such new medicine. Applications for the registration of pharmaceutical products of similar products by other applicants that have been accepted but have not been approved to begin clinical trials shall be returned. However, after a new medicine enters the monitoring period, for other applications whose clinical trial have already been approved by the CFDA, the on-going application shall continue in the regular review process, and the CFDA may approve the production or import of that application in compliance with the requirements, as well as monitor the new medicine produced by the pharmaceutical manufacturer within China. Upon the expiration of the monitoring period of new medicine, applicants may file an application in respect of their generic medicines or for the import of similar pharmaceutical products.

Under the Regulations on the Special Examination and Approval of Registration of New Drugs 《(新藥註冊特殊審批管理規定》), which was promulgated and implemented since January 7, 2009 by the SFDA, certain types of new medicines may apply to go through the special examination and approval process when submitting the application for clinical trials or the application of production.

On July 22, 2016, the CFDA issued the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) (Draft Revision) ("Draft Revision") which has not become effective till now. Compared with the previous Measures for the Administration of Drug Registration, the Draft Revision proposed major reform measures as follows:

(1) It confirms the System of the Holders of Drug Marketing Licenses will be taken as the center of the Drug Registration system, under which, marketing licenses will be separated from the production licenses. Holders of Drug Marketing Licenses may carry out their own production and may also entrust other manufacturers to carry out production. Holders of Drug Marketing Licenses shall be responsible for the safety, efficacy and quality of drugs. The aforesaid provision may extend the scope of application of the "Notice on Issuing the Plan for the Pilot Program of the System of the Holders of Drug Marketing Licenses (《關於印發藥品上市許可持有人制度試點方案的通知》) promulgated by the General Office of the State Council on June 6, 2016.

(2) It clarifies that innovative drugs shall have clear clinical value, and improved new drugs shall have more significant clinical advantage than the original varieties.

(3) It confirms the evaluation criteria under the consistency evaluation requirements of generic drugs, and clarifies that generic drugs shall have the same or similar quality and efficacy as the original drugs.

(4) It proposes to establish the priority review system according to clinical requirements and the characteristics of drugs.

(5) The food and drug regulatory authorities of provinces, autonomous regions and municipalities shall be responsible for the supervision and management of matters relating to drug registration within their own administrative regions, and the drug registration matters commissioned by the CFDA.

(6) It clarifies that assessment and approval of drug packaging materials and pharmaceutical excipients shall be associated with those of the drugs. Consistent with the "Notice on Matters Relating to Assessment and Approval of Drug Packaging Materials and Pharmaceutical Excipients Associated with the Drugs (《關於藥包材藥用輔料與藥品關聯審評審批有關事項的公告》)" issued on August 9, 2016, food and drug administration departments at all levels will no longer accept registration application for drug packaging materials and pharmaceutical excipients alone, but conduct the assessment and approval together with the drug registration application.

(7) It encourages the innovation of Chinese medicine. For the new Chinese medicine with permit can concurrently obtain the protection of Chinese medicine after application, and suspend the application of similar Chinese medicine at the same time.

Registration of Generic Drugs

In accordance with the measures for the Administration of Drug Registration and the Opinions of the State Council on Reforming the System for Review and Examination and Approval of Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》), generic drugs are those that have same quality and efficacy as reference listed drugs, and application for generic drug refers to application for registration of producing drugs with existing national standard, which have been approved for sale by the SFDA.

For the purpose of generic drug application, the applicants need to go through at least two processes, which are pre-clinical research and the application of production; and generic drugs are required to conduct no less than a certain number of clinical trials, when necessary. All the applicants shall begin the manufacture after obtaining the production approval by the CFDA.

Re-registration

According to the measures for the Administration of Drug Registration, an approval number for medicine issued by the CFDA is valid for five years and the applicant shall apply to the relevant CFDA for renewal six months prior to its expiration date.

Product Registration for Medical Devices

Pursuant to the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》) promulgated by the CFDA on July 30, 2014 and became effective on October 1, 2014, before a medical device can be manufactured for commercial distribution, a manufacturer must register and obtain a registration certificate for the medical device by proving its safety and effectiveness to the satisfaction of the respective levels of the food and drug administration. Record-filing is required for Class I medical devices. Record-filing shall be carried out with the food and drug regulatory authority at the districted city level for domestic Class I medical devices. Registration is required for Class II and Class III medical devices. Domestic Class II medical devices shall be approved by the food and drug regulatory authority of the provinces, autonomous regions and municipalities. Domestic Class III medical devices shall be approved by the CFDA.

Registration and Record-filing of Health Food Products

According to the Registration of Health Food (for Trail Implementation) (《保健食品註冊管理辦法(試行)》), promulgated by the SFDA on April 30, 2005 and effective as of 1 July 2005, all health food must be approved by the CFDA, approval documents on registration approved before July 1, 2005 do not specify a valid period and an approval document on registration approved after July 1, 2005 will be valid for five years and must be renewed at least three months before its expiration. A health food, once approved by the CFDA, is permitted to use the health food logo specified by the MOH.

According to the Administrative Measures for the Registration and Record-filing of Health Food Products (《保健食品註冊與備案管理辦法》), which was promulgated on February 26, 2016 and came into force on July 1, 2016 by the CFDA and also make the Registration of Health Food(for Trail Implementation) (《保健食品註冊管理辦法(試行)》) invalid, an application for registration of health food products shall be submitted where any of the following products are to be manufactured or imported:(1) Health food products that use raw materials other than those included in the catalog of raw materials for health food products; or (2) Health food products imported for the first time (excluding those that belong to vitamin supplements, minerals and other nutritious substances). For those which use raw materials included in the catalog of raw materials for health food products and which imported for the first time belonging to vitamin supplements, minerals and other nutritious substances shall only make record-filing. A registration certificate of health food products shall be valid for five years.

The Reform on the System for Review and Examination and Approval of Drugs and Medical Devices

According to the Opinions of the State Council on Reforming the System for Review and Examination and Approval of Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》), which was promulgated by the State Council on August 9, 2015, the following key reforms were implemented for the registration system for drugs and medical devices: (1) to raise the approval standards, i.e. amend the definition and approval standards of new drug and generic drug; (2) to promote the consistency evaluation of generic drugs, i.e. those generic drugs which are approved for commercial launch are required to pass consistency evaluation on the principal of quality and efficacy consistent with the original drug within the prescribed time limits or be precluded from re-registration; (3) the acceleration of review, examination and approval of innovative drugs, i.e. special review and approval system shall be implemented for innovative drugs, such as the drugs for the prevention and treatment of AIDS, malignant tumors, major infectious diseases, rare diseases and other such diseases; (4) the improvement on the examination and approval of clinical trials, i.e. new foreign drugs not on the market are allowed to synchronously go through domestic clinical trials after approval; (5) the simplification of the drug examination and approval procedures, i.e. various measures such as combined review and approval and filing system are taken to improve drug registration system; (6) the reform of the methods for examination and approval of medical devices, i.e. those innovative medical devices with patent of core technology and high clinical value have priorities in the examination and approval process and the authority of examination and approval for the registration of certain medical devices will be extended to the relevant food and drug administrations at province level. Meanwhile, the State Council proposed that it would be necessary to revise the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), the Implementing Regulations of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》) and the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), etc.

The Announcement of the China Food and Drug Administration on Certain Policies in relation to Review and Approval of Drug Applications (《國家食品藥品監督管理總局關於藥品註冊審評審批若干政策的公告》), which was promulgated by the CFDA on November 11, 2015, reformed, improved and simplified the review and approval procedures specially for generic drugs, improved new drugs

and drugs for urgent clinical need, e.g. clinical trial application of new drugs are approved on a one-off basis instead of multiple stages, and specific policies will be formulated in relation to prior review and approval for drug registration application. Meanwhile, the CFDA emphasizes enhancing the examination on the clinical trial data and refuses to approve the registration applications that involve false clinical trial data.

PRC LAW AND REGULATIONS IN RELATION TO DISTRIBUTION OF PHARMACEUTICAL PRODUCTS AND MEDICAL DEVICES AND FOOD (HEALTH FOOD)

Drug Trading License

The establishment of a wholesale pharmaceutical distribution company requires the approval of provincial drug administrative authorities. Upon approval, the authority will grant a medicine operation certificate in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local drug administrative authorities at or above the county level. Upon approval, the authority will grant a Drug Trading License in respect of the retail pharmacy store. Once these permits are received, the wholesale or retail pharmaceutical company (as the case may be) shall be registered with the relevant local branch of the SAIC.

Under the Measures for the Administration of Drug Trading License (《藥品經營許可證管理辦法》) promulgated by the SFDA on February 4, 2004 and effective from April 1, 2004, a Drug Trading License is valid for five years. Each holder of the Drug Trading License must apply for an extension of its permit within six months prior to expiration.

Good Supply Practices or GSP (藥品經營質量管理規範)

Under the Administrative Measures of Certification of Good Supply Practices (《藥品經營質量管理規範認證管理辦法》), promulgated on and effective from April 24, 2003 by the SFDA, each retail or wholesale enterprises of pharmaceutical products is required to obtain a GSP certificate from the relevant drug administrative authorities prior to commencing its business. GSP constitutes the basic standards in management of operation quality of medicines and shall apply to enterprises exclusively or concurrently engaged in medicine operation within the PRC. The current applicable GSP standards require pharmaceutical enterprises to implement strict controls on its operation of pharmaceutical products, including standards regarding staff qualifications, premises, warehouses, inspection equipment and facilities, management and quality control. The GSP certificate is generally valid for five years and may be extended within three months prior to its expiry of its valid term.

According to the Administrative Measures of Good Supply Practices (《藥品經營質量管理規範》), which was promulgated by the CFDA on June 25, 2015 and was amended on July 13, 2016 and became effective on the same day, drug distributors should take quality control measures in the processes of procurement, storage, sale and transportation to ensure drug quality and establish drug trace system. In addition, if the pharmaceutical manufacturing enterprises are involved in the storage and transportation of drugs when selling and distributing drugs, they are also subject to the Good Supply Practices.

Pursuant to the Opinions on Accelerating the Advancement of the Construction of the Important Product Traceability System (《國務院辦公廳關於加快推進重要產品追溯體系建設的意見》) issued by the General Office of the State Council on December 30, 2015, the government will drive pharmaceutical manufacturing and operating enterprises to accelerate the construction of the traceability system and define the responsibilities and obligations of pharmaceutical manufacturers and operators to form an all-varieties, whole-process complete traceability and supervision chain.

Medical Device Operation Permit (醫療器械經營許可證)

Pursuant to the Measure on the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) which became effect on October 1, 2014, in accordance with the risk level of medical devices, categorized administration of medical device operation has been implemented.. An enterprise engaged in wholesale or retail of Class III medical devices shall obtain an operation permit from the local municipal food and drug administration whereas an enterprise engaged in wholesale or retail of Class II medical devices shall file with the local municipal food and drug administration and obtain a filing certificate for medical device operation. No permit or filing is required for Class I medical devises. An operation permit is valid for five years and is renewable upon 6 months prior to expiration.

Medical Devices Operation Quality Management Rules (《醫療器械經營質量管理規範》)

In order to strengthen the quality management of medical device operation, regulate the management of medical device operation and ensure safe public use of medical devices, the CFDA issued the Medical Device Operation Quality Management Rules (《醫療器械經營質量管理規範》) in accordance with relevant regulations and rules on December 12, 2014, specifying that medical devices operators shall take effective quality control measures for procurement , inspection and acceptance, storage, sales, transportation, after-sales and other steps to ensure safety of products throughout operation.

Food and Health Food

The Food Safety Law of the PRC (《中華人民共和國食品安全法》) was promulgated by the Standing Committee of the National People's Congress on February 28, 2009 and then amended on April 24, 2015. The Regulations on the Implementation of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) was promulgated by the State Council on July 20, 2009 and amended on February 16, 2016. To implement the new Food Safety Law, the SAIC promulgated the Order No.79 of the SAIC on November 10, 2015 to abolish the Measures for the Supervision and Administration of Food Safety in the Circulation Links (《流通環節食品安全監督管理辦法》) and Measures for the Administration of Food Circulation Permits (《食品流通許可證管理辦法》).

Under the Administrative Measures for the Licensing of Food Business Operations (《食品經營許可管理辦法》) which was promulgated on August 31, 2015 and came into force from October 1, 2015, whoever intends to engage in the activities of food sales and catering services within the

territory of the PRC shall obtain the licensing of food business operations in accordance with the law. Applications for the licensing of food business operations shall be submitted according to the business models of food business operators and the classification of business items which including sales of special food products (health food).

Narcotic Drugs and Psychotropic Drugs

China regulates the distribution of narcotic drugs and psychotropic drugs pursuant to the Regulations for the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), which were promulgated on August 3, 2005 and were revised and became effective on 1 November 2005 and 7 December 2013 and February 6, 2016, respectively. In the PRC, psychotropic drugs are classified into two different categories, category I and category II, with category I being subject to the highest level of regulation. Under these regulations, enterprises which are engaged in the wholesale of narcotic drugs and psychotropic drugs of category I across provinces, autonomous regions and municipalities directly under the Central Government shall obtain the approval from the drug administration authority of the State Council. An enterprise engaged in the wholesale of narcotic drugs and category I psychotropic drugs in the administrative areas of its province, autonomous region and municipality (i.e. a regional wholesale enterprise), shall obtain the approval from the drug administration authorities of the local government of the province, autonomous region and municipality of the place where it is located. An enterprise primarily engaged in the wholesale of category II psychotropic drugs shall obtain the prior approval of the provincial food and drug administration. National wholesale enterprises and regional wholesale enterprises may engage in the wholesale of category II psychotropic drugs.

According to the Regulations for the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), a unit consigning or self-transporting narcotic drugs or Class I psychotropic substances shall apply for a transportation certification to the drug regulatory department of the local people's government of the districted city. A transportation certification shall be valid for one year.

CENTRALIZED TENDERING SYSTEM FOR PHARMACEUTICAL PRODUCTS BY MEDICAL ORGANIZATIONS

The Guiding Opinions concerning the Urban Medical and Health System Reform (《關於城鎮醫藥衛生體制改革指導意見》) which was promulgated on February 21, 2000, aims to regulate the purchasing process of pharmaceutical products by medical institutions. The NHFPC 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 centralized Tender Procurement of Drugs 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 July 7, 2000 and the Notice on Further Improvement

on the Implementation of centralized Tender Procurement of Drugs 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 August 8, 2001, medical institutions established by PRC government at county level or above are required to implement centralized tender procurement of drugs.

The Opinions concerning Further Regulating Drug Purchases by Medical Institutions through Centralized Tender (《關於進一步規範醫療機構藥品集中採購工作的意見》) and the Good Practice of Medical Institutions with respect to Centralized Drug Purchases (《醫療機構藥品集中採購工作規範》) (the "Working Regulations") was promulgated by the MOH and other relevant PRC government authorities on January 17, 2009 and July 7, 2010, respectively. Under the Working Regulations, save for otherwise described in the Working Regulations, non-profit medical institutions established by the people's governments at the county level and above and state-owned enterprises (including state-controlled enterprises), etc. are required to participate in centralized procurement of pharmaceutical products of medical institutions, the methods of which include open tender, invited tender and direct procurement. And the governmental authorities or provinces, autonomous regions and municipalities directly under the Central Government shall determine the method of centralized procurement of pharmaceutical products based on the actual situation. In addition, non-public medical institutions are not required to implement a centralized procurement of pharmaceutical products under PRC laws.

Pursuant to the Notice regarding the Printing of the Guidelines on the Implementation of the National Essential Drugs System (《關於印發《關於建立國家基本藥物制度的實施意見》的通知》) jointly promulgated by nine ministries and commissions including the MOH, the MOF and the MOC on August 18, 2009, the essential drugs system will be gradually implemented in urban and community health service institutions established by the government and counties (basic level health care institutions), including the implementation of the provincial centralized online system of procurement by public bidding.

Under the Working Regulations, the centralized procurement of pharmaceutical products shall be participated by pharmaceutical manufacturers as well as the companies that could be deemed as pharmaceutical manufacturers. Companies that could be deemed as pharmaceutical manufacturers are only limited to commercial companies which sell their own products established by pharmaceutical manufacturers and domestic general agents for overseas products. And either the bidders themselves, or wholesale pharmaceutical distribution companies as engaged by such bidders, could distribute the medicines to the medical institutions.

According to the Guiding Opinions on Enhancing Centralized 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》) issued by the General Office of the State Council on February 9, 2015 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》) issued by

the National Health and Family Planning Commission on June 11, 2015, the Guiding Opinions on Enhancing Centralized Procurement of Pharmaceutical Products by Public Hospitals are mainly related to the pharmaceutical manufacturing enterprises in the following two aspects:

(1) **The implementation of the procurement of drugs by category**

The essential drugs and non-patent drugs that in aggregate account for not less than 80% of the total drug purchase amount of the hospitals in the previous year and are manufactured by three or more enterprises are purchased by way of centralized procurement; some of the patent drugs and exclusive drugs are purchased under the negotiated price; the non-patent drugs for gynecological and pediatric use, emergency medicines, basic infusion, common low-price drugs and drugs temporarily excluded from the tender procurement are purchased through centralized online direct procurement; the drugs designated by the State are purchased through online procurement at national unified purchase price; the highest retail price of narcotics and first class psychoactive drugs are restricted by the government. All drugs (excluding herbal pieces) used by hospitals are required to be purchased through the provincial centralized procurement platform for drugs once a year in principle.

(2) **Improvement on the settlement management of drug purchase amount of hospitals**

The reform requires hospitals to strictly settle the purchase amount according to the time prescribed in the contracts, and the time from acceptance upon inspection to payment shall not exceed 30 days so as to prevent payment delay by hospitals; when executing drug purchase contract, hospitals are also required to clarify drug category, dosage form, specification, price, quantity, delivery batch and time limit, and settlement method and time.

Only pharmaceuticals that have won in the centralized tender process may be purchased by public medical institutions funded by government in the relevant region in principle. 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 centralized tender process may be purchased by public medical institutions funded by government in the relevant region in principle.

PRICE CONTROLS

Since the Circular of the State Planning Commission on Improving the Drug Price Policy to Improve Drug Price Management (《國家計委關於完善藥品價格政策改進藥品價格管理的通知》), which was promulgated by the State Planning Commission on November 3, 1998, first requested price control authorities in various places to reduce drug prices, the range of drugs with prices determined and guided by the government were successively adjusted in 2000, 2005 and 2006 and the drug price reform was implemented through the adjustment of prices determined and guided by the government.

On April 26, 2014, the National Development and Reform Commission issued the Notice on Issues concerning Improving the Price Control of Low-Price Drugs (《關於改進低價藥品價格管理有關問題的通知》) which stipulates that the maximum retail prices of low-price drugs set by the government shall be cancelled and the model of the self-determination of prices by enterprises within the standards of average daily costs was adopted instead and also stipulates that a list of low-price drugs shall be established.

Pursuant to the Notice regarding the Printing of the Guidelines on the Implementation of the National Essential Drugs System (《關於印發<關於建立國家基本藥物制度的實施意見>的通知》) jointly promulgated by nine ministries and commissions including the MOH, the MOF and the MOC and coming into effect on August 18, 2009, zero-markup sales is implemented for essential drugs provided to and used by basic level health care institutions established by the government (i.e. the retail price equals the procurement cost). Pursuant to the Circular on the Opinions on the Comprehensive Reform Pilot of Public Hospitals at the County Level (Guo Ban Fa [2012] No.33) (《關於縣級公立醫院綜合改革試點意見的通知》(國辦發[2012]33號)) and the Guiding Opinion of the General Office of the State Council on the Comprehensive Reform Pilot of Public Hospitals in Cities (Guo Ban Fa [2015] No.38) (《國務院辦公廳關於城市公立醫院綜合改革試點的指導意見》(國辦發[2015]38號)) issued by the General Office of the State Council on June 14, 2012 and May 6, 2015, hospital at county level and above are requested to gradually cancel drug price addition (other than herbal pieces), i.e. zero-markup sales.

The NDRC, the NHFPC and other five governmental departments promulgated the Opinion on Facilitating Pharmaceutical Price Reform (《推進藥品價格改革的意見》) (the "Price Reform Opinion") and the Notice Regarding the Opinion on Facilitating Pharmaceutical Price Reform (《關於印發推進藥品價格改革意見的通知》) (the "Price Reform Notice") on May 4, 2015. Pursuant to the Price Reform Notice, government price controls on pharmaceutical products (other than narcotic drugs and establishing rules such as psychiatric drugs of category I) will be lifted on June 1, 2015. According to the Price Reform Opinion, after price controls are lifted, prices of pharmaceutical products will be mainly determined by market competition. Instead of direct price controls, the government will regulate prices mainly by establishing a combined procurement mechanism, establishing rules such as medical insurance reimbursement standards and strengthening regulation of medical institutions and retail pharmacies and pricing practices.

OTHER PRC LAWS AND REGULATIONS IN RELATION TO THE PHARMACEUTICAL AND MEDICAL DEVICES AND FOOD (HEALTH FOOD) INDUSTRY

National Basic Medical Insurance System

Under the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《國務院關於建立城鎮職工基本醫療保險制度的決定》), which was promulgated by the State Council and became effective on December 14, 1998, and the Tentative Measures for the Administration of the Scope of Basic Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) (the "Tentative Measures"), which was promulgated by the Ministry of Labor and Social Security, the NHFPC, the State Economic and Trade Commission, the MOF, the MOH, the CFDA and the General Administration of Chinese Traditional Medicine and became effective on May 12, 1999, all employers

in urban areas, including enterprises (state-owned enterprises, collectively-owned enterprises, foreign wholly-owned enterprises and private enterprises, etc.), organizations, public institutions, social bodies, private non-enterprise units and their employees shall participate in the basic medical insurance. Meanwhile, in order to better implement the forgoing regulation, the Ministry of Labor and Social Security formulated and promulgated the National Essential Medical Insurance Drugs Catalog (the "Essential Medical Insurance Drugs Catalog") on May 25, 2000.

Under the Tentative Measures, the administration of the scope of essential medical insurance coverage for pharmaceutical products shall be carried out through formulation of the Essential Medical Insurance Drugs Catalog. A pharmaceutical product listed in the Essential Medical Insurance Drugs Catalog must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet one of the following requirements:

(1) it is set forth in the Pharmacopoeia (the prevailing version) of the PRC;

(2) it meets the standards promulgated by the CFDA; and

(3) if imported, it is approved by the CFDA for import.

The Basic Medical Insurance Drugs Catalog is divided into two classes, Class A and Class B. The formulation of Class A shall be unified by the State and not be subject to local adjustment. Class B formulated by the State may be subject to appropriate adjustment by various provinces, autonomous regions and municipalities in light of local economical level, medical demand and habits of drug usage. The sum for the increase and decrease of the varieties shall not exceed 15% of the total number of medicine varieties in Class B formulated by the State. As a result, the contents of Class B of the provincial medical insurance drugs catalogs may differ from region to region in the PRC.

Expenses incurred by insured individuals for medicines included in Class A shall be paid as required under the basic medical insurance. Expenses incurred by insured individuals for medicines included in Class B shall be first paid by themselves on a certain percentage, then paid as required under the basic medical insurance. Since the percentage of reimbursement for medicines in Class B is determined by local governments, the specific percentage of out-of-pocket is not consistent.

Thereafter, the Ministry of Labor and Social Security promulgated the Medicine Catalog for National Basic Medical Insurance, the Work-Related Injury Insurance and the Maternity Insurance (2004 Version) (《國家基本醫療保險和工傷保險藥品目錄(2004年版)》) on September 13, 2004 and the Medicine Catalog for National Basic Medical Insurance, the Work-Related Injury Insurance and the Maternity Insurance (2009 Version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2009年版)》) on November 27, 2009. Currently, all of the therapeutic medicines in the National Basic Drugs Catalog have been included in Class A of the Medicine Catalog for National Basic Medical Insurance, the Work-Related Injury Insurance and the Maternity Insurance (2009 Version). Meanwhile, given the National Essential Drug List has been continuously revised, the MOHRSS has made continuous adjustments to medicines in the Medicine Catalog for National Basic Medical

Insurance, the Work-Related Injury Insurance and the Maternity Insurance (2009 Version). Currently the Medicine Catalog for National Basic Medical Insurance, the Work-Related Injury Insurance and the Maternity Insurance (2015 Version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2015年年版)》) is still under discussion and the time of promulgation remains unclear.

National Essential Drug List

On August 18, 2009, the MOH and eight other ministries and commissions in the PRC promulgated the Provisional Measures on the Administration of the National Essential Drug List (《國家基本藥物目錄管理辦法(暫行)》) (the "Measures on Essential Drugs"), and the Guidelines on the Implementation of the National Essential Drugs System (《關於建立國家基本藥物制度的實施意見》) (the "Essential Drugs Guidelines"), which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National Essential Drug List. On March 13, 2013, the MOH promulgated the National Essential Drug List (《國家基本藥物目錄(2012年版)》), which became effective on May 1, 2013. According to these regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community health care service centers and service stations, shall store up and use drugs listed in the National Essential Drug List. The drugs listed in the National Essential Drug List shall be purchased by centralized tender process.

Hierarchical Diagnosis and Treatment System

Pursuant to the Guiding Opinion of the General Office of the State Council on Promoting the Construction of the Hierarchical Diagnosis and Treatment System (《國務院辦公廳關於推進分級診療制度建設的指導意見》) issued by the General Office of the State Council on September 8, 2015, the hierarchical diagnosis and treatment policy system will be gradually improved and the mechanism of division and coordination among medical and health institutions will be substantially established by 2017; and a hierarchical diagnosis and treatment model featuring initial diagnosis at primary hospitals (基層首診) (patients suffering from common diseases and frequently encountered diseases first visit a primary hospital for diagnosis or treatment), two-way referral (雙向轉診) (orderly referral among medical institutions at different levels and categories), separate treatment of acute and chronic diseases (急慢分治) (acute and severe patients directly visit the hospitals of Class II or above for diagnosis or treatment) and collaboration between hospitals at different levels (上下聯動) (appropriate allocation and division of work among medical institutions at different levels and categories) will be gradually established and the hierarchical diagnosis and treatment system that is suitable to Chinese realities will be substantially established in order to achieve the goal of reasonable allocation of medical resources and promoting equalization of basic medical and health services by 2020. Currently, such system has been promoted first in Beijing and Hangzhou. The promotion of such system, through systematically building hierarchical diagnosis and treatment platform, improving hierarchical diagnosis and treatment standards, further implementing key polices such as medical insurance payment differentiation policy, facilitates the establishment of division and cooperation mechanism between urban hospitals and community health service institutions, country hospitals and rural health service institutions and within medical consortium or medical groups so as to promote collaboration between hospitals at different levels, reasonable triage and orderly referral.

Two-invoice System

In order to further optimize the order of purchasing and selling pharmaceutical products and reduce circulation steps, as required at the executive meeting of the State Council dated April 6, 2016 and under the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council on April 21 2016, the "two-invoice system" (兩票制) will be fully implemented in the PRC, namely establishing medicine ex-factory price information retrospection mechanism, promoting the "two-invoice system" (兩票制) (i.e. one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and one invoice between the pharmaceutical distributor and the hospital), in order to make price increase more transparent in intermediate links. Currently, except for Fujian province which has formally established the "two-invoice system" (兩票制) in 2012, provinces such as Jiangsu and Hunan have introduced corresponding regulations to implement the "two-invoice system" (兩票制) in such provinces.

Self-examination of Drug Production Process

The CFDA announced the Notice on Conducting Verification of Drug Production Process (《關於開展藥品生產工藝核對工作的公告》) (Consultation Draft) on August 9, 2016. Pursuant to the Consultation Draft, the CFDA requested drug manufacturers to carry out self-examination of the production process of each drug which has been approved marketing. The purpose of self-examination is to check whether the actual production process of a drug is the same as that submitted to the food and drug administration authorities for approval. Drug manufacturers shall complete the self-examination and submit the self-examination reports to the relevant provincial food and drug regulatory authorities before October 1, 2016. Drug manufacturers shall carry out related work such as research and verification of the production process of products under production and submit supplementary applications before June 30, 2017. The above-mentioned work for other types of product temporarily not under production shall be completed before December 31, 2017, otherwise such products shall cease production.

Commercial Franchise Regulations

According to the Regulations for the Administration of Commercial Franchising (《商業特許經營管理條例》), which was promulgated on February 6, 2007 and took into effect on May 1, 2007, an enterprise which is in possession of registered trademark, enterprise mark, patent, proprietary technology or any other business resources (hereinafter referred to as "franchiser") may allow the aforesaid business resources to be used by other business operators (hereinafter referred to as "franchisee") through contract, and the franchisee follows the uniform business model to carry out the business operations, and pays franchise fees to the franchiser, as prescribed in the contract. The Measures for the Administration of Filing of Commercial Franchises (《商業特許經營備案管理辦法》) which took effect on February 1, 2012 and Administrative Measures for Information Disclosure of Commercial Franchise(《商業特許經營信息披露管理辦法》) which took effect on April 1, 2012 both regulate the PRC franchise operations, and address the requirements, fees, qualifications, administrative reporting and compliance procedures, and other issues related to commercial franchising.

The 13th Five-Year Plan for the Development of Traditional Chinese Medicines

On August 10, 2016, the State Administration of Traditional Chinese Medicine promulgated the 13th Five-Year Plan for the Development of Traditional Chinese Medicines (《中醫藥發展「十三五」規劃》) (the "Plan"), and the Plan emphasized on the proposal to strengthen the protection of traditional Chinese medicines, and will regulate and promote the development of the traditional Chinese medicine industry. In particular, the Plan stated that efforts will be made to the Law of Traditional Chinese Medicines (《中醫藥法》) and develop comprehensive regulations and rules; to transform and upgrade the traditional Chinese medicine industry; to implement the action plan for standardization of traditional Chinese Medicines; to promote the establishment of the protection system for supply of commonly used prepared traditional Chinese medicines; to compile the national directory of genuine medicinal materials; and to develop the technical standards for raising and planting Chinese medicine material and so on.

Chinese Medicine Protection

According to the Regulations on the Protection of Chinese Medicines (《中藥品種保護條例》) promulgated by the State Council on October 14, 1992 and effective from January 1, 1993, for the purposes of improving the quality and promoting the development of traditional Chinese medicines, as well as protecting its manufactured traditional Chinese medicines which have fulfilled national medicine standards ingredients. In particular, hierarchical protection system is implemented for traditional Chinese medicines with stable quality and exact efficacy. Protected traditional Chinese medicines are divided into Class I and Class II. The protection term of protected traditional Chinese medicines in Class I is 30 years, 20 years and 10 years while the protection term of protected traditional Chinese medicines in Class II is seven years. If the protection term of protected traditional Chinese medicines in Class I is required to be extended due to special circumstances, manufacturers shall submit applications to the competent authority of traditional Chinese medicine manufacturing and operation six months before expiry of such protection term. The protection term of protected traditional Chinese medicines in Class II may be extended for another period of seven years upon expiry of protection term and the extension application shall be made to the competent authority of traditional Chinese medicine manufacturing and operation six months before expiry of such protection term. For traditional Chinese medicines which are approved for protection, they can only be manufactured by enterprises which have obtained the Chinese traditional medicine protection certificate during the protection term except for special circumstances.

Chinese Medicine Management

The Notice on Further Strengthening the management of Chinese medicines (《關於進一步加强中藥材管理的通知》) by the CFDA and other departments was effect on October 9, 2013, which aim to enhance the management of Chinese medicines and guarantee the quality of Chinese medicine.

Prescription Drugs and OTC Drugs

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

The CFDA is responsible for the selection, approval, publication, and revision of the State Non-Prescription Medicine Catalog (國家非處方藥目錄). Depending on the safety of the relevant drug, OTC drugs are further subdivided into type A and type B and administered separately. Manufacturers of both prescription and OTC drugs are required to obtain a pharmaceutical manufacturing permit and to obtain drug approval numbers for the relevant drugs. Retailers and wholesalers of prescription drugs and OTC drugs and retail outlets selling prescription medicines and type A over-the counter drugs are required to obtain a pharmaceutical operation permit. Retail outlets selling type B OTC drugs require approval from the provincial food and drug administration or the designated bureau. In addition, retail outlets selling type B over-the counter drugs are required to have professionally trained and suitably qualified staff before engaging in the sale of type B OTC drugs. Retail outlets are required to source their drugs from qualified manufacturers and operators holding the requisite permits and approvals.

The Quality and Efficacy Consistency Evaluation of Generic Drugs

The Opinion on Carrying Out the Quality and Efficacy Consistency Evaluation of Generic Drugs (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》) (the Consistency Evaluation Opinion) was promulgated on February 6, 2016 by the General Office of the State Council , which aims at elimination of generic drugs that fail the quality and efficacy consistency evaluation in order to enhance the overall quality and competitiveness of generic drugs in China. Under the Consistency Evaluation Opinion, the generic drugs which was approved before the implementation of the new chemical drug registration category must complete the evaluation of the quality and efficacy consistency if they was not approved in accordance with the quality and efficacy of the original medical. Pharmaceutical manufacturers need to evaluate the quality and efficacy of certain of their generic drugs within the prescribed time limits, such as generic chemical drugs that are in oral solid dosage forms in the National Essential Drug List and approved for commercial launch prior to October 1, 2007 are required to complete the consistency evaluation before the end of 2018. Failure to timely complete such evaluation could preclude them from re-registration.

Furthermore, the generic drugs that has already passed the consistency evaluation will be entitled to priority treatment in medical insurance and in the centralized tender processes and have more capital support by government.

Healthcare Fraud and Abuse

Under the Anti Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (effective on December 1, 1993), business operator bribery by giving properties or using any other method in order to sell or purchase the commodities and violate the Criminal Law of the PRC (《中華人民共和國刑法》) (effective on October 1, 1997), as amended on December 25, 1999, August 31, 2001, December 29, 2001, December 28, 2002, February 28, 2005, June 29, 2006, February 28, 2009 and February 25, 2011 and August 29, 2015, shall be investigated in accordance with the Criminal Law of the PRC; If the acts as first mentioned do not violate the Criminal Law of the PRC, the supervisor may fine an amount from more than RMB10,000 to less than RMB200,000 in accordance with the facts and confiscate the illegal income.

The Interim Provisions on Banning Commercial Bribery (the "Interim Provisions") (《關於禁止商業賄賂行為的暫行規定》) (effective on November 15, 1996) provides a detailed scope of "properties or using any other method", the term "property" refers to cash and material objects, including property given by a business operator to another entity or individual in the name of promotion fee, publicity fee, sponsorship fee, scientific research fee, service charge, consulting fee, commissions, reimbursed expenses, etc., in order to sell or purchase commodities, and the term "other means" refers to any means other than giving property, such as offering domestic or international tours or surveys in various names. In addition, the Interim Provisions also made it clear that commercial bribery committed by any employee of a business operator for selling or purchasing commodities for the operator shall be regarded as the operator's act.

According to Criminal Law of the PRC, and the Opinions of the Supreme People's Court and the Supreme People's Procuratorate on Issues Concerning the Application of Law in the Handling of Criminal Cases of Commercial Briberies (《最高人民法院、最高人民檢察院關于辦理商業賄賂刑事案件適用法律若干問題的意見》) (effective on November 20, 2008), business operators in the healthcare industry may be prosecuted with several charges due to commercial briberies, and these charges include: crime of acceptance of bribes by a non-state functionary, crime of offering bribes to a non-state, crime of acceptance of bribes, crime of acceptance of bribes by an entity, crime of offering bribes, crime of offering bribes to an entity, crime of bribing as an intermediary and crime of offering bribes by an entity. If found guilty, such operator may be punished by term sentence or life sentence.

According to the Provision on the Establishment of Adverse Records of Commercial Briberies in the Area of Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), issued by the NHFPC on December 25, 2013 and taking effect on March 1, 2014, if pharmaceutical manufacturers are listed on the Adverse Records of Commercial Briberies for the first time, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies from local provincial authority for past two years since publication of the record, and these public medical institutions, and medical and health institutions receiving financial subsidies in other provinces shall then lower these pharmaceutical manufacturers' rating in bidding or purchasing process within two years. If pharmaceutical manufacturers are listed on the Adverse Records of Commercial Briberies more than once in five years, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies nationwide for two years since publication of the record.

Restrictions on Advertising

Pursuant to the Provisions for Drug Advertisement Examination (《藥品廣告審查辦法》) which were promulgated on March 13, 2007 and became effective on May 1, 2007, and the Provisions for Medical Device Advertisement Examination (《醫療器械廣告審查辦法》) which were promulgated on April 7, 2009 and became effective on May 20, 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 licensed 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 PRC (《中華人民共和國廣告法》) which was promulgated on April 24, 2015 and became effective on September 1, 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.

Restrictions on Packaging

Packaging materials and containers in direct contact with food, including nutritional supplements and general health food products, are required to comply with national standards. Product packaging must be included in the application materials for approval of a new health food and reviewed by the CFDA.

According to The Food Safety Law of the PRC (《中華人民共和國食品安全法》) which was promulgated by the Standing Committee of the National People's Congress on February 28, 2009 and then amended on April 24, 2015, the labels of a health food are required to state, among other things, the brand name, the common name and a brief description of the product, all of which must follow the terminologies promulgated by the CFDA. The labels are also required to state the intended therapeutic applications, dosage, storage, active ingredients and the license number, if applicable, of the product. The contents of the labels must be true and accurate. The labels and instruction manuals

of a health care food product shall not involve disease prevention and treatment functions, shall contain truthful contents consistent with the registered or filed content, shall specify the groups of people for which the said product is suitable and not suitable respectively, its functional components or iconic components and their contents, etc. and shall state that "this product is not a substitute for drugs". The actual functions and components of the said product shall be consistent with its labels and instruction manuals.

Labeling of Food

The Provisions for the Administration of Food Labeling (《食品標識管理規定》), promulgated on August 27, 2007, taking effect on September 1, 2008 and amended on October 22, 2009 by General Administration of Quality Supervision, Inspection and Quarantine of the PRC, sets forth that, food labels shall display the name, place of production, date of production, expiry date, net contents, list of ingredients, name, address and contact information of the manufacturer, and the code of safety standard adopted by the manufacturer. If the name or the introduction of food contains wording such as "nutrition" or "strengthening", the nutritional ingredients and the amount of energy of such food shall be clearly indicated in the labeling, and the format of labeling shall comply with the relevant state requirements. The labeling of food products that require manufacturing licenses shall include number of their manufacturing licenses and the QS (Quality Safe) mark.

Internet Pharmaceutical Information Service Certificate（互聯網藥品信息服務資格證書）

The Administration Measures on Pharmaceutical Information Service on the Internet (《互聯網藥品信息服務管理辦法》), promulgated by the SFDA on July 8, 2004 and became effective on the same date, define the provision of operational and non-operational online medicine information services on the internet. According to the Notice on Relevant Issues Concerning Implementation of the Administration Measures on Pharmaceutical Information Service on the Internet (《關於貫徹執行(互聯網藥品信息服務管理辦法)有關問題的通知》) promulgated by the SFDA on July 12, 2004 and became effective on the same date, the administration of provision of information of drugs on the Internet shall follow local administrative principles. Provincial, autonomous and municipal food and drug administration authority, are responsible for the acceptance and review of application for provision of operational and non-operational online pharmaceutical information services in their respective administrative regions.

Internet Medicine Dealership Certificate (互聯網藥品交易服務資格證書)

In accordance with the Interim Regulations for the Examination and Approved of Internet-based Pharmaceutical Trading Services (《互聯網藥品交易服務審批暫行規定》) promulgated by the SFDA on September 29, 2005 and took effect on December 1, 2005 by the SFDA, online drug trading refers to electronic business activities that provide pharmaceutical (including medical devices, drug immediate packaging materials and containers) trading services through the Internet. Enterprises engaged in internet medicine dealership shall be subject to inspection and shall obtain the certificate to carry out internet medicine dealing. Enterprises providing service for online drug trading between pharmaceutical manufacturers, distributors and medical institutions are subject to the inspection of CFDA. Pharmaceutical manufacturers and wholesalers who carry out online drug trading through their websites with enterprises other than their company members in the administrative region and

enterprises providing online drug trading services to consumers are subject to the inspection of the provincial, autonomous and municipal food and drug administration authorities. The Certificate of Internet-based Pharmaceutical Trading Service Organization is issued by CFDA and valid for five years. In particular, enterprises providing Internet drug trading services to individual consumers can only sell non-prescription drugs operated by themselves on the Internet.

THE SAFETY OF MEDICAL DEVICES

According to the Measures on the Adverse Events Monitoring and Re-Evaluation of Medical Devices (Trial) (《醫療器械不良事件監測和再評價管理辦法(試行)》) which was took effect on December 29, 2008, the CFDA's quality surveillance system imposes mandatory adverse event monitoring and reporting obligations on medical device manufacturers, distributors and medical institutions. Such entities are required to set up an adverse event monitoring system, which shall include the maintenance of a logbook recording incidents of adverse reaction and other events involving their products. They must also comply with various reporting obligations to the relevant authorities. Manufacturers of Classes II and III medical devices are required to file an annual adverse event report to the adverse event monitoring authorities the provinces, autonomous regions and municipalities directly under the Central Government reporting on any recently occurred adverse event incidents.

THE SAFETY OF FOOD PRODUCTS

According to the Rules for the Implementation of the Management and Supervision of Food Manufacturing and Processing Enterprises (for trial implementation) (《食品生產加工企業質量安全監督管理實施細則(試行)》) which was promulgated and took effect on September 1, 2005, China imposes on the food market a permit system to ensure food safety. Enterprises participating in food manufacturing or processing are required to fulfill government-set standards regarding the production of safe food and obtaining manufacturing license(s) for industrial products, and the manufactured or processed food would need to pass safety tests and be stamped (or labeled) with food safety stamps (or stickers) to indicate that such food is sufficiently safe to leave the producers and enter target markets.

The Use of Food Additives

According to the PRC Food Safety Law which was promulgated on April 24, 2015 and came into effect on October 1, 2015, the use of food additives, unless absolutely necessary and proved by risk assessments to be harmless to health, should be completely avoided. The health administrative agencies of the State Council require that the standards regarding the use of food additives, in particular, the allowable food additives and their scope of applications and dosage levels, should be updated in a timely manner on the basis of technical requirements and the results of food safety risk analysis. Food manufacturers should use food additives in accordance with such standards regarding the allowable food additives and their scope of applications and dosage levels and may not use any chemical other than food additives that might be injurious to health.

When purchasing raw materials, food additives and food-related products in order to produce food, the food manufacturers should examine the licenses and qualification documents of their suppliers. In case the suppliers are unable to furnish the qualification documents, the food manufacturers should inspect the products provided by such suppliers in accordance with the standards regarding food safety. The food manufacturers may not purchase or use raw materials, food additives or food-related products that are not compliant with the food safety standards. The food manufacturers shall inspect raw materials, food additives or food-related products they purchase for the production of food and keep for at least two years records of the names, volumes, specifics, date of purchase, and names and contacts of the suppliers thereof, among other relevant information.

Food Inspection

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) promulgated on April 24, 2015, China has implemented an inspection system relating to food production and operation. The state and local food safety supervision and administrative authorities are required to carry out food inspection and may not exempt any food from inspection. The commerce administrative departments and food and drug supervision and administration authorities at and above the county level shall carry out food inspections by taking samples on a regular or irregular basis. An enterprise engaged in the production or operations of food may itself inspect the food it produces, or entrust a qualified food inspection institution to undertake the inspection.

MANAGEMENT OF PRODUCT RECALL

The Administration of Recall of Drugs

According to the Measures on the Administration of Recall of Drugs (《藥品召回管理辦法》), which was promulgated and effect on December 10, 2007, All drug manufacturers shall collect relevant information on drug safety, conduct investigation and evaluation of drugs that may possibly have potential safety hazards, and recall them where necessary.

The drug manufacturers may conduct recall drugs voluntarily. Once they find that the drugs they distribute or use have potential safety hazards, they shall immediately stop the sale or use of the drugs, inform the relevant drug manufacturers or suppliers, and report the same to drug regulatory authorities.

In the event that a drug regulatory authority, after investigation and evaluation, believes the drug manufacturer concerned fails to voluntarily conduct a drug recall as required, the drug regulatory authority shall order the manufacturer to recall the drug.

The Administration of Recall of Food Products

Pursuant to the Administrative Measures for the Recall of Food Products (《食品召回管理辦法》) which was promulgated by the CFDA on March 11, 2015 and came into effect on September 1, 2015, a food producer shall take the initiative to recall a food product under its production or business operations once it is made aware that the food product is unsafe through self-examination and

self-testing, complaints and tip-offs from the public, information provided by business operators and departments of supervision and administration, etc. The relevant food and drug administration at or above the county level may order the food producer to recall the unsafe food product if it fails to proactively do so despite being so required.

According to the degree of severity and urgency of food safety risks, the recall of food products shall be divided into three levels. Food producers and business operators that violate the provisions herein on the cessation of the production and business operations of, recall and disposal of unsafe food products shall impose fine or other administrative punishments.

The Administration of Recall of Medical Devices

According to the Administrative Measures for the Recall of Medical Devices (For Trial Implementation) (《醫療器械召回管理辦法(試行)》) promulgated by the MOH on May 20, 2011,and came into effect on July 1, 2011, medical device manufacturing enterprises shall, in accordance with provisions of these Measures, establish and improve the recall systems for medical devices, collect information related to medical device safety, investigate and evaluate medical devices that may be defective, and recall defective medical devices in a timely manner. The medical device manufacturers should immediately decide to make a voluntary recall when a defective product was found in defect investigation.

MANAGEMENT OF IMPORTING AND EXPORTING

Goods

Currently, China implemented a unified management system for the management of imported and exported goods. Other than goods expressly prohibited or restricted by laws and administrative regulations for import and export, China allows goods to be imported and exported freely. Meanwhile, foreign trade operators which are engaged in the import and export of goods are required to complete filing and registration for foreign trade. In addition, they are required to go through the customs clearance and registration procedure as provided by the Customs Law of the PRC (《中華人民共和國海關法》) and the commodity inspection procedure as provided in the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》).

Pharmaceutical Products

Under the Approval on Certain Issues of Pharmaceutical Products Export (《關於藥品出口有關問題的批覆》), promulgated by the CFDA and effective on September 20, 1999, whether the enterprise can obtain the right to operate import and export business and the qualification shall be approved by relevant foreign trade authority. The pharmaceutical products export shall mainly comply with the requirements of the importing country, so long as there is no special requirement by the importing country, the CFDA supports the export in principal based on the national policy of encouraging exports. However, according to the Pharmaceutical Administration Law, the exporters of narcotic drugs and other narcotic drugs which fall within the limits restricted by the Pharmaceutical Administration Law must hold permitted licenses issued by the CDFA.

Foods

Pursuant to the PRC Food Safety Law promulgated by the Standing Committee of the NPC on April 24, 2015 and coming into effect on October 1, 2015 as well as Implementing Rules on the Food Safety Law promulgated by the State Council on July 20, 2009 and last amended on February 6, 2016, the imported food, food additives and food-related products shall be consistent with the national food safety standards of PRC. A food importer shall apply for inspection with the entry and exit inspection and quarantine institution at the place of customs on the strength of necessary vouchers and relevant documents such as contract, invoices, packing note, bill of lading, etc. The food imported shall be qualified in the inspection conducted by the entry and exit inspection and quarantine institution. The imported food shall be subject to the inspection conducted by the institution for entry and exit inspection and quarantine, and the customs office shall release the imported food on the basis of a customs clearance certificate issued by the institution for entry and exit inspection and quarantine. For any food that is imported which has not been regulated by the requirements of the national food safety standards, the importer shall file and submit the performed relevant national or local standard or international standard to the health administration department under the State Council.

The imported pre-packed food and food additives shall be accompanied with labels and instructions if the instructions are required under relevant PRC laws and regulations written in Chinese. The labels and instructions shall be consistent with the provisions of the Food Safety Law as well as Implementing Rules on the Food Safety Law and other relevant laws and administrative regulations of PRC and the requirements of the national food safety standards, and indicate the origin of food and name, address and contact methods of a domestic agent. Where any pre-packed food is not accompanied with labels or instructions in Chinese or the labels or instructions are not consistent with the requirements, the pre-packed food shall not be imported. The importer shall establish a food and food additives import and sale record system to truthfully record the names, specifications, quantities, dates of production, lot numbers of production, shelf life, names and contact methods of exporters, names and contact methods of purchasers, dates of delivery, etc. of food and food additives and retain the relevant vouchers. The food import and sale records shall be true, and shall be kept for at least six months after the expiration of the shelf life, if there is no explicit shelf life, the record shall be kept for at least two years.

The food to be exported shall be subject to supervision and sample inspection of the entry and exit inspection and quarantine institution. The customs office shall release the food on the basis of a customs clearance certificate issued by the institution for entry and exit inspection and quarantine. The production enterprises of exported food shall guarantee that its exported food has met the standard of the importing country (region) or the requirements in their contract. The production enterprises of exported food and the planting and breeding farms of raw materials for exported food shall file a record with the department of entry and exit inspection and quarantine department of the state.

TAXATION

Income Tax

Under the EIT Law which was promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008, the income tax rate for both domestic and foreign invested enterprises is 25% commencing January 1, 2008.

Under the EIT Law, high and new technology enterprises that require key state support are subject to the applicable enterprise income tax rate with a reduction of 15%. According to the Administrative Measures for the Determination of High and New Technology Enterprises (《高新技術企業認定管理辦法》) which was promulgated on January 29, 2016 and came into effect since January 1, 2016, high and new technology enterprises are enterprises that are incessantly devoted to the research and development as well as transformation of technological achievements in the High and New Technology Sector under the Key Support of the State, have formed their own independent core intellectual property rights and are carrying out business activities on this basis, have been registered within the territory of China (excluding Hong Kong, Macao and Taiwan regions). Furthermore, an enterprise must satisfy the following requirements simultaneously in order to be determined as a high and new technology enterprise:

(1) Enterprises shall be registered for more than one year when applying for identification;

(2) Enterprises have already owned the intellectual property which plays a core support for their main products (services) through independent research, assignee, accepting donation, mergers and acquisitions;

(3) Its main products (services) which play a core support have fallen within the range prescribed in the High and New Technology Sector under the Key Support of the State;

(4) It has the total number of scientific and technological personnel in its employment that accounts for at least 10 percent of the total number of its employees during the current year;

(5) The percentage of total research and development expenses of the enterprise for the last three fiscal years in total sales income for the same period meets the relevant requirements;

(6) The revenue from high and new technology products (services) accounts for at least 60 percent of the total revenue of the enterprise during the current year;

(7) No major safety, major quality accidents or serious environmental violations has occurred within one year before the application; and

(8) The innovation capability evaluation of the enterprise shall meet the corresponding requirements.

Value-Added Tax

Under the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008 and subsequently amended on February 6, 2016 and its implementation rules (《中華人民共和國增值税暫行條例實施細則》) which were amended by the MOF on October 28, 2011, unless stated otherwise, the tax rate for value-added tax ("VAT") payers who are selling or importing goods, and providing processing repairs and replaced services in the PRC shall be 17%.

Under the Notice of the MOF and the SAT on the Policies of Low Value-added Tax Rates and the Simplified Value-added Tax Collection Method Being Applicable to Certain Goods (《財政部、國家税務總局關於部分貨物適用增值税低税率和簡易辦法徵收增值税政策的通知》), which was promulgated on January 19, 2009 and took effect on January 1, 2009, manufacturers of certain products, including biological products made from microbes or their metabolites, animal toxins, or bloods or tissues of humans or animals, may choose to pay VAT at the rate of 6% with the simplified VAT collection method. Pursuant to the Notice of the MOF and the SAT on the Policy of Simplify and Consolidating Value-added Tax Collection Rates, which was issued on June 13, 2014, the VAT rate for products described above decreased from 6% to 3%.

Under the Announcement of the State Administration of Taxation on Issues Concerning Value added Tax on the Sales of Biological Products by Drug Distributors (《國家税務總局關於藥品經營企業銷售生物製品有關增值税問題的公告》), promulgated on May 28, 2012 and effective from July 1, 2012 by the SAT, where drug distributors that are value-added tax general taxpayers sell biological products, they may choose to use the simplified method, and calculate and pay VAT at the levy rate of 3% and based on the sales volume of the biological products. For those which choose to calculate and pay value-added tax according to the simplified method, the method for tax calculation shall remain unchanged for 36 months.

With the reform of Value-added Tax since 2012, the MOF and the SAT promulgated a serious of regulation and commenced from the transport industry and part of the modern service industries to gradually expand the scope of the pilot reform region and the applicable industry scope, and ultimately under the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》) which was promulgated on March 23, 2016 and came into effect on May 1, 2016, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective since May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業税暫行條例》) promulgated by the State Council and came into effect on January 1, 1994 (and amended on November 10, 2008) and its Implementation Rules, all institutions and individuals providing taxable labor services that shall be subject to business tax, transferring intangible assets or selling real

assets shall pay business tax. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》), value-added tax will replace business tax in full with effect from May 1, 2016.

Urban Maintenance and Construction Tax and Additional Education Tax

According to the Interim Regulation of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設税暫行條例》) issued by the State Council on February 8, 1985 and became effective as from 1985 (revised on January 8, 2011 and effective as from the same day) and the Circular of the State Administration of Taxation on Issues Concerning the Imposition of Urban Maintenance and Construction Tax (《國家税務總局關於城市維護建設税收徵收問題的通知》) promulgated on March 12, 1994 and became effective as from the same day, any enterprise or individual liable to consumption tax, VAT and business tax shall also pay urban maintenance and construction tax. Amount of urban maintenance and construction tax shall be determined as per the consumption tax, VAT and business tax paid by taxpayers and shall be paid together with consumption tax, VAT and business tax. Besides, the rates of urban maintenance and construction tax shall be as follows: 7% for a taxpayer in a city; 5% for a taxpayer in a county town or town; and 1% for a taxpayer living in a place other than a city, county town or town.

According to Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) newly revised by the State Council on January 8, 2011 and effective as from the same day, with the exception of organizations that pay surcharges for education undertaking in rural areas, all enterprises or individuals liable to consumption tax, VAT and business tax shall also pay education surcharges pursuant to the Provisions herein. Education surcharges shall be paid together with VAT, business tax and consumption tax based on 3% of the amount of VAT, business tax and consumption tax actually paid by respective enterprises or individuals.

PROTECTION OF PHARMACEUTICAL PRODUCTS IN CHINA

Patent law

Under the Patent Law (《中華人民共和國專利法》), which was promulgated by the Standing Committee of the National People's Congress on March 12, 1984 and effective from April 1, 1985, as amended on September 4, 1992, August 25, 2000 and December 27, 2008 and came into effect on October 1, 2009, the period of patents relating to inventions are 20 years from the initial date the patent application was filed and the patent becomes effective upon the authorization announcement is published by the SIPO. The period of patents relating to utility model patents and design patents are ten years from the initial date the patent application was filed and the patent becomes effective upon the authorization announcement is published by the SIPO. Any persons and entities using the patent in the absence of authorization from the patent owner or conducting other activities which infringe upon patent rights will be held liable for compensation to the patent owner, subject to fines charged by relevant administrative authorities and may include criminal liabilities, as the case may be.

Trademark law

Under the PRC Trademark Law (《中華人民共和國商標法》), which was promulgated by the Standing Committee of the National People's Congress on August 23, 1982 and became effective from March 1, 1983, as amended on February 22, 1993, October 27, 2001 and August 30, 2013, the Trademark Office of State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. The period of validity of a registered trademark is ten years from the date of registration; renewal is allowed thereafter and the period of validity of each renewal of registration is ten years.

The PRC law provides that the following acts constitute infringement of the exclusive right to use a registered trademark: use of a trademark that is identical with or similar to a registered trademark in respect of the same kind of commodities without the authorization of the trademark registrant; sale of commodities infringing upon the exclusive right to use the registered trademark; counterfeiting or making, without authorization, representations of a registered trademark of another person, or sale of such representations of a registered trademark; changing a registered trademark and selling products on which the changed registered trademark is used without the consent of the trademark registrant; and otherwise infringing upon the exclusive right of another person to use a registered trademark. Any persons and entities using a trademark that is identical with or similar to a registered trademark in respect of the same kind of commodities or using a trademark that is identical with or similar to a registered trademark in respect of similar commodities without the permission of the trademark registrant or using the registered trademark in the absence of authorization from the registered trademark holder or conducting other activities that are likely to cause confusion which infringe upon registered trademark rights will be held liable for compensation to the registered trademark holder, subject to fines charged by relevant administrative authorities and may include criminal liabilities, as the case may be.

Internet Domain Names

Under the Measures for the Administration of Internet Domain Names of China (《中國互聯網絡域名管理辦法》) which was promulgated on November 5, 2004 and took effect on December 20, 2004, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the Internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of "first apply, first register" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

ENVIRONMENTAL PROTECTION

The Ministry of Environmental Protection of the PRC is responsible for the uniform supervision and control of environmental protection in China. It formulates national environmental quality and discharge standards and monitors the PRC's environmental system. Environmental protection bureaus at the county level and above are responsible for environmental protection within their areas of jurisdiction.

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "Environmental Protection Law"), promulgated on and effective from December 26, 1989 and amended on April 24, 2014 and effective from January 1, 2015, by the Standing Committee of the National People's Congress, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to incorporate environmental protection measures in its operations and establish an environmental protection responsibility system. Any entity that discharges pollution must register with the relevant environmental protection authority. Remedial measures for breaches of the Environmental Protection Law include a warning, payment of damages or imposition of a fine. Criminal liability may be imposed for a material violation of environmental laws and regulations that causes loss of property, personal injuries or death.

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

Under 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》) promulgated by the Standing Committee of the National People's Congress on September 5, 1987, last amended on August 29, 2015 and effective from January 1, 2016, the environmental protection authorities above the county level are in charge of exercising unified supervision and administration of prevention and control of air pollution. Manufacturers discharging polluted air must comply with applicable national and local standards. Manufacturers discharging polluted air must pay polluted air discharging fees. If a manufacturer emits polluted air exceeding national or local standards, it must correct its action during a prescribed period of time and the manufacturer may be subject to penalties.

Under 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》) promulgated by the Standing Committee of the National People's Congress on May 11, 1984, amended on May 15, 1996 and February 28, 2008, and effective from June 1, 2008, manufacturers must discharge water pollutants in accordance with national and local standards. If the water pollutants discharged exceed national or local standards, the manufacturer would be subject to fines amounting to two to five times the water pollutants treatment fees. In addition, the environmental protection authority has the right to order such manufacturer to correct their actions by reducing the amount of discharge during a stipulated period of time by restricting or suspending their operations. If the manufacturer fails to correct its action at the expiration of the stipulated period, the environmental protection authority may, subject to approval by the relevant level of the PRC government, shut down the manufacturer.

Under the Law of the PRC on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) promulgated by the Standing Committee of the NPC on October 29, 1996 and effective as of March 1,1997, new construction project, expansion, or reconstruction project that discharges noise shall be subject to the state regulations on environmental protection of construction projects. Industrial enterprises that discharge noise during industrial production with fixed facilities shall report to the county or above environmental protection department categories and quantities of their existing facilities for discharging noise, and the noise volume of noise discharged under their normal operation conditions as well as treating facilities against noise, and also submit to the same department technical information with regard to the prevention and control of noise pollution. Units discharge noise exceeding the relevant standards shall pay the discharge fee subject to the regulations.

The Law of PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), was effective on April 1, 1996 and latest amended on April 24, 2015, stipulates that construction projects where solid waste are generated or projects for storage, utilization or disposal of solid waste shall be subject to environmental impact assessment. Facilities for the prevention and control of solid waste are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid waste have been inspected and accepted by the environmental protection administrative authorities.

OCCUPATIONAL HEALTH AND SAFETY

Under the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and effective from January 1, 1995, as amended on August 27, 2009, employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury.

Under the Law of the PRC on Safe Production (《中華人民共和國安全生產法》) promulgated by the Standing Committee of the National People's Congress on August 31, 2014 and effective from December 1, 2014, manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws and regulations. Manufacturers who do not meet relevant legal requirements are not permitted to commence manufacturing activities.

Under the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and effective from January 1, 2008, as amended on December 28, 2012 and came into effect on July 1, 2013, employers are required, when employing labor, to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions as requested by the PRC Labor Contract Law.

PRODUCT LIABILITY AND PROTECTION OF CONSUMERS

Product liability claims may arise if the products sold have any harmful effects on consumers. The injured party may file claims for damages or compensation. The General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which became effective from January 1, 1987 and last amended on August 27, 2009, states that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities.

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated on February 22, 1993 and effective from September 1, 1993 by the Standing Committee of the National People's Congress, as amended on July 8, 2000 and August 27, 2009, to strengthen quality control of products and protect consumers' rights. Under this law, manufacturers and operators who manufacture and sell defective products may be subject to the confiscation of earnings from such sales, there vocation of business licenses and imposition of fines, and in severe circumstances, may be subject to criminal liability.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated by the Standing Committee of the National People's Congress on October 31, 1993 and effective from January 1, 1994 as amended on October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and provide services to customers. In extreme situations, if goods or services lead to the death or injuries of customers or other third parties, apart from relevant fees as provided by laws, pharmaceutical product manufacturers and operators may be subject to criminal liability where any crime is constituted.

Pursuant to the Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), promulgated by the Standing Committee of the National People's Congress on December 26, 2009 and became effective on July 1, 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

LABOR AND INSURANCE

The relevant labor laws in China include the PRC Labor Law (《中華人民共和國勞動法》) (the "Labor Law") (effective from January 1, 1995), the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (effective from January 1, 2008), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (effective from July 1, 2011), the Regulation of Insurance for Work-Related Injuries (《工傷保險條例》) (effective from January 1, 2011), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》) (effective from January 1, 1995), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (effective from January 22, 1999), the Interim Provisions on Registration of Social

Insurance (《社會保險登記管理暫行辦法》) (effective from March 19, 1999), the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) (effective from March 24, 2002), and other related law and regulations issued by relevant governmental authorities from time to time in China.

The Labor Law was promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and last amended on August 27, 2009. According to the Labor Law, employees are entitled to have equal opportunities in employment, selection of occupations, receiving wages and remuneration, rest days and holidays, protection of occupational safety and health, the rights to social insurance and welfare, etc. An employee shall not work for more than eight hours a day and no more than 44 hours a week on average. The employers must establish and improve the system for occupational safety and health, provide education on occupational safety and health to employees, and comply with the State and/or local regulations of occupational safety and health as well as provide the necessary labor protective measures to employees. On June 29, 2007, the PRC Labor Contract Law, another important law concerning employees, was adopted by the Standing Committee of the National People's Congress and came into effect on January 1, 2008 and was amended on December 28, 2012. According to the PRC Labor Contract Law, labor contracts must be executed in order to establish a labor relationship between an employer and employees.

When an employer is recruiting employees, it should inform the employees truthfully the content of work, working conditions, place of work, occupational hazards, safe production conditions, labor remuneration and other circumstances requested to be notified by the employees. An employer and an employee shall fully perform their respective obligations in accordance with the terms set forth in the labor contract. An employer must make payment for employee remuneration timely and in full amount in accordance with the contract terms, must strictly abide by the fixed standard of labor work, and must not force or threaten an employee in disguise to work overtime. After the labor contract is released or terminated, the employer should issue a proof of release or termination of the labor contract to the employee, and complete the filing procedure and transfer of social insurance relationship for the employee within 15 days.

Under the Social Insurance Law, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Regulation on the Collection and Payment of Social Insurance Premiums, and the Interim Provisions on Registration of Social Insurance, an employer is required to contribute the social insurance for its employees, including the basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and injury insurance.

Under the Regulations on the Administration of Housing Accumulation Funds, promulgated by the State Council on April 3, 1999 and as amended on March 24, 2002, employers are required to make contributions to a housing accumulation fund for their employees.

MANAGEMENT OF FOREIGN EXCHANGE

Foreign Exchange

The Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Administrative Regulations"), which was promulgated on January 29, 1996 and implemented since April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, forms an important legal basis for the PRC authorities to supervise and regulate foreign exchange.

Under the Foreign Exchange Administrative Regulations, Renminbi is generally freely convertible for payments 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 capital transfer, direct investment, investment in securities, derivative products or loans unless prior approval of the SAFE is obtained.

In the subsequent reform on capital account items, the requirement for registration and administrative approval for foreign exchange under domestic direct investment has been cancelled and will be conducted by financial institutions.

Settlement of Foreign-debt Capital

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policy for the Administration of Settlement of Capital Items (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 15, 2016, willingness for the settlement of foreign-debt capital will be fully implemented and enterprises may be free to choose the timing for settlement of foreign-debt capital based on their own needs.

Settlement of Capital

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.

The Administration of Foreign Exchange for Direct Investment

On November 19, 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign 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 59"), which became effective on December

17, 2012. Circular 59 substantially amends and simplifies the current foreign exchange procedure. The major developments under Circular 59 are that the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of Circular 59. Reinvestment of RMB proceeds by foreign investors in the PRC no longer requires SAFE's approval.

Pursuant to the Circular on Further Simplified and Improved Policies for Foreign Exchange Administration for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the SAFE on February 13, 2015 and became effective on June 1, 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.

HISTORY AND DEVELOPMENT

Overview

Our Group's history can be traced back to the year of 1938 when Liow & Company (聯和行), the predecessor of our controlling shareholder, China Resources Holdings, commenced its business in Hong Kong and started to export medicines and medical devices to mainland China in 1953. Through restructuring of state-owned pharmaceutical enterprises engaged by our controlling shareholder and strategic acquisitions conducted by our Group, we have developed into a leading integrated pharmaceutical company in China, engaging in the research and development, manufacturing, distribution and retail of a broad range of pharmaceutical and healthcare products.

China Resources National Corporation was commissioned by the SASAC in the 2000s to engage in the restructuring of state-owned pharmaceutical enterprises in China, thereby forming a solid foundation for our core businesses. In 2006, China Resources Co., Limited ("CRC") participated in the restructuring of China WorldBest Group Co., Ltd. (中國華源集團有限公司), a state-owned enterprise, by entering into an equity transfer agreement with its subsidiary, China WorldBest Life Industry Co., Ltd. (中國華源生命產業有限公司) ("China WorldBest Life"), for the acquisition of 50% interest in Beijing Pharmaceutical, which was at the time a subsidiary of China WorldBest Life. Such interest held by CRC was injected into our Group in 2010.

Our Company was incorporated in Hong Kong with limited liability on May 10, 2007 and was then wholly owned by CRH (Pharmaceutical). In 2007, our Company participated in the restructuring of Sanjiu Enterprise (三九企業集團) ("Sanjiu Enterprise") through which, our Company acquired 100% interest in New Sanjiu Holdings Co., Ltd. (新三九控股有限公司), the predecessor of CR Pharmaceutical Holdings, in November 2007.

In July 2008, we acquired from CRC 56.62% interest in CR Dong-E, a joint venture established by CRC and Liaocheng SASAC, through which we controlled 23.14% interest in Dong-E-E-Jiao, a company listed on the Shenzhen Stock Exchange since July 1996 and principally engaged in the manufacturing of E Jiao (donkey-hide gelatin) products. As of the Latest Practicable Date, we controlled 27.80% interest in Dong-E-E-Jiao.

In November 2008, CR Pharmaceutical Holdings completed the acquisition of 66.98% interest in CR Sanjiu, a company listed on the Shenzhen Stock Exchange since March 2000 and principally engaged in the manufacturing and sale of OTC drugs and Chinese prescription medicines, from Sanjiu Enterprise. As of the Latest Practicable Date, we held 63.60% interest in CR Sanjiu.

In 2011, we further acquired 49% and 1% interest in Beijing Pharmaceutical from Beijing Pharmaceutical Holdings and China Resources National Corporation ("CRNC"), respectively, upon completion of which, Beijing Pharmaceutical became our wholly-owned subsidiary and Beijing Pharmaceutical Investment became our Shareholder shortly thereafter. See "— Restructuring with Beijing Pharmaceutical Investment and Issue of Shares to BEID Fund."

Following the completion of the acquisition of Beijing Pharmaceutical, CR Double-Crane, which was at the time a 49.12% owned subsidiary of Beijing Pharmaceutical and a company listed on the Shanghai Stock Exchange since May 1997 and principally engaged in the manufacturing of chemical drugs and other pharmaceutical products, became our non-wholly-owned subsidiary in 2010. As of the Latest Practicable Date, we held 59.99% interest in CR Double-Crane.

Through the acquisition of Beijing Pharmaceutical, we also acquired 82.48% interest in CR Pharmaceutical Commercial, which was then a subsidiary of Beijing Pharmaceutical. In December 2010 and September 2011, Beijing Pharmaceutical further injected capital in CR Pharmaceutical Commercial, upon completion of which, its interest in CR Pharmaceutical Commercial increased to 88.67%. In December 2011, we further completed the acquisition of 2.31% interest in CR Pharmaceutical Commercial from CR Double-Crane, and in December 2012, we completed the acquisition of 9.02% interest in CR Pharmaceutical Commercial from Xie Yong (謝勇), Chen Jisheng (陳濟生) (who were at the time the directors of CR Pharmaceutical Commercial) and two other individual shareholders and Beijing Zhongjisheng Healthcare Products Co., Ltd. (北京眾濟生保健品有限責任公司). Save as disclosed above, to the best knowledge and information of the Directors, the transferors in the above acquisitions, are Independent Third Parties. Upon completion of the above acquisitions, CR Pharmaceutical Commercial, a company principally engaged in the sale and distribution of pharmaceutical products, became our wholly-owned subsidiary in 2012.

Through the acquisition of Beijing Pharmaceutical, we acquired 47.28% interest in CR Zizhu, which was then a subsidiary of Beijing Pharmaceutical, and in 2012, we further completed the acquisition of the remaining 42.28% and 10.44% interest in CR Zizhu from China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) and from Yin Xuying (尹栩穎), Sun Ye (孫曄), Kong Lingan (孔令安) (who were at the time the directors of CR Zizhu) and 27 other individual shareholders, respectively. Save as disclosed above, to the best knowledge and information of the Directors, the transferors in the above acquisitions, are Independent Third Parties. Upon completion of the above acquisitions, CR Zizhu became our wholly-owned subsidiary.

Through the acquisition of Beijing Pharmaceutical, we also acquired 74.65% interest in Pharmaceutical R&D Center, which was then a subsidiary of Beijing Pharmaceutical, and in 2013, we further completed the acquisition of the remaining 20.28%, 4.06% and 1.01% interest in Pharmaceutical R&D Center from Beijing Industrial Development Investment Management Co., Ltd. (北京工業發展投資管理有限公司), CR Zizhu (which was at the time a subsidiary of Beijing Pharmaceutical) and Beijing Pharmaceutical Co., Ltd. (北京醫藥股份有限公司) (which was at the time a subsidiary of CR Pharmaceutical Commercial), respectively. Save as disclosed above, to the best knowledge and information of the Directors, the transferors in the above acquisitions, are Independent Third Parties. Upon completion of the above acquisitions, Pharmaceutical R&D Center became our wholly-owned subsidiary.

In 2016, we completed the acquisition of 100% interest in CR Pharmaceutical Retail Group, which wholly owns CR Care, from CR Retail Group to further broaden our pharmaceutical retail network in China and Hong Kong.

Milestones of Development

Set out below are the key milestones in our history to date:

1938	• Liow & Company (聯和行), the predecessor of China Resources Holdings, our controlling shareholder, was founded.
1948	• Liow & Company (聯和行) was renamed as China Resources Company (華潤公司).
1953	• China Resources Company (華潤公司) started to export medicines and medical devices to mainland China.
1983	• Our controlling shareholder, China Resources Holdings, was incorporated in Hong Kong.
2004	• CRC set up CR Dong-E with Liaocheng SASAC.
2006	• CRC entered into an equity transfer agreement with China WorldBest Life for the acquisition of 50% interest in Beijing Pharmaceutical.
2007	• Our Company was incorporated in Hong Kong.
2008	• We acquired 56.62% interest in CR Dong-E from CRC, thereby controlling 23.14% interest in Dong-E-E-Jiao, a company listed on the Shenzhen Stock Exchange and principally engaged in the manufacturing of E Jiao (donkey-hide gelatin) products. • We completed the acquisition of 66.98% interest in CR Sanjiu, a company listed on the Shenzhen Stock Exchange and principally engaged in the manufacturing and sale of OTC drugs and Chinese prescription medicines.
2010	• Our Company entered into a strategic cooperation agreement with the China Academy of Medical Sciences (中國醫學科學院) to strengthen the research and development capabilities of our Group. • We acquired 50% interest in Beijing Pharmaceutical from CRC. • CR Double-Crane became our non-wholly-owned subsidiary following the completion of acquisition of 50% interest in Beijing Pharmaceutical.
2011	• We acquired the remaining 50% interest in Beijing Pharmaceutical, and thereafter Beijing Pharmaceutical became a wholly-owned subsidiary of our Company. • Beijing Pharmaceutical Investment became a Shareholder of our Company. • We successfully completed 11 mergers and acquisitions in Beijing, Jiangsu, Henan and other provinces, which further developed our core businesses and enhanced our presence in the pharmaceutical market in China.

2012
- CR Pharmaceutical Commercial became a wholly-owned subsidiary of our Company.
- We acquired the remaining 52.72% interest in CR Zizhu to further develop our product portfolio and enhance our market penetration.
- Pharmaceutical R&D Center became our wholly-owned subsidiary.
- We established the Health Institute of China Resources University (華潤大學健康學院) in June 2012.

2013
- BEID Fund became a Shareholder of our Company.
- The total assets and revenue of our Group for the year respectively exceeded HK$100 billion for the first time.

2014
- Our Company ranked no. 4 among the "Top 100 Enterprises in the PRC Pharmaceutical Industry of 2013 (2013年度中國醫藥工業百強企業)."
- CR Pharmaceutical Holdings was awarded the "Top 10 PRC Pharmaceutical Group of 2014 (2014中國醫藥行業企業集團十強)" at the ChemPharm Annual Summit 2014 (2014中國化學製藥行業年度峰會).
- The Beijing Pharmaceutical Group Industry-University-Research Alliance (北京醫藥集團產學研聯盟) led by our Company under the Eleventh-Five Year Plan was successfully completed and accepted.

2015
- CR Pharmaceutical Holdings was awarded the "Top 10 PRC Pharmaceutical Group of 2015 (2015中國醫藥行業企業集團十強)" at the ChemPharm Annual Summit 2015 (2015中國化學製藥行業年度峰會).

2016
- We completed the acquisition of 100% interest in CR Pharmaceutical Retail Group which wholly owned CR Care, a company principally engaged in pharmacy businesses in China and Hong Kong.

RESTRUCTURING WITH BEIJING PHARMACEUTICAL INVESTMENT AND ISSUE OF SHARES TO BEID FUND

On July 30, 2010, our Company, CRC, China Resources Holdings, CR Pharmaceutical Holdings, Beijing Pharmaceutical and BSCOMC entered into the Restructuring Agreement, pursuant to which the parties agreed to conduct restructuring of our Company and Beijing Pharmaceutical. Pursuant to the Restructuring Agreement, CRC transferred its 50% interest in Beijing Pharmaceutical to CR Pharmaceutical Investment, a wholly-owned subsidiary of our Company, at a consideration of RMB1,828,665,218.47, which was determined with reference to the book value of Beijing Pharmaceutical as of December 31, 2009.

On May 10, 2011, CRNC and BSCOMC entered into a transfer agreement, pursuant to which BSCOMC agreed to transfer 1% interest in Beijing Pharmaceutical to CRNC at nil consideration. CRNC subsequently transferred such 1% interest in Beijing Pharmaceutical to CR Pharmaceutical Investment, a wholly-owned subsidiary of our Company, at a consideration of RMB40,450,032.58, which was determined with reference to the book value of Beijing Pharmaceutical as of December 31, 2010.

On October 10, 2011, our Company entered into the 2011 Share Subscription Agreement with, among others, Beijing Pharmaceutical Investment, pursuant to which our Company agreed to purchase 100% interest in Beijing Pharmaceutical Investment & Management (BVI), which indirectly held 49% interest in Beijing Pharmaceutical, in exchange for the issuance and allotment of 1,094,800,000 Shares to Beijing Pharmaceutical Investment. The 100% interest in Beijing Pharmaceutical Investment & Management (BVI), being the consideration for the Share allotment to Beijing Pharmaceutical Investment, was valued at RMB1,869,918,491.03, which was determined with reference to the book value of Beijing Pharmaceutical as of March 31, 2010. Subsequent to the aforementioned transfers, Beijing Pharmaceutical became our wholly-owned subsidiary.

Beijing Pharmaceutical Investment is an indirect wholly-owned subsidiary of BSCOMC, which is a state-owned enterprise established as the platform for capital maintenance and appreciation of state-owned assets as well as to support the Beijing Municipality Government's strategic adjustments to state-owned assets and reorganization of state-owned enterprises.

Upon the above allotment to Beijing Pharmaceutical Investment, our Shares were owned as to 72% and 28% by CRH (Pharmaceutical) and Beijing Pharmaceutical Investment, respectively.

On November 6, 2013, our Company entered into the 2013 Share Subscription Agreement with BEID Fund, pursuant to which our Company issued 201,438,849 Shares to BEID Fund in December 2013 for a total cash consideration of HK$1,682,014,389.00. In December 2013, our Company also issued 517,985,612 Shares to CRH (Pharmaceutical) at a consideration of HK$3,600,000,003. The consideration of these subscriptions was determined with reference to the book value of our Company as of December 31, 2012.

BEID Fund is an offshore investment fund controlled by BEIDMCI Limited, which is a joint venture owned by Beijing SASAC and JP Morgan Asset Management Private Equity (China) Co., Ltd. (摩根資產管理私募股權(中國)有限責任公司).

Upon the above allotments to BEID Fund and CRH (Pharmaceutical), our Shares were continued to be owned as to 72% by CRH (Pharmaceutical), and the remainder was owned as to 23.65% and 4.35% by Beijing Pharmaceutical Investment and BEID Fund, respectively.

MAJOR ACQUISITIONS AND DISPOSALS

Major Acquisitions during the Track Record Period

We conducted ten major acquisitions during the Track Record Period in furtherance of our growth strategy:

Acquisitions	Counterparties	Consideration	Principal Business of the Target Company	Reasons for the Acquisitions
1. In December 2012, CR Suzhou Li'an entered into an agreement in relation to the acquisition of 100% interest in CR Nantong Pharmaceutical. The change in industrial and commercial registration was completed on January 11, 2013.	Gu Jianchu (顧建初), Wang Yongxin (王永新), Xu Jie (許傑), Dai Zhengzhong (戴正中), Gu Dazhi (顧大志) and Zhang Weidong (張衛東) (Independent Third Parties)	A total cash consideration of RMB20.0 million	Pharmaceutical distribution business, sale of medical devices, drug information consultation services	To expand our Group's pharmaceutical distribution businesses in and around Nantong, Jiangsu province
2. In January 2013, CR Sanjiu entered into an agreement in relation to the acquisition of a total of 97.18% in Guilin CR Tianhe. The change in industrial and commercial registration was completed on February 18, 2013. (Note: CR Sanjiu subsequently acquired 1.36% interest in Guilin CR Tianhe from six individuals (Independent Third Parties), upon completion of which, it became a 98.54% owned subsidiary of CR Sanjiu.)	341 individuals (Independent Third Parties)	A total cash consideration of approximately RMB583.1 million	Pharmaceutical manufacturing	To implement the growth strategy and diversify the product portfolio of our Group
3. In April 2013, CR Pharmaceutical Commercial entered into an agreement in relation to the acquisition of 51% interest in CR Hunan Ruige Pharmaceutical. The change in industrial and commercial registration was completed on April 28, 2013.	Xiao Hongqi (肖紅旗) (a director of CR Hunan Ruige Pharmaceutical)	A total cash consideration of approximately RMB279.2 million	Pharmaceutical distribution business, and drug information consultation services	To expand our Group's pharmaceutical distribution businesses in Hunan province

	Acquisitions	Counterparties	Consideration	Principal Business of the Target Company	Reasons for the Acquisitions
4.	In August 2014, CR Sanjiu entered into an agreement in relation to the acquisition of 100% interest in Jilin China Resources Heshan Tang Ginseng Co., Ltd. (吉林華潤和善堂人參有限公司), formerly known as Jilin Hongjiu Heshan Tang Ginseng Co., Ltd. (吉林省宏久和善堂人參有限公司). The change in industrial and commercial registration was completed on August 19, 2014.	Jilin Hongjiu Bio-technology Co., Ltd. (吉林省宏久生物科技股份有限公司) (an Independent Third Party)	A total cash consideration of RMB120.0 million	Plantation, processing and sale of ginseng	To implement the growth strategy of our Group and expand into the procurement of Chinese herbs
5.	In November 2014, CR Sanjiu entered into an agreement in relation to the acquisition of 100% interest in Hangzhou Laotongjun Pharmaceutical Manufacturing Co., Ltd. (杭州老桐君製藥有限公司). The change in industrial and commercial registration was completed on November 12, 2014.	Shangyu Qiming Investment Co., Ltd. (上虞啟明投資有限公司), Ningbo Meishan Bao Shui Port Shengrong Equity Investment (General Partnership) (寧波梅山保税港區生融股權投資中心(普通合夥)) and Ningbo Meishan Bao Shui Port Xianjian Equity Investment (General Partnership) (寧波梅山保税港區仙健股權投資中心(普通合夥)) and six individuals (Independent Third Parties)	A total cash consideration of RMB99.0 million	Pharmaceutical manufacturing	To implement the growth strategy and diversify the product portfolio of our Group
6.	In August 2015, Shenzhen CR Jiuxin entered into an agreement in relation to the acquisition of 62.9% interest in Zhejiang Zhongyi. The change in industrial and commercial registration was completed on August 31, 2015.	Zhou Yicheng (周益成), Wang Wanqin (王皖秦), Lishui Zhongcheng Investment (Limited Partnership) (麗水市眾誠投資中心 (有限合夥)), Zhu Juhong (朱菊紅) and Wang Xiaodong (王曉東) (Independent Third Parties)	A total cash consideration of RMB817.7 million	Pharmaceutical manufacturing	To implement the growth strategy and diversify the product portfolio of our Group

Acquisitions	Counterparties	Consideration	Principal Business of the Target Company	Reasons for the Acquisitions
7. In August 2015, Shenzhen CR Jiuxin entered into an agreement in relation to the acquisition of 100% interest in Beijing Bai Ao Te Biotech Engineering Co., Ltd. (北京百奥特生物工程有限公司), which owned the remaining 37.1% interest in Zhejiang Zhongyi. The change in industrial and commercial registration was completed on August 31, 2015.	Zhou Yicheng (周益成), Wang Yaping (王亞平) and Wang Liping (王利平) (Independent Third Parties)	A total cash consideration of RMB482.3 million	Pharmaceutical manufacturing	To implement the growth strategy and diversify the product portfolio of our Group
8. In September 2015, CR Sanjiu entered into an agreement in relation to the acquisition of 90.09% interest in Ya'an Yuhe Pharmaceutical Co., Ltd. (雅安雨禾藥業有限公司). The change in industrial and commercial registration was completed on September 28, 2015.	320 individuals (Independent Third Parties)	A total cash consideration of approximately RMB197.5 million	Pharmaceutical manufacturing	To optimize the shareholding structure of the target company, and enhance its management efficiency
9. In September 2015, our Company entered into an agreement in relation to the acquisition of 100% interest in CR Pharmaceutical Retail Group. The acquisition was completed on January 4, 2016.	CR Retail Group (an indirect wholly-owned subsidiary of China Resources Holdings)	A total consideration of US$1 in cash and RMB395.0 million in shareholders' loan	Pharmacy and operation of healthcare stores	To acquire CR Care's healthcare stores and to strengthen our Group's pharmacy businesses in Hong Kong and China
10. In November 2015, CR Double-Crane entered into an agreement in relation to the acquisition of a total of 60% interest in Jinan Limin. The change in industrial and commercial registration was completed on November 16, 2015.	21 individuals (Independent Third Parties)	A total cash consideration of RMB713.4 million	Manufacturing and sale of Western medicine, small volume injections (including hormones), tablets, capsules and active pharmaceutical ingredients	To implement the business deployment of CR Double-Crane, diversify our product portfolio, and strengthen our sales and distributorship network

The consideration of each of the above acquisitions was determined based on arm's length negotiation among the parties, with reference to, among others, the past financial performance of the target companies, the growth potential of the target companies, and/or the appraised value of the assets and businesses acquired. As of the Latest Practicable Date, each of the acquisitions as set out above had been properly and legally completed and settled, and all applicable regulatory approvals had been obtained.

Each of the acquisitions of material subsidiaries and/or businesses conducted by our Group during the Track Record Period would not have been classified as a major transaction or a very substantial acquisition if the acquisition had been made by our Group at the date of the listing application. Accordingly, the relevant pre-acquisition financial information is not required to be disclosed in this prospectus pursuant to Rule 4.05A of the Listing Rules.

Major Disposals during the Track Record Period

We conducted the following disposals of major subsidiaries during the Track Record Period to optimize our resource allocation and to streamline our core businesses:

Disposals	Counterparties	Consideration and its Basis	Principal Business of the Target Company	Reasons for the Disposals
In September 2014, CR Pharmaceutical Investment entered into an agreement in relation to the disposal of its 100% interest in Shanghai Medical Instruments. The change in industrial and commercial registration was completed on April 2, 2015.	Jiangsu Yu Yue Technological Development Company Limited (江蘇魚躍科技發展有限公司) (an Independent Third Party)	A total cash consideration of approximately RMB691.5 million, which was determined with reference to the appraised value of the target company	Manufacturing and sale of medical appliances	To focus on our core businesses in pharmaceutical manufacturing and distribution
In September 2014, Beijing Pharmaceutical entered into an agreement in relation to the disposal of its 51.51% interest in CR Wandong Medical Equipment. The change in industrial and commercial registration was completed on June 8, 2015.	Jiangsu Yu Yue Technological Development Company Limited (江蘇魚躍科技發展有限公司) (an Independent Third Party)	A total cash consideration of approximately RMB1,142.2 million, representing 90% of the daily weighted average price during the 30-day period preceding the date of announcement of the transaction	Manufacturing and sale of medical equipment	To focus on our core businesses in pharmaceutical manufacturing and distribution

The consideration of each of the above disposals was determined based on arm's length negotiation among the parties. As of the Latest Practicable Date, each of the disposals as set out above had been properly and legally completed and settled, and all applicable regulatory approvals had been obtained.

Other than the major disposals during the Track Record Period as disclosed above, Beijing Pharmaceutical (as transferor) and China Kanglike Export & Import Co., Ltd. (中國康力克進出口有限公司) (as transferee) entered into an equity transfer agreement on May 31, 2016, pursuant to which Beijing Pharmaceutical agreed to transfer 100% interest in China Resources Pharmaceutical Industrial

Development (Beijing) Co., Ltd. (華潤醫藥產業發展(北京)有限公司), whose major assets comprised a plot of land located in Beijing (which had not been developed), at approximately RMB360.5 million as consideration for equity plus assignment of credit rights to be determined at completion of the agreement.

POST-TRACK RECORD PERIOD ACQUISITIONS

Certain members of our Group have acquired and/or proposed to acquire subsidiaries and/or businesses after the Track Record Period and up to the Latest Practicable Date (the "Post-Track Record Period Acquisitions") as follows:

The Heilongjiang Acquisition

CR Heilongjiang Pharmaceutical entered into an acquisition agreement on July 15, 2016 with Zhang Shaohua (張少華), an Independent Third Party, in relation to the acquisition of 100% interest in Heilongjiang Huajian Pharmaceutical Co., Ltd. (黑龍江省華健醫藥有限公司) ("Heilongjiang Huajian") for a total consideration of RMB41.0 million (the "Heilongjiang Acquisition"). The consideration of the Heilongjiang Acquisition was determined with reference to the appraised value of Heilongjiang Huajian, and shall be paid in cash by CR Heilongjiang Pharmaceutical in tranches. The change in industrial and commercial registration for Heilongjiang Huajian was completed on July 18, 2016. Upon completion, Heilongjiang Huajian has become a wholly-owned subsidiary of our Company.

According to the audited financial statements of Heilongjiang Huajian prepared based on the PRC accounting standards for business enterprises which were made available to our Company, Heilongjiang Huajian's total assets amounted to approximately RMB73.1 million as of December 31, 2015, and its total revenue and profit before taxation amounted to approximately RMB123.8 million and approximately RMB8.8 million, respectively, for the year ended December 31, 2015. As our reporting accountants have not audited or reviewed the financial statements of Heilongjiang Huajian, prospective investors should be aware that adjustments may arise if these financial statements had been audited or reviewed by our reporting accountants.

Heilongjiang Huajian is a company incorporated under the laws of the PRC, and is principally engaged in distribution of pharmaceutical products to hospitals and other medical institutions. It is expected that the Heilongjiang Acquisition would enable our Group to further develop its distribution network in Heilongjiang province.

The Sanjiu Acquisition

CR Sanjiu entered into an acquisition agreement on July 27, 2016 with Lan's Int'l Medicine Investment Co., Limited (藍氏國際醫藥投資有限公司), Kunming Dianjiao Investment Advisory Co., Ltd. (昆明滇驕投資諮詢有限公司), Pingtan Xinghang Longqing Equity Investment LLP (平潭興杭隆慶股權投資合夥企業(有限合夥)), Shanghai Xingdan Investment Management Centre LLP (上海興丹投資管理中心(有限合夥)), New Yu Jun Cheng Investment LLP (新余君成投資合夥企業(有限合夥)) and Shanghai Qiesi Investment Management LLP (上海切思投資管理合夥企業(有限合夥)) to acquire a total of 100% interest in Kunming Shenghuo Pharmaceutical Group Co., Ltd. (昆明聖火醫藥(集團)

有限公司) ("Kunming Shenghuo") for a total consideration of RMB1.89 billion (among which, RMB180 million is subject to achievement of certain financial performance targets by Kunming Shenghuo) (the "Sanjiu Acquisition"). The consideration of the Sanjiu Acquisition was determined with reference to the appraised value of Kunming Shenghuo, and shall be paid in cash by CR Sanjiu in tranches.

According to the audited financial statements of Kunming Shenghuo, prepared based on the PRC accounting standards for business enterprises which were made available to our Company, its total assets amounted to approximately RMB668.7 million as of December 31,2015, and its total revenue and profit before taxation amounted to approximately RMB465.0 million and approximately RMB116.0 million, respectively, for the year ended December 31, 2015. As our reporting accountants have not audited or reviewed the financial statements of Kunming Shenghuo, prospective investors should be aware that adjustments may arise if these financial statements had been audited or reviewed by our reporting accountants.

Completion of the Sanjiu Acquisition took place in September 2016. Upon completion, Kunming Shenghuo has become a non-wholly-owned subsidiary of our Company.

Kunming Shenghuo is a company incorporated under the laws of the PRC, and is principally engaged in the manufacturing and sale of oral cardiovascular medicines, with key products including the Xuesaitong soft capsules (血塞通軟膠囊) and Palmatine soft capsules (黃藤素軟膠囊). It is expected that the Sanjiu Acquisition would enable CR Sanjiu to acquire the "Li Xu Wang" (理洫王)-branded Xuesaitong soft capsules and include oral products in the cardiovascular therapeutic area in its product portfolio, benefit from the synergy in the distribution network (in particular, in Yunan and Chongqing provinces) where Kunming Shenghuo has established presence, and effectively acquire a manufacturing base for soft capsules for CR Sanjiu.

The Proposed Shaanxi Acquisition

CR Pharmaceutical Commercial entered into a cooperation agreement on June 29, 2016 with Shaanxi Kangcheng Pharmaceutical Co., Ltd. (陝西康誠醫藥有限公司) ("Shaanxi Kangcheng"), an Independent Third Party, in relation to the acquisition of certain assets and businesses of Shaanxi Kangcheng for a total consideration of RMB75.0 million (the "Proposed Shaanxi Acquisition"). Pursuant to the cooperation agreement in relation to the Proposed Shaanxi Acquisition, CR Pharmaceutical Commercial has agreed to establish a new company in which CR Pharmaceutical Commercial will own 70% interest with Jing Jie (井潔), an Independent Third Party, for the acquisition of certain assets and businesses of Shaanxi Kangcheng. The consideration of the Proposed Shaanxi Acquisition was determined with reference to the appraised value of Shaanxi Kangcheng, and shall be paid in cash by CR Pharmaceutical Commercial in tranches. Completion of the Proposed Shaanxi Acquisition is subject to, among other things, the completion of change in industrial and commercial registration of the new company to be established and the execution of the relevant acquisition agreement in relation to the Proposed Shaanxi Acquisition.

According to the unaudited management accounts of Shaanxi Kangcheng, which were made available to our Company, Shaanxi Kangcheng's total assets amounted to approximately RMB201.8 million as of December 31, 2015, and its total revenue and profit before taxation amounted to approximately RMB258.1 million and RMB14.6 million, respectively, for the year ended December 31, 2015. As our reporting accountants have not audited or reviewed the financial statements of Shaanxi Kangcheng, prospective investors should be aware of that adjustments may arise if these financial statements had been audited or reviewed by our reporting accountants.

Shaanxi Kangcheng is a company incorporated under the laws of the PRC, and is principally engaged in distribution of pharmaceutical products. It is expected that the Proposed Shaanxi Acquisition would enable our Group to further develop its distribution network in Shaanxi province.

The Possible Tianjin Acquisition

CR Tianjin Pharmaceutical is interested in, and is considering, an acquisition of all or some of interest in Jin Run (Tianjin) Pharmaceutical Co., Ltd. (津潤(天津)藥業有限公司) ("Jin Run Pharmaceutical") (the "Possible Tianjin Acquisition"). Jin Run Pharmaceutical is a company incorporated under the laws of the PRC, and is principally engaged in storage and logistics businesses. It is expected that through the Proposed Tianjin Acquisition, CR Tianjin Pharmaceutical could benefit from the storage facilities and logistics services of Jin Run Pharmaceutical, which could effectively lower the rental and operation costs and enable more stable business operations of CR Tianjin Pharmaceutical.

The Possible Southeast Pharmaceutical Acquisition

Quanzhou Dongda is interested in, and is considering to, acquire certain assets and businesses of Southeast Pharmaceutical Logistics Co., Ltd. (東南醫藥物流有限公司) ("Southeast Pharmaceutical Logistics") (the "Possible Southeast Pharmaceutical Acquisition"). Southeast Pharmaceutical Logistics is a company incorporated under the laws of the PRC, and is principally engaged in distribution of pharmaceutical products. It is expected that the Possible Southeast Pharmaceutical Acquisition would enable our Group to further develop its distribution network in Fujian province.

The Possible Shanghai Acquisition

CR Shanghai Pharmaceutical is interested in, and is considering, an acquisition of all or some interest in or certain assets and businesses of Shanghai Baochang Drugstore Co., Ltd. (上海寶昌藥店有限公司) ("Shanghai Baochang") (the "Possible Shanghai Acquisition"). Shanghai Baochang is a company incorporated under the laws of the PRC, and is principally engaged in pharmaceutical retail business. It is expected that the Possible Shanghai Acquisition would enable our Group to further develop its retail network in Shanghai.

The Possible Chengdu Acquisition

CR Pharmaceutical Commercial is interested in, and is considering, an acquisition of all or some of interest in Chengdu Pharmaceutical Group Co., Ltd. (成都市醫藥集團有限公司) ("Chengdu Pharmaceutical") (the "Possible Chengdu Acquisition"). Chengdu Pharmaceutical is a company incorporated under the laws of the PRC, and is principally engaged in distribution of pharmaceutical products. It is expected that the Possible Chengdu Acquisition would enable our Group to expand its distribution network into Chengdu, Sichuan province.

The Possible Biotech Acquisition

Our Company is interested in, and is considering, an acquisition of a minority interest in a biotechnology company (the "Biotech Target") (the "Possible Biotech Acquisition"). Our Company has entered into a non-binding memorandum of understanding on September 30, 2016 in relation to the potential subscription of shares in the Biotech Target and the overall collaboration between and our Group and the Biotech Target's group. The Biotech Target is a company incorporated in Hong Kong with limited liability, and it is controlled by a publicly listed company which is headquartered in Asia and is principally engaged in research, development and manufacturing of protein and bio-similar drugs. It is expected that the Possible Biotech Acquisition would enable our Group to expand its biopharmaceutical product portfolio. It would also strategically position our Group in the fast growing biopharmaceutical market with a focus on research and innovation, and further upgrade our Group's manufacturing capability. It is expected that the Possible Biotech Acquisition could bring four drugs to our Group's biopharmaceutical pipeline in the medium term as well as other in-licensing opportunities in the long term.

To the best knowledge and information of our Company, (i) the total assets of the target companies in relation to the Possible Acquisitions as of December 31, 2015, individually or in aggregate, were no more than HK$6,295.8 million, representing not more than 5% of the total assets of our Group as of June 30, 2016; and (ii) the total revenue and profit before taxation of the target companies in relation to the Possible Acquisitions for the year ended December 31, 2015, individually or in aggregate, were no more than HK$7,328.4 million and HK$402.5 million, respectively, representing no more than 5% of each of the total revenue and profit before taxation of our Group for the same period.

As of the Latest Practicable Date, (i) our Company and/or our relevant subsidiaries had not entered into any form of agreement (binding or otherwise) with the counterparties in relation to the Possible Tianjin Acquisition, the Possible Southeast Pharmaceutical Acquisition, the Possible Shanghai Acquisition, the Possible Chengdu Acquisition and the Possible Biotech Acquisition (collectively, the "Possible Acquisitions"); (ii) the terms (including the consideration) of the Possible Acquisitions remained subject to commercial negotiation between the parties; and (iii) there was no assurance as to whether the parties would proceed to enter into any definitive agreement in relation to the Possible Acquisitions. As there is no assurance that the parties will proceed to enter into any definitive agreement in relation to the Possible Acquisitions and no consent has yet been provided by the relevant counterparties and target companies for public disclosure of confidential information of the target companies, the relevant financial information of the target companies in relation to the Possible Acquisitions have not been included in this prospectus. If we enter into legally binding

agreement in respect of any of the Possible Acquisitions after Listing, we will comply with the requirements under the relevant guidance letter issued by the Hong Kong Stock Exchange and the Listing Rules (including the requirement of making further announcement(s) under Chapter 14 of the Listing Rules) as and when appropriate.

Save for the Heilongjiang Acquisition and the Sanjiu Acquisition, none of the Post-Track Record Period Acquisitions had been completed as of the Latest Practicable Date.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the Post-Track Record Period Acquisitions. For details, see "Waivers from Strict Compliance with the Listing Rules — Waiver from Strict Compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules" in this prospectus.

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we had 29 principal subsidiaries operating our core businesses. The table below sets forth the details of our 29 principal subsidiaries:

No.	Name of the Principal Subsidiaries	Date of Incorporation	Fully Paid Registered Capital as of the Latest Practicable Date	Attributable Interest to our Group as of the Latest Practicable Date	Principal Business
1.	CR Pharmaceutical Holdings	March 22, 2007	RMB10,000,000,000	100%	Investment holding
2.	CR Pharmaceutical Investment	July 4, 2003	RMB500,000,000	100%	Investment holding
3.	CR Sanjiu (Note 1)	April 21, 1999	RMB978,900,000	63.60%	Manufacturing of pharmaceutical products
4.	CR Dong-E (Note 2)	December 9, 2004	RMB422,771,675	56.62%	Investment holding
5.	Dong-E-E-Jiao (Note 3)	June 4, 1994	RMB654,021,537	17.76%	Manufacturing of pharmaceutical products
6.	Beijing Pharmaceutical	March 28, 1987	RMB2,320,000,000	100%	Investment holding
7.	CR Double-Crane (Note 4)	May 16, 1997	RMB724,470,631	59.99%	Manufacturing of pharmaceutical products
8.	CR Pharmaceutical Commercial	December 27, 2000	RMB1,191,703,356	100%	Trading of pharmaceutical products

No.	Name of the Principal Subsidiaries	Date of Incorporation	Fully Paid Registered Capital as of the Latest Practicable Date	Attributable Interest to our Group as of the Latest Practicable Date	Principal Business
Major subsidiaries of CR Sanjiu					
9.	Shenzhen China Resources Sanjiu Pharmaceutical Trading Co., Ltd. (深圳華潤三九醫藥貿易有限公司) (Note 5)	July 17, 1996	RMB60,000,000	63.60%	Sale of pharmaceutical products
10.	Shenzhen CR Jiuxin (Note 5)	January 27, 1992	RMB500,000,000	63.60%	Manufacturing of pharmaceutical products
Major subsidiaries of CR Double-Crane					
11.	Anhui Double-Crane Pharmaceutical Co., Ltd. (安徽雙鶴藥業有限責任公司) (Note 6)	September 13, 2000	RMB82,608,700	59.99%	Manufacturing of pharmaceutical products
12.	Beijing Double-Crane Pharmaceutical Management Co., Ltd. (北京雙鶴藥業經營有限責任公司) (Note 6)	July 21, 1988	RMB59,326,800	59.99%	Sale of pharmaceutical products
13.	Beijing Saike Changsheng Pharmaceutical Co., Ltd. (北京賽科昌盛醫藥有限責任公司) (Note 6)	April 7, 1995	RMB2,800,000	59.99%	Sale of pharmaceutical products
Major subsidiaries of CR Pharmaceutical Commercial					
14.	China Resources Shandong Pharmaceutical Co., Ltd. (華潤山東醫藥有限公司)	February 28, 2000	RMB200,000,000	100%	Sale of pharmaceutical products
15.	China Resources Liaoning Pharmaceutical Co., Ltd. (華潤遼寧醫藥有限公司)	March 7, 2011	RMB150,000,000	100%	Sale of pharmaceutical products

No.	Name of the Principal Subsidiaries	Date of Incorporation	Fully Paid Registered Capital as of the Latest Practicable Date	Attributable Interest to our Group as of the Latest Practicable Date	Principal Business
16.	China Resources Henan Pharmaceutical Co., Ltd. (華潤河南醫藥有限公司)	May 25, 2009	RMB245,146,800	100%	Sale of pharmaceutical products
17.	CR Nantong Pharmaceutical	April 16, 1995	RMB30,000,000	100%	Sale of pharmaceutical products
18.	China Resources Hebei Pharmaceutical Co., Ltd. (華潤河北醫藥有限公司)	June 23, 2011	RMB330,000,000	100%	Sale of pharmaceutical products
19.	CR Suzhou Li'an	January 1, 1980	RMB200,000,000	100%	Sale of pharmaceutical products
20.	CR Purenhong Pharmaceutical (Note 7)	November 3, 2000	RMB16,000,000	55.65%	Sale of pharmaceutical products
21.	CR Tianjin Pharmaceutical (Note 8)	March 10, 2003	RMB200,000,000	70%	Sale of pharmaceutical products
22.	CR Hubei Pharmaceutical (Note 9)	October 21, 1999	RMB352,000,000	60%	Sale of pharmaceutical products
23.	China Resources Xinlong (Shanxi) Pharmaceutical Co., Ltd. (華潤新龍(山西)醫藥有限公司) (Note 9)	August 10, 1999	RMB51,000,000	60%	Sale of pharmaceutical products
24.	CR Hunan Shuangzhou Pharmaceutical (Note 10)	December 1, 2011	RMB50,000,000	51%	Sale of pharmaceutical products
25.	CR Guangdong Pharmaceutical (Note 11)	December 25, 1993	RMB405,755,000	70%	Sale of pharmaceutical products

No.	Name of the Principal Subsidiaries	Date of Incorporation	Fully Paid Registered Capital as of the Latest Practicable Date	Attributable Interest to our Group as of the Latest Practicable Date	Principal Business
26.	China Resources Pharmaceutical (Shanghai) Co., Ltd. (華潤醫藥(上海)有限公司) (Note 12)	January 20, 1999	RMB50,000,000	70%	Sale of pharmaceutical products
27.	CR Hunan Ruige Pharmaceutical (Note 13)	January 10, 2013	RMB100,000,000	51%	Sale of pharmaceutical products
28.	China Resources Qingdao Pharmaceutical Company Limited (華潤青島醫藥有限公司)	March 26, 2007	RMB10,000,000	100%	Sale of pharmaceutical products
29.	China Resources Jilin Pharmaceutical Co., Ltd. (華潤吉林醫藥有限公司)	September 6, 2010	RMB200,000,000	100%	Sale of pharmaceutical products

(1) Shares of CR Sanjiu are listed on the Shenzhen Stock Exchange (stock code: 000999).

(2) CR Dong-E is owned as to 56.62% by CR Pharmaceutical Investment, and the remaining 25.38% and 18% by ChangRun Investment & Group Co., Ltd. (昌潤投資控股集團有限公司) and Liaochengshi Dongyuan Assets Management Co., Ltd. (聊城市東元資產經營有限公司) (both of which are substantial shareholders of CR Dong-E), respectively.

(3) Shares of Dong-E-E-Jiao are listed on the Shenzhen Stock Exchange (stock code: 000423). Dong-E-E-Jiao is a subsidiary of our Company, as CR Dong-E, a 56.62% owned subsidiary of our Company, controls a 23.14% interest in Dong-E-E-Jiao, being the single largest shareholder and is able to control the board of directors of Dong-E-E-Jiao. CR Pharmaceutical Investment also directly holds 4.66% interest in Dong-E-E-Jiao. See "Financial Information — Critical Accounting Policies — Control over Dong-E-E-Jiao" for further details of the basis of consolidation of Dong-E-E-Jiao.

(4) Shares of CR Double-Crane are listed on the Shanghai Stock Exchange (stock code: 600062). Beijing Pharmaceutical, a wholly-owned subsidiary of our Company, holds a 59.99% interest in CR Double-Crane.

(5) Each of Shenzhen China Resources Sanjiu Pharmaceutical Trading Co., Ltd. (深圳華潤三九醫藥貿易有限公司) and Shenzhen CR Jiuxin is a wholly-owned subsidiary of CR Sanjiu (a 63.60% owned subsidiary of our Company).

(6) Each of Anhui Double-Crane Pharmaceutical Co., Ltd. (安徽雙鶴藥業有限責任公司), Beijing Double-Crane Pharmaceutical Management Co., Ltd. (北京雙鶴藥業經營有限責任公司) and Beijing Saike Changsheng Pharmaceutical Co., Ltd. (北京賽科昌盛醫藥有限責任公司) is a wholly-owned subsidiary of CR Double-Crane (a 59.99% owned subsidiary of our Company).

(7) CR Purenhong Pharmaceutical is owned as to 55.65% by CR Pharmaceutical Commercial, 20% by Beijing Double Heron Pharmaceutical Co., Ltd. (北京雙鷺藥業股份有限公司) (a substantial shareholder of CR Purenhong Pharmaceutical), 15.5% by Zhang Zhichao (張智超) (a substantial shareholder of CR Purenhong Pharmaceutical), and the remaining 4.5%, 2.7% and 1.65% by Xu Jinxia (徐金霞), Yu Yan (于豔) and Xie Dongfang (解東方) (all of whom are Independent Third Parties), respectively.

(8) CR Tianjin Pharmaceutical is owned as to 70% by CR Pharmaceutical Commercial, and the remaining 15% and 15% by Tianjin Tianshili Import & Export Trading Co., Ltd. (天津天士力進出口貿易有限公司) and Caterpillar Fungus (Tianjin) Bio-technology Co., Ltd. (蟲草(天津)生物科技有限責任公司) (both of which are substantial shareholders of CR Tianjin Pharmaceutical), respectively.

(9) CR Hubei Pharmaceutical is owned as to 60% by CR Pharmaceutical Commercial, and the remaining 35% and 5% by Xinlong Pharmaceutical Co., Ltd. (新龍藥業有限公司) (a controlling shareholder of CR Hubei Pharmaceutical) and Hubei Huayi Jinghao Commerce & Trading Co., Ltd. (湖北華宜景皓商貿有限公司) (an Independent Third Party), respectively. China Resources Xinlong (Shanxi) Pharmaceutical Co., Ltd. (華潤新龍(山西)醫藥有限公司) is a wholly-owned subsidiary of CR Hubei Pharmaceutical.

(10) CR Hunan Shuangzhou Pharmaceutical is owned as to 51% and 49% by CR Pharmaceutical Commercial and Zhou Liping (周利平) (a controlling shareholder and the general manager of CR Hunan Shuangzhou Pharmaceutical), respectively.

(11) CR Guangdong Pharmaceutical is owned as to 70% by CR Pharmaceutical Commercial, and the remaining 29.75% and 0.25% by Chen Weilian (陳威廉) (a substantial shareholder and a director of CR Guangdong Pharmaceutical) and Zhou Mu (周睦) (an Independent Third Party), respectively.

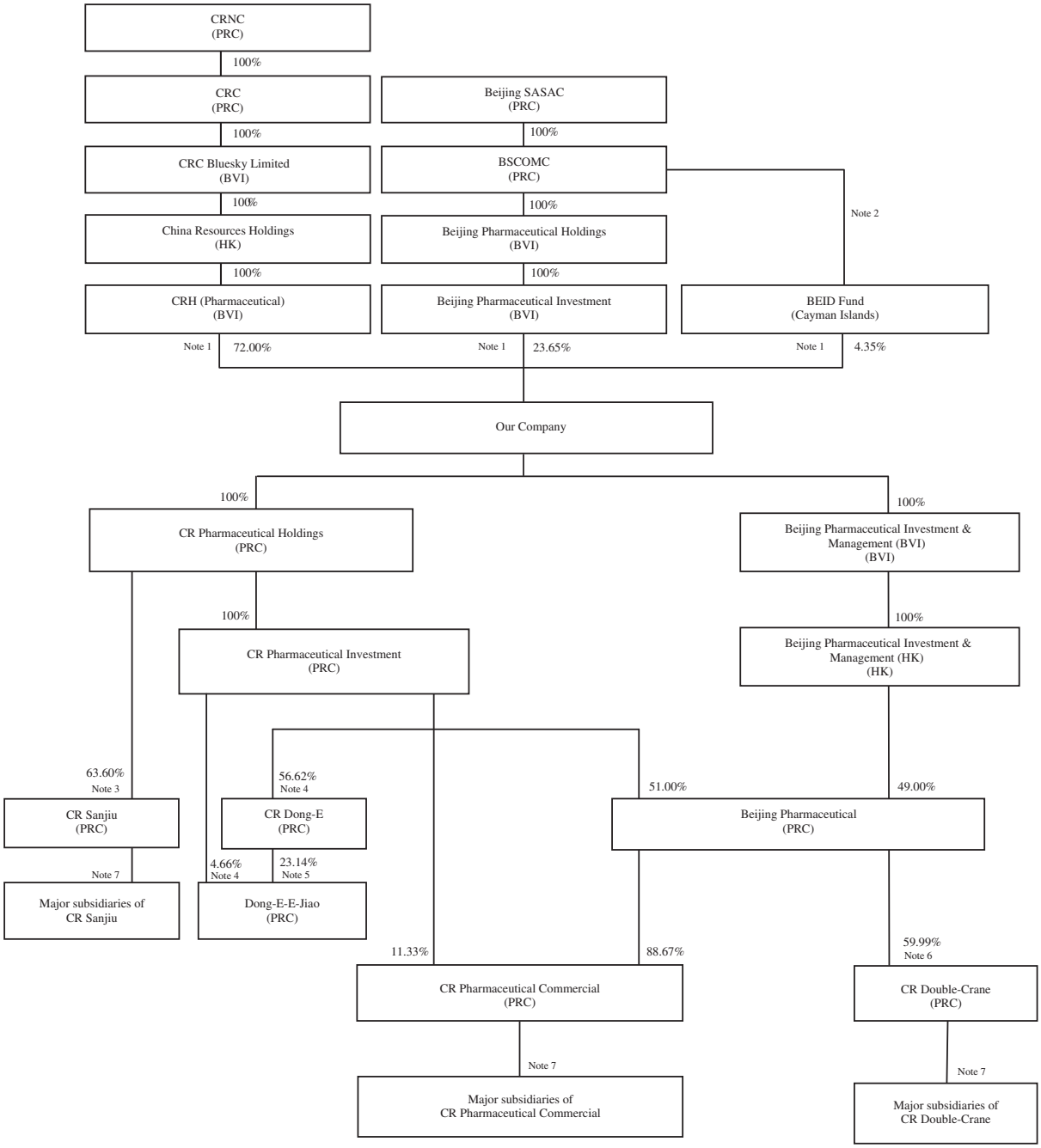
(12) China Resources Pharmaceutical (Shanghai) Co., Ltd. (華潤醫藥(上海)有限公司) is a wholly-owned subsidiary of Shanghai Shenwei, which is owned as to 70% by CR Pharmaceutical Commercial and 30% by Shanghai Xinshengyuan Pharmaceutical (Group) Co., Ltd. (上海欣生源醫藥(集團)有限公司) (a controlling shareholder of Shanghai Shenwei).

(13) CR Hunan Ruige Pharmaceutical is owned as to 51% and 49% by CR Pharmaceutical Commercial and Xiao Hongqi (肖紅旗) (a controlling shareholder and a director of CR Hunan Ruige Pharmaceutical), respectively.

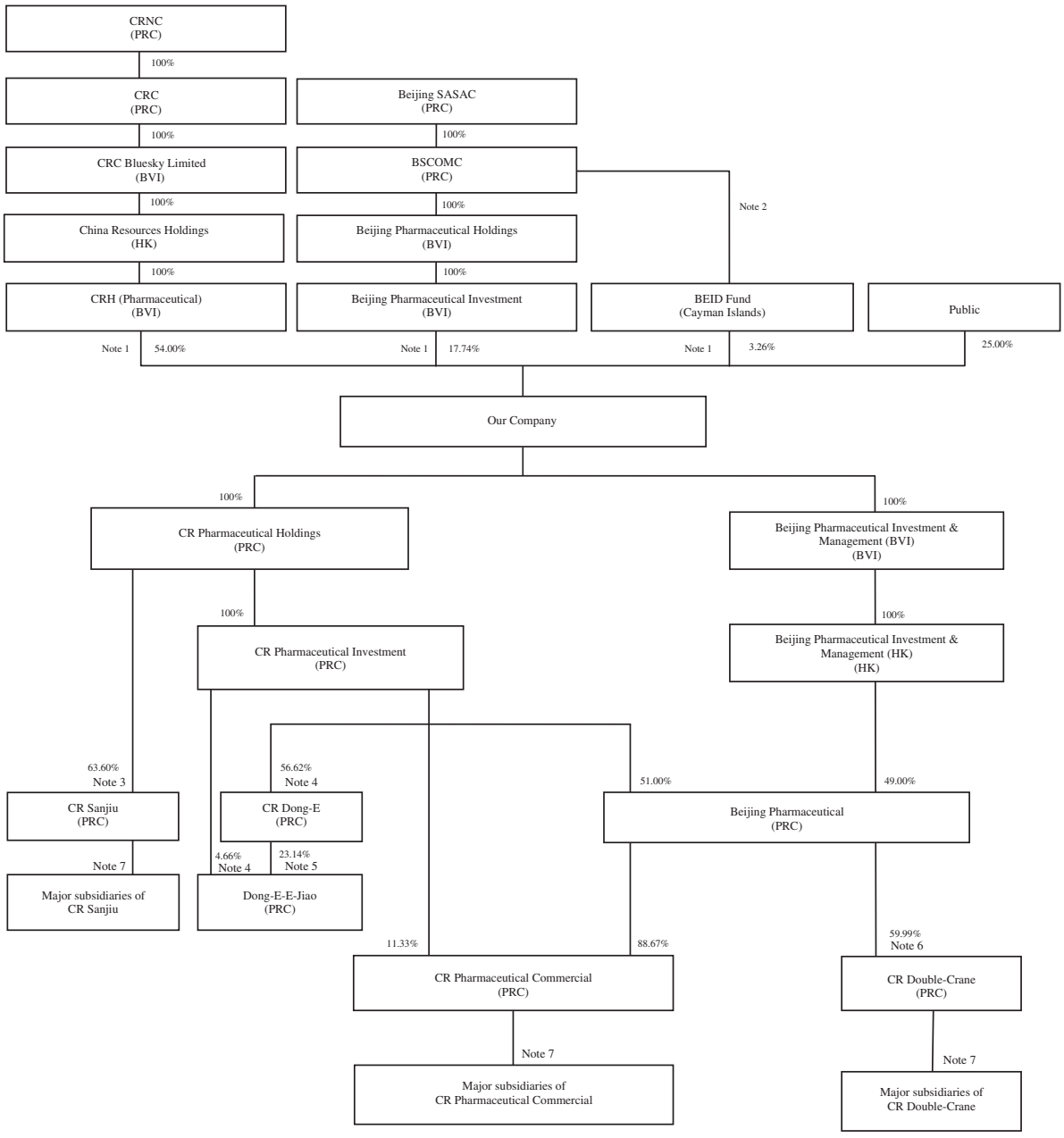
See Appendix I — "Accountants' Report" for details of the subsidiaries which principally affect the results, assets or liabilities of our Group during the Track Record Period.

CORPORATE STRUCTURE

The following diagram sets forth a simplified corporate structure of our Company and major subsidiaries immediately before the Global Offering:



The following diagram sets forth a simplified corporate structure of our Company and major subsidiaries immediately after the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) See "Controlling and Substantial Shareholders" in this prospectus for further details.

(2) By virtue of the SFO, BSCOMC is deemed to have an interest in the 201,438,849 Shares (representing approximately 4.35% of the total number of Shares of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)) held by BEID Fund, an exempted limited partnership registered in the Cayman Islands, by reason of a series of funds and corporate structures each of which, individually, is interested in less than 5% in the voting Shares of our Company.

(3) Shares of CR Sanjiu are listed on the Shenzhen Stock Exchange (stock code: 000999). 63.60% interest in CR Sanjiu is held by CR Pharmaceutical Holdings, being its controlling shareholder, and the remaining 36.40% interest is held by the public shareholders who, to the best knowledge and information of the Directors, are Independent Third Parties.

(4) CR Dong-E is owned as to 56.62% by CR Pharmaceutical Investment, and the remaining 25.38% and 18% by ChangRun Investment & Group Co., Ltd. (昌潤投資控股集團有限公司) and Liaochengshi Dongyuan Assets Management Co., Ltd. (聊城市東元資產經營有限公司) (both of which are substantial shareholders of CR Dong-E), respectively.

(5) Shares of Dong-E-E-Jiao are listed on the Shenzhen Stock Exchange (stock code: 000423). Dong-E-E-Jiao is a subsidiary of our Company, as CR Dong-E, a 56.62% owned subsidiary of our Company, controls a 23.14% interest in Dong-E-E-Jiao, being the single largest shareholder and is able to control the board of directors of Dong-E-E-Jiao. CR Pharmaceutical Investment also directly holds 4.66% interest in Dong-E-E-Jiao. The remaining 72.20% interest in Dong-E-E-Jiao is held by the public shareholders who, to the best knowledge and information of the Directors, are Independent Third Parties.

(6) Shares of CR Double-Crane are listed on the Shanghai Stock Exchange (stock code: 600062). Beijing Pharmaceutical, a wholly-owned subsidiary of our Company, holds a 59.99% interest in CR Double-Crane. The remaining 40.01% interest in CR Double-Crane is held by the public shareholders who, to the best knowledge and information of the Directors, are Independent Third Parties.

(7) See "— Our Principal Subsidiaries" for details of the major subsidiaries of CR Sanjiu, CR Double-Crane and CR Pharmaceutical Commercial.

(8) We have a complex group structure due to our historical developments, strategic business developments, and geographical coverage of our business operations.

OVERVIEW

We are a leading integrated pharmaceutical company in China, engaged in the research and development, manufacturing, distribution and retail of a broad range of pharmaceutical and other healthcare products. We primarily operate in the following three segments:

- *Pharmaceutical manufacturing*. We engage in the research and development, manufacturing and sale of an extensive range of pharmaceutical and other healthcare products.

- *Pharmaceutical distribution*. We provide comprehensive, intelligent and integrated distribution solutions to pharmaceutical manufacturers and dispensers, such as hospitals and other medical institutions, distributors and retail pharmacies.

- *Pharmaceutical retail*. We operate and franchise a network of retail pharmacies across 16 provinces in China and Hong Kong, with an extensive and diverse product offering.

We enjoy leading positions across multiple segments of the PRC pharmaceutical industry. According to Frost & Sullivan, we were the second largest pharmaceutical manufacturer and pharmaceutical distributor in China, respectively, in terms of revenue in 2015. In particular, we were the largest manufacturer of OTC drugs in China in terms of revenue in 2015, maintaining a market leading position through our CR Sanjiu, Dong-E-E-Jiao and CR Zizhu brands. We also enjoy market leading positions in nutritional Chinese medicines, cardiovascular medicines, cold and flu remedies, large-volume IV infusion and emergency contraceptives.

We have experienced stable growth in recent years. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our revenue was HK$116,950.7 million, HK$135,749.2 million, HK$146,568.1 million, HK$71,262.9 million and HK$75,615.5 million, respectively, and our profit for the year or period was HK$5,454.6 million, HK$5,491.9 million, HK$6,082.2 million, HK$3,861.6 million and HK$3,180.5 million, respectively.

COMPETITIVE STRENGTHS

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

Integrated pharmaceutical company with market-leading positions in China, well-positioned to capture the attractive growth potential in the PRC healthcare market

Compared to many developed countries, total healthcare expenditure as a percentage of GDP in China has remained relatively low, and the healthcare industry in China has great potential for future growth. The market size of the PRC healthcare industry is expected to grow at 1.5 times of the GDP growth rate, reaching RMB6.2 trillion by 2020, driven largely by an aging population and the resulting epidemiological transition, heightened health awareness, favorable government policies and increasing affordability of pharmaceutical products.

The PRC pharmaceutical industry is highly fragmented with substantial potential for consolidation. In recent years, various favorable PRC government policies have contributed to the continued expansion and consolidation of the pharmaceutical industry. As a leading state-owned integrated pharmaceutical company in China, we believe we are well-positioned to capture this industry trend.

We enjoy leading positions across multiple segments of the PRC pharmaceutical industry. According to Frost & Sullivan, we were the second largest pharmaceutical manufacturer and pharmaceutical distributor in China, respectively, in terms of revenue in 2015. In particular, we were the largest manufacturer of OTC drugs in China in terms of revenue in 2015, maintaining a market leading position through our CR Sanjiu, Dong-E-E-Jiao and CR Zizhu brands. We also enjoy market leading positions in nutritional Chinese medicines, cardiovascular medicines, cold and flu remedies, large-volume IV infusion and emergency contraceptives.

We believe that our diversified business segments and product portfolio across the PRC pharmaceutical industry will not only help us mitigate the risks and uncertainties associated with an individual product area, but also enable us to benefit from government policies. For example, (i) although the "hierarchical diagnosis and treatment" (分級診療) policy may divert certain healthcare service demand from major hospitals, and may negatively impact our sales to these large hospitals, we expect such policy to benefit our pharmaceutical manufacturing and pharmaceutical distribution businesses to the extent that we can leverage our extensive coverage of primary medical institution customers that provide healthcare services to a significant portion of the PRC population with chronic and common diseases; (ii) the "two-invoice system" (兩票制), which only allows a single level of distributor for the sale of pharmaceutical products from the manufacturers to the hospitals, is expected to benefit, in the long-term, our pharmaceutical distribution business which has a broad network of hospital customers, despite limited short-term negative impact on our sales to sub-distributors in our pharmaceutical distribution business; and (iii) the "separation of prescribing from dispensing" (醫藥分家) policy is intended to foster the long-term sustainable growth of the PRC healthcare and pharmaceutical industries in general, and is expected to bring great growth potential to our pharmaceutical retail business.

Strong mergers and acquisitions and integration capabilities with a proven track record

We have emerged as a market leader in the PRC pharmaceutical industry through a series of strategic acquisitions and integrations, including the restructuring of Sanjiu Enterprise (三九企業集團) and Beijing Pharmaceutical, since our inception in 2007.

Applying our industry insights and experience, we strategically identify acquisition targets to expand our product portfolio and distribution network. Capitalizing on our brand name, extensive mergers and acquisitions experience, strong management capabilities and financial strength, we have been able to consummate the acquisitions in a competitive environment. We leverage our integration capabilities and highly effective business model to assist the acquired entity to formulate new strategies, improve corporate governance, enhance business operations and implement market-based incentive mechanisms.

Our major successful mergers and acquisitions and integration cases include the following:

- In 2007, we restructured and repositioned Sanjiu Enterprise as our principal business platform for OTC drugs and Chinese medicines. Through divesture of non-core businesslines, strategic acquisitions and organic growth, CR Sanjiu has strengthened its core business and achieved a market leading position in OTC drugs and Chinese medicines. We have also injected Chinese medicine-related assets into CR Sanjiu and optimized its management system by introducing our proprietary "6-System" management system. As a result, CR Sanjiu achieved a 301.4% growth in net profit from 2006 to 2010.

- Following our acquisition of Beijing Pharmaceutical in 2010, we used CR Pharmaceutical Commercial to consolidate our pharmaceutical distribution segment, and have further expanded our distribution network through the acquisition of over 60 regional pharmaceutical distributors. We also provided financial assistance to CR Pharmaceutical Commercial and implemented advanced operation models and information management systems to further realize economies of scale and synergies. From 2010 to 2015, revenue of CR Pharmaceutical Commercial achieved a CAGR of 54.0%, and net profit of CR Pharmaceutical Commercial achieved a CAGR of 68.0%.

We believe our strong mergers and acquisitions and integration capabilities and experience will enable us to capture more consolidation opportunities, strengthen our leadership position in the PRC pharmaceutical industry and enhance our profitability.

Leading pharmaceutical manufacturer in China with one of the most comprehensive product portfolios, well-recognized brands and outstanding capabilities in research and development, production and marketing

We have one of the most comprehensive pharmaceutical product portfolios among all pharmaceutical manufacturers in China, covering a range of therapeutic areas with good growth potential, such as cardiovascular system, cold and cough, anti-infection, reproductive health, alimentary tract and metabolism, dermatology and pediatrics. We also manufacture and sell nutritional and health products. As of June 30, 2016, our pharmaceutical product portfolio comprised 294 chemical drugs, 160 Chinese medicines, nine biopharmaceutical drugs and 42 other pharmaceutical products, among which we were the sole manufacturer of 79 products. In 2015, we had 32 products with annual sales revenue of over HK$100 million each, among which we had four products with annual sales revenue of between HK$500 million and HK$1.0 billion, and six products with annual sales revenue of over HK$1.0 billion.

In particular, we have strong competitive advantages and a proven track record in our OTC and prescription drugs businesses. We have developed a full suite of "family medicines" that are OTC products and cover areas such as cold and cough, alimentary tract and metabolism, dermatology and orthopedics. As a result, CR Sanjiu was one of the only three pharmaceutical companies named among the "Most Valuable Chinese Brands" for six consecutive years from 2011 to 2016 by WPP, a global

leading company in advertising and marketing services. Our E-Jiao products enjoy strong brand recognition and large market share in China because of their unique nutritional value, therapeutic effect, historical roots and authenticity. In 2014 and 2015, Dong-E-E-Jiao was named as one of the 50 "Best China Brands" by Interbrand, an international leading brand consultancy.

We have launched diversified marketing and promotional activities and established strong sales channels for our OTC products. CR Sanjiu had one of the most extensive sales channels for OTC drugs in China, covering nearly 300,000 retail pharmacies as of June 30, 2016, and continually nurtures its relationship with retail outlets and local communities through a variety of activities and events. Dong-E-E-Jiao has made "cultural experience marketing" (文化體驗營銷) a nexus of its promotional initiatives and has embedded tourism, such as the China E-Jiao Museum located in Dong E county, into its overall marketing blueprint. Dong-E-E-Jiao organizes its marketing and promotional activities under the tenet of the "life nourishment" (養生) philosophy in traditional Chinese medicine, and has been able to market its E-Jiao product series at a premium to same or similar products.

Our prescription drug business has served a significant portion of the PRC population through the extensive network of our hospital and other medical institution customers, and benefits from favorable national healthcare policies. In 2015, the revenue from our drugs for chronic diseases accounted for approximately one third of our revenue from chemical drugs. We actively engage in a wide range of promotional and educational activities, often in collaboration with national-level professional associations and under the auspices of the NHFPC, that are designed to improve the essential knowledge, skills and abilities of physicians and other medical practitioners, while disseminating product information to hospitals and medical institutions at all levels. For example, we have launched "Crane Call Project" (鶴鳴行動) and "Crane Dance Project" (鶴舞行動) in relation to our cardiovascular disease products, and "CR Double-Crane's NICU Western Development Strategy" (華潤雙鶴NICU(新生兒重症監護中心)西部行項目) in relation to our pediatrics products, and have received nationwide attention and success. As of June 30, 2016, we had established 81 peritoneal dialysis centers in collaboration with our hospital partners and in promotion of the peritoneal dialysis solution, our major nephrology product.

We follow stringent quality control standards and procedures, and have obtained the necessary PRC GMP certifications for our production lines, certain of which have also been certified pursuant to the cGMP standards of the United States, the GMP standards of the European Union or the PQ supplier certification of the WHO. We also export our Amlodipine Besylate tablets (Yashida), a medicine for the treatment of hypertension and angina pectoris, to the US market. In 2014, CR Sanjiu became a contract manufacturer of F. Hoffmann-La Roche Ltd. for Rocephin (cephalosporin), its core antibiotic product and the first PRC pharmaceutical manufacturer to collaborate with a renowned multinational pharmaceutical manufacturer in the manufacture of sterile preparation products.

Research and development is key to our long-term competitiveness, and has been our high-priority area. Employing a market-driven approach in identifying product development opportunities, we focus our research efforts on a broad spectrum of innovative drugs and first-to-market generic drugs in therapeutic areas of significant potential market demand. We conduct our independent research and development activities through the Pharmaceutical R&D Center, our subsidiary, and the research and development departments of our manufacturing subsidiaries, which administer the National Research Center for Gelatin Traditional Chinese Medicine Engineering and

Technology (國家膠類中藥工程技術研究中心) and the National Research Center for Proprietary Chinese Medicine Engineering and Technology (國家中成藥工程技術研究中心). We also collaborate with external research partners, including leading research institutions such as the Institute of Biophysics of the Chinese Academy of Sciences (中國科學院生物物理研究所) and the National Center for Nanoscience and Technology (國家納米科學中心), leading universities and hospitals.

Our research and development capabilities have been well-recognized. For example, our research program on Shenfu injections received the Second Prize of the National Science and Technology Progress Award (國家科學技術進步獎二等獎) in 2013, and our research programs on Cefazolin Sodium Pentahydrate for injection (Xintailin) and Honghua injection both won the Second Prize of the National Science and Technology Progress Award in 2015. We have also established a pipeline of product candidates to ensure a steady stream of new product launches, as well as sustainable future growth. As of June 30, 2016, we had 33 drug candidates pending approval for production, 25 drug candidates in various stages of clinical trials and ten drug candidates pending approval to enter clinical trials. In addition, we are also actively engaged in product improvement, indication expansion and product lifecycle management of our pharmaceuticals.

Leading pharmaceutical distribution and pharmaceutical retail businesses in China, with a nationwide network, providing highly professional, efficient and innovative value-added pharmaceutical supply chain services to our customers

We are a leading pharmaceutical supply chain solution provider in China, and ranked second in the PRC pharmaceutical distribution business in terms of revenue in 2015 according to Frost & Sullivan. We provide logistics and dispatch, marketing promotions and other value-added services of pharmaceuticals to both our upstream suppliers and downstream customers.

We have established a nationwide pharmaceutical distribution network, with 109 subsidiaries in 19 provinces as of June 30, 2016. We have more than 6,000 distributor customers, covering all of the 31 provinces across the nation. We have an extensive customer base of over 66,000 downstream customers. By leveraging our strength in high-end pharmaceutical products, we focus on direct sales with high gross profit margin. In 2015, our direct sales to hospitals and other medical institutions accounted for 61.1% of external sales from our pharmaceutical distribution business. Our pharmaceutical distribution network reached more than 60,000 medical institutions and retail outlets, including 1,165 Class III hospitals in China as of June 30, 2016.

Our extensive coverage of and strong cooperative relationships with end-customers have also contributed to the development of our cooperative relationships with more high-quality upstream suppliers. We have established long-term stable cooperative relationships with nearly 10,000 upstream suppliers. We also had the nationwide exclusive rights to sell 47 pharmaceutical products and medical devices from large domestic and international pharmaceutical companies in the PRC as of June 30, 2016. We have also strengthened our relationships with existing suppliers through the provision of value-added services such as import and ancillary services, sales of "Direct-to-Patient" products, collection of market information, aggregation of end-customers, product analysis and supply-chain management consulting services.

In order to achieve high efficiency in our distribution to end-customers, we have 114 logistics centers in China, with a gross floor area of over 780,000 square meters. As of June 30, 2016, 89.5% of those at the provincial level had adopted the automatic Warehouse Management System, equipped with cold chain management capabilities recognized by international pharmaceutical manufacturers.

In particular, through our outstanding innovative value-added services, we have maintained excellent and stable reciprocal win-win business relationships with downstream customers in the following ways:

- Through the provision of various innovative value-added services to medical end-users, we have extended our professional pharmaceutical logistics management system to hospitals and provided a more efficient, convenient and economical management solution. We are the first provider of hospital logistics intelligent integration value-added services to end-users in China, for which we own the copyright of the relevant computer software, and we have provided such services to each stage of the internal pharmaceutical management at over 100 large-scale hospitals nationwide.

- Data collected during the process of provision of innovative value-added services have also enabled us to offer data services to regulatory authorities, provide information about the flow of pharmaceuticals and help regulate prescribing activities.

Our retail pharmacy network of 722 retail pharmacies includes a number of national and regional well-known brand names and is located primarily in more economically developed regions. According to Frost & Sullivan, we had the ninth largest retail pharmacy network in China in terms of revenue in 2015. We have also sought new profit opportunities by proactively improving our service model in the following ways:

- We employ the "Direct-to-Patient" service model, introduced from renowned multinational pharmaceutical companies, for high-value specialty pharmaceutical products, and have effectively increased the gross profit for individual pharmacies. As of June 30, 2016, we had established 57 "Direct-to-Patient" pharmacies in 25 cities nationwide.

- We have strategically expanded our e-commerce platform. CR Pharma e-Store (www.hrhnyy.cn) (潤藥商城), our integrated online service platform targeting Henan province, was launched in 2015 and provides services to our distributor customers and pharmacy customers on online ordering and offline purchases, which has effectively expanded our local businesses. In 2015, the online gross merchandise volume of CR Pharma e-Store reached RMB3.6 billion.

- To better capture the opportunities brought by the "separation of prescribing from dispensing (醫藥分家)" policy, we have been establishing hospital pharmacies since 2011. As of June 30, 2016, we had 32 hospital pharmacies nationwide.

Integrated business model to strategically realize synergies across business segments and potential for resources sharing

Our integrated business model enables us to benefit from all major stages of the pharmaceutical industry value chain, namely research and development, manufacture and distribution and retail sales. We enjoy synergies arising from our coordinated efforts across business segments.

Our pharmaceutical manufacturing, distribution and retail businesses enjoy a mutually beneficial relationship. Our pharmaceutical distribution business regularly assists our pharmaceutical manufacturing business in promoting our products to hospitals and other medical institutions by leveraging its extensive network of customers. Our pharmaceutical retail business facilitates the promotion and sale of our OTC products and nutritional and health products through its extensive retail pharmacy network. Our distribution and retail businesses also help our manufacturing business by advising on tender strategies in the centralized tender process and on the growth strategies of retail pharmacies and other outlets for OTC products and nutritional and health products. On the other hand, our distribution and retail businesses also benefit from our manufacturing business through the distribution and sale of its products. Compared with third-party manufacturers and distributors, our manufacturing business and distribution business enjoy greater flexibility in making coordinated sales efforts, allowing us to offer additional benefits to customers, including increased supplier stability and efficiency.

We enjoy the synergies under our integrated business model in the following ways:

- Our research and development teams work closely with our manufacturing and sales and marketing teams on (i) the introduction of new products by utilizing external resources; (ii) the continual improvement of the quality and technical caliber of our products; and (iii) the development of products that are commercially viable;

- Centralized procurement has increased our bargaining power and reduced procurement costs, and enhanced our overall standard of quality control for raw materials; and

- We have adopted robust internal controls and a vertical management model, and focus on the establishment of an effective information technology system, which has enhanced the synergies among and operational efficiency of our subsidiaries.

Our controlling shareholder, China Resources Holdings, is a diversified holding company registered and operating in Hong Kong, and one of the leading state-owned enterprises in China. It was ranked 91st globally on the 2016 Fortune 500 list. China Resources Holdings has an outstanding track record in creating and nurturing industry leaders, and has seven core businesses, namely consumer products, power, real estate, cement, gas, pharmaceuticals and finance. "China Resources" is a highly recognizable brand in mainland China and Hong Kong, with a history of nearly 70 years. We are well positioned to benefit from the comprehensive and in-depth experience of subsidiaries of China Resources Holdings in the PRC market and across industry sectors. We share the corporate culture

with China Resources Holdings, which upholds integrity as its core value, and have formulated stringent business management and risk control mechanisms tailored for our own business. We also share resources with China Resources Holdings in training programs, which has enhanced the cross-disciplinary expertise and skills of our employees.

We have close cooperative relationships with subsidiaries of China Resources Holdings. For example, our products are sold in retail outlets under CR Vanguard (華潤萬家), one of the largest supermarket chains in Hong Kong and China, and through the e-commerce platform of J1.com (健一網). We also benefit from the comprehensive financial solutions provided by CR Capital (華潤金融), whose businesses encompass banking, trust, asset management and leasing.

Professional management team with extensive experience, international vision and superior execution capabilities, as well as effective management system

As a large-scale enterprise headquartered in Hong Kong that has been in operation for almost a decade, we have a corporate governance in line with international standards, which is a key strength in our business expansion and cooperation with multinational companies. We operate in both Hong Kong and China, and our extensive international capital markets experience has laid a solid foundation for our development of financing platforms in both Hong Kong and China.

We have effective strategic, operational and financial systems. Our proprietary "6-System" is a strategy-driven professional management system, comprising a business strategy system, master budget system, management reporting system, internal audit system, performance measurement system and manager evaluation system, which provides assurance to our operational effectiveness and efficiency. Our "5C" system is a value-based financial management system centered on "capital structure, cash generation, cash management, capital raising and capital allocation," through which we create value and effectively control risks to ensure sustainable development.

In addition, our management team has an international vision. It is highly experienced in various business segments across the pharmaceutical industry and all key aspects relating to the corporate governance of a large-scale enterprise. Our senior management team members have, on average, over 19 years of experience in their respective professional areas. All members of our senior management have advanced degrees from renowned academic institutions in China and globally, as well as extensive knowledge and professional experience in management, medicine, corporate finance, accounting or law.

Our management team values teamwork, innovation and excellence. Our global and market-based human resources system has ensured a stable supply of talents for mid-level and senior management teams. We believe our management team's professional management knowledge and skills will enable us to continually capture market opportunities in the attractive PRC pharmaceutical industry and to enhance our profitability.

BUSINESS STRATEGIES

Our goal is to capitalize on our existing market-leading positions across the pharmaceutical manufacturing, distribution and retail businesses to further strengthen and broaden our capabilities in order to stay at the forefront of our growing industry. We believe our comprehensive business portfolio, strong brand name, outstanding operating capabilities, nationwide production facilities and extensive distribution networks will enable us to pursue the following strategies:

Continue to expand our pharmaceutical manufacturing business to further enrich our product portfolio to generate long-term sustainable growth

We plan to expand our chemical drug business and solidify our leadership positions in Chinese medicines, OTC medicines and health products. Specifically:

- In the chemical drugs sector, we plan to fully realize the growth potential of our core therapeutic areas, such as cardiovascular system, pediatrics, infusion, nephrology, anti-infective, diabetes medication and reproductive health through the launch of products that are complementary to our portfolio. We intend to expand our product portfolio through both acquisition and research and development. We also seek to expand into other high-growth therapeutic areas such as the central nervous system, anesthesia and respiratory system, in an effort to build a comprehensive product portfolio across chronic disease treatment, intravenous therapies and specialty therapies. We plan to further foster synergies among our different product areas with regards to end-customers, marketing channels and brand names.

- In the Chinese medicine sector, we plan to capture opportunities arising from favorable national policies that promote the development of Chinese medicines and continue to extract the clinical and market value of Chinese medicines. In the OTC medicine market, we plan to leverage our industry leading brand equity and marketing capabilities to further increase our market share by expanding our product portfolio in therapeutic areas such as cold and flu, alimentary tract, pediatrics and orthopedics. In the prescription medicine market, we will devote our resources on the development in product areas of cardiovascular system, oncology, alimentary tract and orthopedics to develop market-leading blockbuster products.

- We plan to further strengthen our E-Jiao product series, develop a series of brands centered around our existing E-Jiao products, enhance control over the critical stages of the E-Jiao production value chain and fully utilize our global raw material supply and customer base. Through the cultural experience of the traditional Chinese notion of "life nourishment" (養生) and our "Value Restoration" (價值回歸) project, we aim to fully realize the potential value of E-Jiao products, promote brand recognition among our high-end customers and provide "lifetime value" (終身價值) to our customers.

In addition, we plan to further differentiate ourselves from our competitors by offering Chinese medicine health management services, such as on-site consultation by Chinese medicine physicians and life nourishment experiences.

Further enhance our leadership as a comprehensive distribution solution provider through continued excellence and innovation

We intend to expand our market share and increase our efficiency by optimizing our nationwide networks. We plan to establish more provincial-level subsidiaries to ensure direct coverage over local markets and hospitals. We also expect to enhance our penetration into major provinces and become a leading distributor in these regions. We aim to become a national one-stop distribution solution provider, while strengthening cooperation with pharmaceutical manufacturers and increasing our bargaining power under the new "two-invoice system."

In addition, we intend to optimize our product portfolio and offer more products with high clinical and market value, or those with higher margin such as medical devices. To address the unmet demand for premium healthcare products as a result of changes in consumption patterns in China, we plan to enhance our cooperation with leading international pharmaceutical companies and introduce more high-end pharmaceutical and nutritional products.

We also plan to further address customers' needs in areas such as inventory management and expand our existing value-added services to provide intelligent pharmaceutical supply chain solutions, such as "Hospital Logistics Intelligence," "Network Hospital Logistics Intelligence," manufacture marketing services and comprehensive data management.

We intend to take advantage of the new and forthcoming government policies, such as the "hierarchical diagnosis and treatment" (分級診療) and the "separation of prescribing from dispensing" (醫藥分家), to further integrate our pharmaceutical distribution business with pharmaceutical retail business. On one hand, we intend to build upon our strong financial resources and consolidation experience to increase the scale and profitability of our pharmaceutical retail business. On the other hand, we plan to expand our emerging business models, such as "Direct-to-Patient" services and hospital pharmacies. In addition, we intend to expand our offering of value-added services such as on-site consultation by Chinese medicine physicians, and develop chronic disease treatment by pharmacy consulting, patient education and health-monitoring.

We intend to increase investment in information technology and upgrade existing systems, such as the Enterprise Resource Planning System and Warehousing Management System, to provide technology support for our pharmaceutical distribution and intelligent logistics services. In order to capitalize on the rapid growth of the e-commerce industry, we plan to further explore innovative "business-to-business," "business-to-customer" and "online-to-offline" business models:

- Under the "business-to-business" model, we intend to further develop the databases and information exchange platforms that connect suppliers and customers in order to provide integrated information solutions to distributors and hospitals.

- Under the "business-to-customer" model, we intend to launch a "cloud-based hospital" for patients in Guangdong province. This "cloud-based hospital" is established on the basis of advanced cloud technology and online payment solutions which aim to provide patients

with integrated online and offline medical services, including online clinic appointment, pre-diagnosis reminders, diagnosis, payment, medication delivery, disease prevention and chronic disease management. We believe that our "cloud-based hospital" could improve patient experience and create an intelligent hospital ecosystem.

- Under the "online-to-offline" model, we intend to cooperate with community doctors, collect information on chronic disease prescriptions for rural regions, and, through our strong delivery network, resolve the long-standing problem of delivering chronic disease medications to rural patients.

Strategically position ourselves in the fast growing biopharmaceutical market, focus on research and innovation, and further upgrade our pharmaceutical manufacturing capabilities

We plan to accelerate our investment in the fast-growing biopharmaceutical market. In the near- to medium-term, we will focus our acquisition efforts mainly on biopharmaceutical companies with unique products and technological competitive advantages, which could serve as a platform for us to rapidly launch biopharmaceutical products to reach a sizable scale. We aim to promote in-depth cooperation between our research and development platform with external research institutions and large multinational biopharmaceutical companies in order to gain technological and operational experience and build up our own research and development pipeline. For example, in June 2016, we signed a strategic cooperation agreement with WuXi AppTech (藥明康德) in the area of biopharmaceutical product development. In addition, we have unique advantages to benefit from the strategic investment in high-quality biopharmaceutical companies by China Resources Holdings, our controlling shareholder.

We will continue to enhance our research and development capabilities by fully utilizing our existing expertise, customer base and commercial channels, and build a comprehensive research and development platform. To that end, we intend to increase our investment in research and development, establish a robust incentive mechanism and assemble an industry-leading research and development team. Meanwhile, we will manage and develop our research and development pipeline based on a comprehensive assessment of recent development in our industry's technology, the evolution of the spectrum of major diseases in China, and the current status of product development in various market segments. Through these measures we aim to strengthen our product offerings in our core therapeutic areas, proactively develop innovative products for new therapeutic areas, and eventually build an optimal portfolio of generic drugs and innovative drugs. We believe collaborations with pharmaceutical manufacturing partners globally will also significantly enhance our pharmaceutical research and development capabilities.

Continue to pursue strategic acquisitions to further consolidate our leadership positions in the pharmaceutical industry

The pharmaceutical industry in China is highly fragmented with intense competition at the lower end of the market. We believe the current industry dynamics, along with the promotion of the coordinated reform of healthcare services, medical insurance and pharmaceuticals (三醫聯動), provides industry leaders with ample opportunities for consolidation that will change the industry paradigm and competitive landscape.

For our pharmaceutical manufacturing business, we intend to strategically enter into the fast-growing biopharmaceutical and therapeutic areas. We also seek to increase our offerings of high-end chemical drugs through mergers and acquisitions, strategic investment and consolidation. We will selectively acquire pharmaceutical companies with differentiated product portfolios focusing on areas such as the cardiovascular system, central nervous system, oncology and respiratory system. Moreover, we intend to selectively acquire products with substantial growth potential or products that are complementary to our existing offerings.

For our pharmaceutical distribution and pharmaceutical retail businesses, we intend to expand our distribution networks through acquisitions, with a goal of nationwide coverage in China by 2020. Meanwhile, we will seek to invest in or acquire regional leading pharmaceutical distributors and retailers that have strong relationships with hospitals and other medical institutions.

In pursuing acquisitions, we will continue to be flexible in transactional structures. We may acquire full ownership, controlling interest or minority interest in the targets. We may also conduct acquisitions in stages. We intend to enhance the performance and marketing capabilities of the acquired companies by sharing our management and operating experience, to optimize their business models and to help them establish a competitive incentive system. Through a continued focus on effectively integrating and enhancing the businesses we acquire, we plan to maximize synergies brought by the acquisitions.

We intend to use 45% of the net proceeds from this Global Offering to undertake acquisitions. As of the Latest Practicable Date, we have been identifying and approaching various acquisition targets covering areas such as biologics, nutritional and health food and PRC regional pharmaceutical distribution, although we had not formed any definitive intent to acquire any target.

Continue to extract and maximize synergies in our integrated business model and optimize resource allocation and operating efficiency

We intend to enhance internal collaboration and maximize synergies in our integrated business model.

We will continue to integrate our pharmaceutical manufacturing business through increased consolidation and cooperation in aspects such as market-entry, sales channels and end-customers. We also intend to enhance the synergies among our pharmaceutical operations spanning manufacturing, distribution and retail. For example, we plan to centralize the coordination and allocations of product and customer resources to capture the growth opportunities arising from "hierarchical diagnosis and treatment" (分級診療) and chronic disease management.

We strive to enhance the sharing of logistics and product resources between our pharmaceutical distribution business and pharmaceutical retail business to further reduce costs and to improve our services for upstream suppliers and downstream customers. We will continue to carry out centralized procurement of raw materials that are in high demand so as to increase our bargaining power and improve our overall quality control system. Meanwhile, we will centralize and optimize the sales and marketing of our pharmaceutical products and further enhance our operational efficiency.

We aim to promote the sharing of core resources such as management experience, know-how and human resources among our business segments. We plan to establish a sound "Key Performance Indicator" system to streamline performance evaluation and incentive plans for all employees in order to increase synergies and improve profitability.

Enhance our comprehensive competitiveness through international cooperation

For our pharmaceutical manufacturing business, we plan to enhance our product and technology acquisition through international cooperation. We intend to identify pharmaceutical products with high clinical and market value to complement our existing product portfolio. In addition, we plan to enhance our cooperations with large multinational pharmaceutical corporations and research organizations on research and development, manufacturing and marketing. We believe such cooperations will help us accumulate know-how and experience in research and development, pharmaceutical manufacturing technology and management.

For our pharmaceutical distribution and pharmaceutical retail businesses, we aim to strengthen our competitive advantages through enhanced cooperation with leading international pharmaceutical suppliers, for which we will continually improve our business model and supply chain services. We plan to cooperate with international medical device manufacturers to further increase the sales of medical devices in our pharmaceutical distribution business. We also seek to strengthen cooperation with leading global pharmaceutical distributors and retailers, for whose products we could provide medicine registration assistance and a wide distribution network. In the meantime, through such cooperation we can increase the import of premium pharmaceutical and nutritional products with substantial market potentials. We also intend to build the foundation for developing "Pharmacy Benefit Management" (藥品福利管理) services through our strong relationships with the PRC retail pharmacies and hospital pharmacies.

OUR BUSINESS SEGMENTS

We are a leading integrated pharmaceutical company in China, engaging in the research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and healthcare products. We primarily operate in (i) pharmaceutical manufacturing, (ii) pharmaceutical distribution, and (iii) pharmaceutical retail segments.

We also derive revenue from certain other operations, mainly the manufacture and sale of medical devices, which we disposed of in 2015 because it was not our core business, and rental of our investment properties. The table below sets forth our segment revenue for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2013			2014			2015			2015			2016		
	External sales	Inter-segment sales	Segment revenue	External sales	Inter-segment sales	Segment revenue	External sales	Inter-segment sales	Segment revenue	External sales	Inter-segment sales	Segment revenue	External sales	Inter-segment sales	Segment revenue
										(Unaudited)					
	(HK$ in millions)														
Segments:															
Pharmaceutical manufacturing	20,837.2	1,478.2	22,315.4	19,713.8	2,253.2	21,967.0	21,606.6	2,647.0	24,253.6	10,593.8	1,231.8	11,825.6	10,960.2	1,264.2	12,224.4
Pharmaceutical distribution	91,651.9	905.2	92,557.1	111,789.8	1,307.9	113,097.7	121,190.9	1,965.5	123,156.4	58,755.7	866.8	59,622.5	62,682.7	984.8	63,667.5
Pharmaceutical retail	2,600.6	—	2,600.6	3,040.3	—	3,040.3	3,651.2	—	3,651.2	1,840.9	—	1,840.9	1,921.5	—	1,921.5
Others	1,861.0	—	1,861.0	1,205.3	—	1,205.3	119.4	—	119.4	72.5	—	72.5	51.1	—	51.1
Elimination	—	(2,383.4)	(2,383.4)	—	(3,561.1)	(3,561.1)	—	(4,612.5)	(4,612.5)	—	(2,098.6)	(2,098.6)	—	(2,249.0)	(2,249.0)
Total	**116,950.7**	**—**	**116,950.7**	**135,749.2**	**—**	**135,749.2**	**146,568.1**	**—**	**146,568.1**	**71,262.9**	**—**	**71,262.9**	**75,615.5**	**—**	**75,615.5**

PHARMACEUTICAL MANUFACTURING

We were the second largest pharmaceutical company in China in 2015 in terms of revenue of pharmaceutical manufacturing, according to Frost & Sullivan. Our business encompasses the research and development, manufacture and sale of pharmaceutical products, including chemical drugs, Chinese medicines and biopharmaceutical drugs, as well as nutritional and health products. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, external sales from our pharmaceutical manufacturing was HK$20,837.2 million, HK$19,713.8 million, HK$21,606.6 million, HK$10,593.8 million and HK$10,960.2 million, respectively, while segment revenue was HK$22,315.4 million, HK$21,967.0 million, HK$24,253.6 million, HK$11,825.6 million and HK$12,224.4 million, respectively.

As of June 30, 2016, we manufactured and marketed 505 pharmaceutical products, including 294 chemical drugs, 160 Chinese medicines, nine biopharmaceutical drugs and 42 other pharmaceutical products, of which 302 were prescription drugs, 289 were included in the National Medical Insurance Drugs Catalog and 129 were included in the National Essential Drug List. In 2015, we had 32 pharmaceutical products with annual sales revenue of over HK$100.0 million, among which we had six pharmaceutical products with annual sales revenue of over HK$1.0 billion, namely E-Jiao block, basic infusion, Ganmaoling, Compound E-Jiao syrup, Chinese medicine formula granules and Hypertensive No. 0, and four pharmaceutical products with annual sales revenue of between HK$500.0 million and HK$1.0 billion, namely Shenfu injection, Yashida, Piyanping and Xintailin. We also manufacture active pharmaceutical ingredients, Chinese herbal medicines and other healthcare products. A number of our pharmaceutical products are leading drugs in their respective markets, such as Ganmaoling, Piyanping, E-Jiao, Compound E-Jiao Syrup, Hypertensive No. 0 and Yuting.

We focus on producing quality products by adhering to stringent quality assurance standards. As of June 30, 2016, we had obtained and maintained the necessary PRC GMP certifications for all of our production lines for pharmaceutical products. Many of our products are marketed under trademarks that have long been widely recognized in the industry for their high-quality and effectiveness. For example, we own a number of Well-Known Trademarks including "Sanjiu (三九) (also known as "999")," "Double-Crane (雙鶴)," "Saike (賽科)," "Zizhu (紫竹)," "Dong-E-E-Jiao (東阿阿膠)" and "Tianhe (天和)." We believe the strength of our brands, together with the quality of our products, enables us to market our products effectively.

Innovation and continued enhancement of existing products through our research and development operations are important to our pharmaceutical manufacturing. Our research and development activities are conducted both in-house and through collaborations with external research partners, such as research institutes, universities and hospitals. As of June 30, 2016, we had 33 drug candidates pending approval for production, 25 drug candidates in various stages of clinical trials and ten drug candidates pending approval to enter clinical trials.

We have established an extensive sales and marketing network comprising sales representatives located in all major markets in China where our products are sold. We regularly engage in a variety of marketing activities and have established strong sales channels for our OTC and prescription medicines. Our pharmaceutical products are generally sold first to distributors, which then resell these products based on our sales and marketing teams' efforts or through their own sales and distribution networks. As of June 30, 2016, we had 2,699 distributors that were engaged in the distribution of our pharmaceutical products.

Product Portfolio

The following table sets forth a breakdown of the segment revenue from our pharmaceutical manufacturing segment by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
	(HK$ in millions, except percentages)									
Chemical drugs	9,020.3	40.4%	9,144.2	41.6%	9,406.9	38.8%	4,790.2	40.5%	5,135.6	42.0%
Chinese medicines	10,105.2	45.3	10,908.6	49.7	12,336.5	50.9	5,855.9	49.5	6,042.7	49.4
Biopharmaceutical drugs	116.6	0.5	41.4	0.2	197.9	0.8	109.4	0.9	123.0	1.0
Nutritional and health products	303.1	1.4	374.6	1.7	382.5	1.6	171.5	1.5	162.9	1.3
Others[(1)]	2,770.2	12.4	1,498.2	6.8	1,929.8	7.9	898.6	7.6	760.2	6.3
Total	22,315.4	100.0%	21,967.0	100.0%	24,253.6	100.0%	11,825.6	100.0%	12,224.4	100.0%

(1) Revenue from sales of our other products include revenue from sales of Chinese herbs, pharmaceutical packages, rubber gloves and contraceptive products. In 2013 only, revenue from sales of our other products also included the revenue generated from Sanjiu Neurosurgical Hospital which has not been consolidated in our financial statements since 2014.

Chemical Drugs

Our chemical drugs are primarily manufactured and marketed by CR Double-Crane and CR Zizhu, and cover three major areas: (i) the development, manufacture and sale of medicines for chronic diseases, such as cardiovascular diseases and diabetes; (ii) intravenous therapy, mainly large-volume IV infusion products; (iii) specialty therapeutic areas such as pediatrics, nephrology and reproductive health. CR Sanjiu, our manufacturing subsidiary with its primary focus on Chinese medicines, also manufactures and markets a limited number of chemical drugs, mainly anti-infectives and dermatological products. Revenue from our chemical drug products was HK$9,020.3 million, HK$9,144.2 million, HK$9,406.9 million, HK$4,790.2 million and HK$5,135.6 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 40.4%, 41.6%, 38.8%, 40.5% and 42.0%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. CR Double-Crane and CR Zizhu also manufacture and sell a small amount of active pharmaceutical ingredients.

The following table sets forth the details of our major chemical drugs as of June 30, 2016:

Product name	Major area	Patent protection and expiration	Prescription drugs or over-the-counter drugs	National Medical Insurance Drugs Catalog	National Essential Drug List
Compound Reserpine and Triamterene tablets (Hypertensive No. 0) 複方利血平氨苯蝶啶片（降壓0號）	Cardiovascular system	—	Prescription	Yes	Yes
Amlodipine Besylate tablets (Yashida) 苯磺酸氨氯地平片（壓氏達）	Cardiovascular system	October 2028	Prescription	Yes	Yes
Valsartan capsules (Suiyue) 纈沙坦膠囊（穗悦）	Cardiovascular system	September 2028 to June 2032	Prescription	Yes	Yes
Valsartan-Hydrochlorothiazide tablets (Fu Suiyue) 纈沙坦氫氯噻嗪片（複穗悦）	Cardiovascular system	September 2028 to June 2032	Prescription	No	No
Pitavastatin Calcium tablets (Guanshuang) 匹伐他汀鈣片（冠爽）	Cardiovascular system	December 2030	Prescription	No	No
Irbesartan tablets (Haojiangzhi) 厄貝沙坦分散片（豪降之）	Cardiovascular system	April 2033	Prescription	Yes	No
Nifedipine Sustained-release tablets II (Beiqiling) 硝苯地平緩釋片II（貝奇靈）	Cardiovascular system	August 2034	Prescription	Yes	Yes

Product name	Major area	Patent protection and expiration	Prescription drugs or over-the-counter drugs	National Medical Insurance Drugs Catalog	National Essential Drug List
Citicoline Sodium tablets (Nuobaiyi) 胞磷膽鹼鈉片(諾百益)	Cardiovascular system	April 2033	Prescription	Yes	No
Gliquidone tablets (Tangshiping) 格列喹酮片(糖適平)	Alimentary tract and metabolism — anti-diatetic	—	Prescription	Yes	No
Metformin Sustained-release tablets (Buke) 二甲雙胍緩釋片(葡可)	Alimentary tract and metabolism — anti-diatetic	—	Prescription	Yes	No
Glass bottle, plastic bottle, flexible bag, standing bag, BFS (blow-fill-seal) infusion 玻瓶、塑瓶、軟袋、直軟、 BFS(吹灌封)輸液	Basic infusion	—	Prescription	Yes	Yes
Levofloxacin Mesylate for injection (Lifuxing) 甲磺酸左氧氟沙星注射液(利複星)	Therapeutic infusion — Anti-infective	—	Prescription	Yes	No
Piperacillin Sodium and Sulbactam Sodium for injection (Yijun) 注射用哌拉西林鈉舒巴坦鈉(一君)	Therapeutic infusion — Anti-infective	—	Prescription	Yes	No
Ambroxol Hydrochloride Glucose injection (Xindesheng) 鹽酸氨溴索葡萄糖注射液(欣得生)	Therapeutic infusion — Respiratory system	—	Prescription	Yes	No
Mannitol injection 甘露醇注射液	Therapeutic infusion	—	Prescription	Yes	Yes
Fructose injection (Huchuan) 果糖(護川)	Nutrient infusion	—	Prescription	Yes	No
Invert Sugar injection (Yingfanshu) 轉化糖(英凡舒)	Nutrient infusion	—	Prescription	Yes	No
Cefazolin Sodium Pentahydrate for injection (Xintailin) 五水頭孢唑林鈉(新泰林)	Anti-infective	May 2023	Prescription	No	No
Azithromycin enteric-coated capsules (Jiameishu) 阿奇黴素腸溶膠囊(佳美舒)	Anti-infective	November 2028	Prescription	Yes	Yes
Erythromycin enteric-coated capsules (Meihong) 紅黴素腸溶膠囊(美紅)	Anti-infective	June 2031	Prescription	Yes	Yes

Product name	Major area	Patent protection and expiration	Prescription drugs or over-the-counter drugs	National Medical Insurance Drugs Catalog	National Essential Drug List
Peritoneal dialysis solution (Peritoneal dialysate) 腹膜透析液	Nephrology	—	Prescription	Yes	Yes
Calf Pulmonary Surfactant for injection (Kelisu) 注射用牛肺表面活性劑(珂立蘇)	Pediatrics	September 2031 to March 2032	Prescription	Yes	No
Pediatric Compound Amino Acid injection 小兒複方氨基酸注射液	Pediatrics	—	Prescription	Yes	No
Pediatric Paracetamol Artificial Cow-bezoar and Chlorphenamine Maleate granules 小兒氨酚黃那敏顆粒	Pediatrics	—	OTC	No	No
Levonorgestrel tablets (Yuting / Golden Yuting) 左炔諾孕酮片(毓婷/金毓婷)	Reproductive health	—	OTC	No	No
Mifepristone tablets 米非司酮片	Reproductive health	—	Prescription	Yes	Yes
Compound Dexamethasone Acetate cream (Piyanping) 複方醋酸地塞米松乳膏(皮炎平)	Dermatologicals	—	OTC	No	No
Compound Ketoconazole and Clobetasol Propionate cream (Shunfeng Kangwang) 酮康他索乳膏(順峰康王)	Dermatologicals	—	OTC	No	No

Cardiovascular system

With an aging population and lifestyle changes associated with economic development, the prevalence of cardiovascular diseases has been on the rise in the past decades, and the total PRC population with cardiovascular diseases was approximately 290 million in 2013, according to Frost & Sullivan. Our major cardiovascular system medicines are:

(i) Compound Reserpine and Triamterene tablets (Hypertensive No. 0) (複方利血平氨苯蝶啶片 (降壓0號)), a medicine for the treatment of mild and moderate hypertension. We launched Compound Reserpine and Triamterene tablets over 30 years ago and remain the sole manufacturer of this product in China. According to Frost & Sullivan, it is the most widely used compound antihypertensive drug on the National Essential Drug List. We derived more than HK$1.0 billion in revenue from the sale of Compound Reserpine and Triamterene tablets in 2015.

(ii) Amlodipine Besylate tablets (Yashida) (苯磺酸氨氯地平片 (壓氏達)), a medicine for the treatment of hypertension and angina pectoris, which was the first amlodipine tablet developed and launched in China, and its abbreviated new drug application (ANDA) was approved by the US FDA in 2011. Our Amlodipine Besylate tablets generated between HK$500.0 million and HK$1.0 billion in revenue in 2015.

(iii) Valsartan capsules (Suiyue) (纈沙坦膠囊 (穗悦)) and Valsartan-Hydrochlorothiazide tablets (Fu Suiyue) (纈沙坦氫氯噻嗪片 (複穗悦)), both for the treatment of mild and moderate essential hypertension. Our revenue from Valsartan-Hydrochlorothiazide tablets grew at a CAGR of 47.6% from 2013 to 2015.

(iv) Pitavastatin Calcium tablets (Guanshuang) (匹伐他汀鈣片 (冠爽)), a lipid-lowering medicine. Our revenue from Pitavastatin Calcium tablets grew at a CAGR of 123.4% from 2013 to 2015.

(v) Pursuant to our acquisition of 60.0% equity interest in Jinan Limin in November 2015, our cardiovascular product portfolio has expanded to include Irbesartan tablets (Haojiangzhi) (厄貝沙坦分散片 (豪降之)) and Nifedipine Sustained-release tablets II (Beiqiling) (硝苯地平緩釋片II (貝奇靈)), both antihypertensive medicines, and Citicoline Sodium tablets (Nuobaiyi) (胞磷膽鹼鈉片 (諾百益)), a cerebral vascular system medicine. For details, see "History, Restructuring and Corporate Structure — Major Acquisitions and Disposals — Major Acquisitions during the Track Record Period."

Our major cardiovascular medicines generated revenue of HK$1,652.8 million, HK$1,827.6 million, HK$2,044.8 million, HK$1,036.6 million and HK$1,205.1 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Alimentary tract and metabolism (Anti-diabetes)

According to Frost & Sullivan, China has the largest diabetes patient population in the world, amounting to 109.6 million in 2015 among people aged between 20 and 79. Our main alimentary tract and metabolism products are Gliquidone tablets (Tangshiping) (格列喹酮片 (糖適平)) and Metformin Sustained-release tablets (Buke) (二甲雙胍緩釋片(葡可)), both for the treatment of Type 2 Diabetes, the most common form of diabetes. Our major anti-diabetic medicines generated revenue of HK$270.8 million, HK$274.3 million, HK$300.4 million, HK$159.0 million and HK$156.3 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Large-volume IV infusion

Our intravenous therapy business comprises basic infusion, therapeutic infusion and nutrient infusion.

Intravenous fluids are infused to maintain fluid balance, replace fluid losses, and treat electrolyte imbalances. We provide five basic types of IV solution container systems, namely glass bottle, plastic

bottle, flexible bag, standing bag and BFS. In recent years, our revenue generated from IV solutions supplied in containers manufactured with the blow-fill-seal (BFS) technology increased rapidly, growing at a CAGR of 359.4% from 2013 to 2015. Acknowledged by the US FDA as an advanced aseptic process for the packaging of sterile pharmaceutical liquids, BFS technology is gaining increasing acceptance by providing a high assurance of product sterility and eliminating the need for human intervention. In 2015, we derived more than HK$2.0 billion in revenue from our basic infusion products.

Our therapeutic infusion products mainly include Levofloxacin Mesylate for injection (Lifuxing) (甲磺酸左氧氟沙星注射液 (利複星)) and Piperacillin Sodium and Sulbactam Sodium for injection (Yijun) (注射用哌拉西林鈉舒巴坦鈉 (一君)), which are also our major anti-infective medicines, as well as Ambroxol Hydrochloride Glucose injection (Xindesheng) (鹽酸氨溴索葡萄糖注射液 (欣得生)) and Mannitol injection (甘露醇注射液). Our nutrient infusion products mainly include Fructose injection (Huchuan) (果糖注射液 (護川)) and Invert Sugar injection (Yingfanshu) (轉化糖注射液 (英凡舒)).

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, the total revenue we derived from our intravenous therapy products was HK$3,006.8 million, HK$3,011.9 million, HK$2,631.5 million, HK$1,403.6 million and HK$1,204.6 million, respectively. According to Frost & Sullivan, our intravenous therapy business was the second largest among PRC pharmaceutical companies in terms of revenue in 2015.

Anti-infectives

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, the total revenue we derived from our major anti-infective products was HK$636.8 million, HK$529.5 million, HK$753.7 million, HK$253.3 million and HK$531.9 million, respectively. Our major anti-infective products are:

(i) Cefazolin Sodium Pentahydrate for injection (Xintailin) (注射用五水頭孢唑林鈉 (新泰林)). We are the sole manufacturer of Cefazolin Sodium Pentahydrate for injection in the PRC. In 2015, our research program on Cefazolin Sodium Pentahydrate for injection received the Second Prize of the National Science and Technology Progress Award (國家科學技術進步獎二等獎).

(ii) Azithromycin enteric-coated capsules (Jiameishu) (阿奇黴素腸溶膠囊 (佳美舒)).

(iii) Erythromycin enteric-coated capsules (Meihong) (紅黴素腸溶膠囊 (美紅)).

Azithromycin enteric-coated capsules and Erythromycin enteric-coated capsules became part of our product portfolio when Zhejiang Zhongyi became our wholly-owned subsidiary in August 2015. For details, see "History, Restructuring and Corporate Structure — Major Acquisitions and Disposals — Major Acquisitions during the Track Record Period."

Nephrology

According to Frost & Sullivan, the PRC adult population with chronic kidney disease reached approximately 128.0 million in 2014, and the number of patients using dialysis treatment reached approximately 0.4 million in 2014. Our major nephrology product is the peritoneal dialysis solution, or peritoneal dialysate, which is a treatment for chronic kidney disease and generated revenue of HK$65.7 million, HK$76.4 million, HK$100.8 million, HK$39.5 million and HK$26.3 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively. According to Frost & Sullivan, we had the second largest peritoneal dialysis solution business among PRC pharmaceutical companies in terms of revenue in 2015, accounting for 6.3% of the peritoneal dialysis solution market.

Pediatrics

The official end of the one-child policy in China by the end of 2015 is expected to bring about more demand for pediatric medication. According to Frost & Sullivan, the number of newborns in China increased from 16.0 million in 2011 to 16.6 million in 2015, representing a CAGR of 0.8% during this period, and is forecast to further increase to 19.3 million in 2020, representing a CAGR of 3.1% during this period. Our major pediatrics products are:

(i) Calf Pulmonary Surfactant for injection (Kelisu) (注射用牛肺表面活性劑 (珂立蘇)), a medicine for the treatment and prevention of neonatal respiratory distress syndrome, or NRDS (新生兒呼吸窘迫綜合症). We developed and launched Calf Pulmonary Surfactant for injection, and we remain the sole manufacturer of this product in China. According to Frost & Sullivan, Calf Pulmonary Surfactant for injection was the first, and remains the only, medicine developed in China for the emergency treatment of NRDS. It has cured more than one hundred thousand infants and significantly decreased the mortality rate among NRDS infants in China since its launch.

(ii) Pediatric Compound Amino Acid injection (小兒複方氨基酸注射液), which is indicated as an adjunct in the offsetting of nitrogen loss or in the treatment of negative nitrogen balance in patients. According to Frost & Sullivan, we had the largest market share in the PRC Pediatric Compound Amino Acid injection market in terms of revenue in 2015, accounting for 76.5% of this market.

(iii) Pediatric Paracetamol Artificial Cow-bezoar and Chlorphenamine Maleate granules (小兒氨酚黃那敏顆粒), a cold and flu remedy for children.

Our major pediatric chemical medicines generated revenue of HK$473.8 million, HK$621.4 million, HK$522.1 million, HK$271.0 million and HK$302.2 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Reproductive health

Our major products in the area of reproductive health are:

(i) Levonorgestrel tablets (左炔諾孕酮片), branded as Yuting and Golden Yuting. Yuting and Golden Yuting are well recognized brands of emergency contraceptive pills in China, with a combined market share of 35.1% in the PRC OTC emergency contraceptives market, representing the largest market share in that market, and 23.5% in the PRC OTC oral contraceptives market in terms of sales revenue in 2015, according to Frost & Sullivan.

(ii) Mifepristone tablets (米非司酮片), which are used, together with misoprostol, to end early pregnancy.

Our major reproductive health products generated revenue of HK$493.1 million, HK$573.6 million, HK$632.7 million, HK$356.7 million and HK$305.5 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Dermatological Products

Our major dermatological products are:

(i) Compound Dexamethasone Acetate cream (Piyanping) (複方醋酸地塞米松乳膏 (皮炎平)) product series, a treatment for dermatitis, eczema and skin itching. According to Frost & Sullivan, our Piyanping product series had the largest market share in the PRC dermatic hormone OTC medicine market in 2015 in terms of revenue, with a market share of 31.2%; and

(ii) Compound Ketoconazole and Clobetasol Propionate cream (Shunfeng Kangwang) (酮康他索乳膏 (順峰康王)), a treatment for skin fungal infections.

Our major dermatological products generated revenue of HK$745.8 million, HK$673.7 million, HK$743.9 million, HK$373.0 million and HK$329.2 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Chinese medicines

Our Chinese medicines are primarily manufactured and marketed by CR Sanjiu and Dong-E-E-Jiao, and cover three main areas: (i) self-diagnosis and treatment products, which are mainly OTC medicines and cover therapeutic areas such as cold remedies, alimentary tract and metabolism and orthopedics; (ii) prescription Chinese medicines, which cover therapeutic areas such as cardiovascular system and oncology; and (iii) E-Jiao product series, a traditional Chinese medicine. CR Double-Crane, our manufacturing subsidiary with its primary focus on chemical drugs, also manufactures and sells a limited number of Chinese medicines, covering therapeutic areas such as cardiovascular system, orthopedics and pediatrics.

Chinese medicine is a key area of our pharmaceutical manufacturing business, and benefits from favorable national policies, such as the *Outline of the Chinese Medicine Development Strategy Plan, 2016-2030* (中醫藥發展戰略規劃綱要(2016—2030年)) issued by the State Council in February 2016, which underscores the importance of Chinese medicine in China's pharmaceutical and healthcare industries. Revenue from sales of our Chinese medicine products was HK$10,105.2 million, HK$10,908.6 million, HK$12,336.5 million, HK$5,855.9 million and HK$6,042.7 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 45.3%, 49.7%, 50.9%, 49.5% and 49.4%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. We are the sole manufacturer of 53 Chinese medicine products in China.

The following table sets forth the details of our major Chinese medicine products as of June 30, 2016:

Product name	Major area	Patent protection and expiration	Prescription drugs or over-the-counter drugs	National Medical Insurance Drugs Catalog	National Essential Drug List
E-Jiao (block) 阿膠(塊)	Blood tonic	—	Both	Yes	No
Compound E-Jiao syrup 複方阿膠漿	Blood tonic	—	Both	Yes	No
Ganmaoling 感冒靈	Cold	March 2031	OTC	No	No
Compound Ganmaoling 複方感冒靈	Cold	—	Both	Yes	No
Qiangli Pipalu 強力枇杷露	Cough	—	OTC	Yes	Yes
Zhengtian pellets 正天丸	Headache	October 2026	Both	Yes	Yes
Sanjiu Weitai 三九胃泰	Alimentary tract and metabolism	January 2027	Both	Yes	Yes
Qizhi Weitong 氣滯胃痛	Alimentary tract and metabolism	February 2025	Both	Yes	Yes
Yinzhihuang oral liquid 茵梔黃口服液	Alimentary tract and metabolism	—	Prescription	Yes	Yes
Xiao'er Ganmao granules 小兒感冒顆粒	Pediatrics	—	OTC	No	No
Xiao'er Zhike syrup 小兒止咳糖漿	Pediatrics	September 2034	OTC	No	No
Gutong patch 骨通貼膏	Orthopedics	April 2026	Both	Yes	No
Tianhe Zhuifeng ointment 天和追風膏	Orthopedics	April 2026	OTC	Yes	No
Zhuanggu product series 壯骨系列	Orthopedics	October 2026	Prescription	Yes	No
Shenfu injection 參附注射液	Cardiovascular system	August 2023	Prescription	Yes	No
Shenmai injection 參麥注射液	Cardiovascular system	—	Prescription	Yes	Yes
Shengmai injection 生脈注射液	Cardiovascular system	—	Prescription	Yes	Yes

Product name	Major area	Patent protection and expiration	Prescription drugs or over-the-counter drugs	National Medical Insurance Drugs Catalog	National Essential Drug List
Huachansu 華蟾素	Oncology	December 2030	Prescription	Yes (for tablets and injection)	No
Javanica oil soft capsule 鴉膽子油軟膠囊.	Oncology	December 2029	Prescription	Yes	No
Chinese medicine formula granules 中藥配方顆粒 . .	Chinese medicine formula granules	—	Prescription	N/A	No

E-Jiao product series

Our E-Jiao product series are manufactured and marketed by Dong-E-E-Jiao, our manufacturing subsidiary located in Dong E county (東阿縣), Shandong province. Our E-Jiao product series are considered authentic, as E-Jiao originates from and is named after Dong E county. E-Jiao is a blood tonic whose nutritional value and therapeutic effect were recognized in classical Chinese medical literature such as the *Compendium of Materia Medica* (本草綱目), and it was held in high regard among ancient Chinese nobility. In modern days, Dong-E-E-Jiao is recognized as a National Geographic Protected Product (國際地理標誌保護產品), and its production process is recognized as an Intangible Cultural Heritage (非物質文化遺產) in China. In 2014 and 2015, Dong-E-E-Jiao was named as one of the 50 "Best China Brands" by Interbrand, a global brand consultancy headquartered in New York.

E-Jiao block (阿膠塊) and compound E-Jiao syrup (複方阿膠漿) generated a combined revenue of HK$3,287.9 million, HK$3,835.4 million, HK$5,010.0 million, HK$2,418.1 million and HK$2,434.1 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively. We are the sole manufacturer of compound E-Jiao syrup in China. According to Frost & Sullivan, our E-Jiao block had the largest market share in the PRC OTC pharmaceutical product market in terms of revenue at the retail price level in 2015, with a market share of 2.3%.

Cold and cough remedies

Our flagship cold medicines are Ganmaoling (感冒靈) and Compound Ganmaoling (複方感冒靈). We also manufacture and sell Qiangli Pipalu (強力枇杷露), a product made from loquat leaves and other herbal ingredients and used for the treatment of cough. Our major cold remedies products for adults under the "999" brand ("Sanjiu" means triple 9 in Chinese) generated revenue of HK$2,084.0 million, HK$2,162.5 million, HK$2,293.5 million, HK$1,022.8 million and HK$1,181.1 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively. According to Frost & Sullivan, our Ganmaoling had the largest market share in the PRC cold and flu OTC drug market in terms of revenue, with a market share of 7.9% in 2015.

Headache

Our major headache relieving products are the Zhengtian (正天) product series, which comprise Zhengtian pellets, a State Protected Chinese Medicine product, and Zhengtian capsules. We are the sole manufacturer of the Zhengtian product series in China. Our Zhengtian product series generated revenue of HK$164.9 million, HK$108.0 million, HK$145.7 million, HK$83.0 million and HK$54.5 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Alimentary tract and metabolism

Our major alimentary tract and metabolism products are Sanjiu Weitai (三九胃泰) and Qizhi Weitong (氣滯胃痛), both gastrointestinal medicines, and Yinzhihuang (茵梔黃), an oral liquid solution for the treatment of neonatal jaundice (新生兒黃疸), a liver disease. We are the sole manufacturer of each of Sanjiu Weitai (granule and capsule), Qizhi Weitong (tablet and granule) and Yinzhihuang oral liquid in China.

Our major alimentary tract and metabolism Chinese medicines generated revenue of HK$943.7 million, HK$944.8 million, HK$989.2 million, HK$395.7 million and HK$445.9 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Pediatrics

We also offer cold and cough remedies for children, mainly Xiao'er Ganmao granules (小兒感冒顆粒) and Xiao'er Zhike syrup (小兒止咳糖漿). Our major pediatrics Chinese medicines generated revenue of HK$200.3 million, HK$247.0 million, HK$243.8 million, HK$108.2 million and HK$130.6 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Orthopedics

Our orthopedics products mainly include the Tianhe-branded Gutong patch (骨通貼膏) and Tianhe Zhuifeng ointment (天和追風膏), as well as the Zhuanggu product series (壯骨系列) which comprises the Zhuanggu Guanjie capsule and Zhuanggu Guanjie pellet. We are the sole manufacturer of the Gutong patch, Tianhe Zhuifeng ointment, Zhuanggu Guanjie capsule and Zhuanggu Guanjie pellet in the PRC. We derived revenue of HK$323.7 million, HK$414.4 million, HK$458.4 million, HK$218.7 million and HK$230.4 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively, from the sale of our major orthopedics products.

Tianhe, a Well-Known Trademark in China, became part of our product portfolio pursuant to our acquisition of a 97.18% equity interest in Guilin CR Tianhe in February 2013. For details, see "History, Restructuring and Corporate Structure — Major Acquisitions and Disposals — Major Acquisitions during the Track Record Period."

Cardiovascular system

Shenfu injection (參附注射液), Shenmai injection (參麥注射液) and Shengmai injection (生脈注射液) are three major prescription Chinese medicines used in the treatment of certain cardiovascular diseases. We are the sole manufacturer of Shenfu injection in China. Our major cardiovascular Chinese medicines generated revenue of HK$1,114.5 million, HK$1,049.7 million, HK$973.2 million, HK$487.4 million and HK$380.8 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

In 2013, our research program on the Shenfu injection received the Second Prize of the National Science and Technology Progress Award (國家科學技術進步獎二等獎). In 2015, our research program on the Honghua injection received the Second Prize of the National Science and Technology Progress Award (國家科學技術進步獎二等獎).

Oncology

Our major oncology Chinese medicines are Huachansu (華蟾素) and Javanica oil soft capsule (鴉膽子油軟膠囊). We are the sole manufacturer of Huachansu (injection, tablet and oral liquid). Huachansu has certain anti-tumor effects for advanced liver cancer, lung cancer and other solid tumor diseases, and is considered a safe and effective pharmaceutical product.

Our major oncology Chinese medicines generated revenue of HK$181.9 million, HK$198.6 million, HK$238.9 million, HK$126.8 million and HK$132.0 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Chinese medicine formula granules (中藥配方顆粒)

According to Frost & Sullivan, the PRC Chinese medicine formula granules market has been growing at a rapid pace and is expected to maintain strong growth in the next few years. Traditionally, the preparation and dispensation of traditional Chinese medicine were time-consuming and inconvenient and required the storage of raw herbs by the Chinese medicine practitioner and the boiling or decocting of raw herbs into a liquid form for patients' consumption. Our Chinese medicine formula granules, also known as concentrated Chinese medicine granules, are traditional Chinese medicinal herbs extracted into granules using modernized extraction and concentration technologies to replicate the traditional method of preparing medicinal decoction. Standardized concentrated Chinese medicine granules are believed to have the same degree of curative efficacy, taste, aroma and flavor as in traditionally-prepared medicinal decoction, and dissolve in hot water instantly.

CR Sanjiu is one of the six pharmaceutical companies in China licensed by the CFDA to produce Chinese medicine formula granules. As of June 30, 2016, CR Sanjiu's portfolio of Chinese medicine formula granules comprised 694 products, which generated a combined revenue of HK$735.9 million, HK$754.2 million, HK$1,107.2 million, HK$512.8 million and HK$548.2 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively. According to Frost & Sullivan, we had the third largest Chinese medicine formula granules business in China in terms of total revenue in 2015.

Biopharmaceutical Products

Revenue from our biopharmaceutical products was HK$116.6 million, HK$41.4 million, HK$197.9 million, HK$109.4 million and HK$123.0 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 0.5%, 0.2%, 0.8%, 0.9% and 1.0%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. See "Financial Information — Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — Pharmaceutical Manufacturing — Biopharmaceutical Products." Our other major biopharmaceutical products manufactured by Dong-E-E-Jiao are: (i) Recombinant Human Erythropoietin for injection (Jialinhao) (注射用重組人促紅素 (佳林豪)) for the treatment of anemia in chronic kidney disease (renal insufficiency); (ii) Recombinant Human Tissue Plasminogen Activator Derivatives (r-PA) for injection (Ruitongli) (注射用重組人組織型纖溶酶原激酶衍生物 (瑞通立)), a thrombolytic drug for the treatment of myocardial infarction; and (iii) Recombinant Human Interleukin-11 for injection (Baijieyi) (注射用重組人白介素-11 (百傑依)), a medicine for chemotherapy-induced thrombocytopenia in patients with cancer.

Nutritional and Health Products

Revenue from our nutritional and health products was HK$303.1 million, HK$374.6 million, HK$382.5 million, HK$171.5 million and HK$162.9 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 1.4%, 1.7%, 1.6%, 1.5% and 1.3%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. Our major nutritional product is Taohuaji (桃花姬), which is derived from our E-Jiao Chinese medicine product series, and its revenue grew at a CAGR of 33.6% from 2013 to 2015.

Research and Development

Research and development is critical to our long-term competitiveness and success. Our research and development efforts, driven by technological advancement and market demand, focus on the following:

- *Research and development of new pharmaceutical products*. We seek to (i) discover innovative drugs that address major unmet medical needs through in-house research efforts, collaboration with external research partners, and technology licensing; (ii) develop first-to-market generic drugs in major therapeutic areas, such as for the cardiovascular system, alimentary tract and metabolism, reproductive health, central nervous system, oncology, and anti-infectives; and (iii) develop products based on concepts in traditional Chinese medicine in areas such as the respiratory system, dermatology, and alimentary tract, and to extend our work in disease prevention; and

- *Product improvement and standard setting*. We seek to improve product quality standards and patient experience, to proactively participate in the development of national drug standards, to refine production processes for our existing products, and to enhance the overall quality consistency of our products.

As of June 30, 2016, we had 180 research programs, comprising 133 new product development programs (including seven innovative drug research programs, 48 first-to-market generic drug development programs, seven new Chinese medicine research programs and four new biopharmaceutical drug research programs) and 47 product improvement programs. Our research programs included 23 on alimentary tract and metabolism, 20 on cardiovascular system, 21 on genito-urinary system, 11 on the musculo-skeletal system and 19 on the nervous system. As of June 30, 2016, we had 1,001 patents.

From 2011 to 2015, we obtained 108 CFDA approvals for new and supplementary drug applications, including those for 14 innovative drugs and first-to-market generic drugs. In recognition of our proven research and development capability, various levels of the PRC government have awarded us with grants to fund our research and development programs. 20 of our research programs had been named as "Significant New Medicines Development" (重大新藥創制) programs of the 11th and 12th Five-Year Plans by the NHFPC. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, we had research and development expenditures of HK$635.5 million, HK$851.4 million, HK$926.8 million, HK$340.1 million and HK$388.7 million, respectively, among which research and development expenses were HK$495.9 million, HK$786.6 million, HK$708.9 million, HK$272.8 million and HK$361.3 million, respectively, and the development costs incurred and capitalized as deferred development costs were HK$139.6 million, HK$64.8 million, HK$217.9 million, HK$67.3 million and HK$27.4 million, respectively.

In-House Research and Development

We conduct our research and development activities through the Research and Development Management Department at our headquarters, which coordinates the research and development activities of our Group, the Pharmaceutical R&D Center, our subsidiaries, and the research and development departments of our manufacturing subsidiaries, namely CR Double-Crane, CR Zizhu, CR Sanjiu and Dong-E-E-Jiao. Our research and development facilities include two nationally certified engineering and technological centers, namely the National Research Center for Gelatin Traditional Chinese Medicine Engineering and Technology (國家膠類中藥工程技術研究中心) and the National Research Center for Proprietary Chinese Medicine Engineering and Technology (國家中成藥工程技術研究中心), two nationally certified enterprise technical centers and 15 provincially or municipally certified research centers. As of June 30, 2016, our research and development teams had over 600 research and development personnel, over 40% of whom hold master's or higher degrees in medicine, pharmacology, or another related area, and over 35% of whom had more than ten years of experience in the relevant areas. As of the same date, 60 members of our research and development team had senior engineering or higher qualifications.

The Research and Development Management Department at our headquarters formulates our product development strategies and coordinates the research and development activities at our manufacturing subsidiaries and the Pharmaceutical R&D Center. Our research and development teams have distinct research and development focuses and serve different purposes within our pharmaceutical manufacturing business. Our Pharmaceutical R&D Center primarily conducts innovative drug research and first-to-market generic drug development. Our team at the

Pharmaceutical R&D Center is divided into multiple teams, each of which is specialized in a particular area involved in pharmaceutical research and development, such as medicinal chemistry, biological assays, pharmacology, toxicology, chemical synthesis and scale-up and clinical trials. The research and development departments of our manufacturing subsidiaries focus primarily on generic drug development and product improvement programs. We plan to further integrate our research and development platform, which we expect will promote inter-team collaboration and increase efficiency in our research and development operations.

Collaboration with External Research Partners

We maintain collaborative relationships with domestic and international research partners to jointly develop new products or technologies. In the areas of innovative drug discovery and development, our research partners in China include institutions and universities such as Institute of Biophysics of the Chinese Academy of Sciences (中國科學院生物物理研究所), National Center for Nanoscience and Technology (國家納米科學中心), Academy of Military Medical Sciences (軍事醫學科學院), Institute of Materia Medica of the Chinese Academy of Medical Sciences (中國醫學科學院藥物研究所), Peking University (北京大學), Tsinghua University (清華大學) and Shenyang Pharmaceutical University (瀋陽藥科大學). We have also established and have been deepening our relationships with pharmaceutical research organizations and university research institutions in countries such as the US, Japan and South Korea.

The types of collaboration arrangements vary from specific technical services and consultancy to longer-term cooperation in drug discovery. The terms of our collaboration arrangements for research projects vary, depending on the subject and nature of the research and our commercial arrangements with our research partners. Our research and development team is actively involved in the design and execution of the research projects and participates in research work, including pre-clinical research and development, preparation and submission of applications for clinical trials, management of clinical trials, information collation and application for regulatory approvals. In addition to our participation in research and development work, we may also provide the funding for these joint research and development projects. We are normally entitled to jointly own the research results as well as intellectual property rights, and we typically share a percentage of proceeds resulting from the successful development and commercialization of the resulting products.

We collaborate with external research partners primarily through technology licensing, joint development and establishment of joint laboratories. We have entered into a technology licensing agreement with Nitto Denko Corporation for the development of innovative oncology drugs. Our Pharmaceutical R&D Center and the National Center for Nanoscience and Technology entered into an agreement to jointly develop the irinotecan hydrochloride for injection nano-micelle (注射用鹽酸伊立替康納米膠束項目), a PRC Class I new drug, pursuant to which both parties will jointly conduct pre-clinical research and apply for an approval for clinical trials, and will subsequently share the research results and earnings. We also established the Joint Laboratory for Druggability Research of Nano Materials (納米材料成藥性研究聯合實驗室) with the National Center for Nanoscience and Technology to conduct joint research and development of nano-drugs.

Based on project needs and our internal research capacity, we regularly engage external research institutions, known as CROs (contract research organizations), to provide specific project-related technical services, such as pharmacology, toxicology and clinical studies. The CROs we have worked with include Frontage Laboratories (方達醫藥) and WuXi AppTech (藥明康德). In addition, we normally consult with relevant external experts to obtain their evaluation and advice on potential research projects. We also engage physicians at hospital GCP (good clinical practice) centers, who formulate clinical study plans and carry out clinical trials. The hospitals we have worked with include China-Japan Friendship Hospital (中日友好醫院) and Peking Union Medical College Hospital (北京協和醫院), among others.

Products under Development

As of June 30, 2016, we had 33 drug candidates pending approval for production, 25 drug candidates in various stages of clinical trials and ten drug candidates pending approval to enter clinical trials. Examples of our key drug candidates under development are set forth below.

Perflutren Lipid Microsphere injectable suspension

Perflutren Lipid Microsphere (DEFINITY) injectable suspension is a leading ultrasound contrast agent in the United States launched by Lantheus Medical Imaging, Inc. in 2001, and has been administered to millions of patients in the world. The physical acoustic properties of DEFINITY injectable suspension provide contrast enhancement of the endocardial borders during echocardiography, thereby providing more precise diagnosis information to physicians.

We entered into an agreement with Lantheus Medical Imaging, Inc. in order to introduce Perflutren Lipid Microsphere injectable suspension into the PRC market. It was approved for clinical trials in January 2016, and we expect to commence clinical trials in 2016.

A new anti-cancer drug

We are jointly developing a new anti-cancer drug, which is a Class 1.1 new drug under the CFDA classification system, with Nitto Denko Technical Corporation. It has increased drug-loading capacity and enhanced efficacy, and is a safe product released slowly and steadily into the human body. We recently submitted to the CFDA an application for clinical trials, which is pending review and assessment.

A new antidiabetic biologics

According to Frost & Sullivan, China has the world's largest diabetes population, amounting to 109.6 million in 2015 among people aged between 20 and 79. This product under development is a new antidiabetic drug in the biopharmaceutical field. Compared with products currently available in the PRC market, this product does not cause hypoglycemia in patients, has very few side-effects and creates good patient compliance. This product is currently in the pre-clinical research stage. We believe it is a subject of intense interest in the field of diabetes therapy, and it is predicted to have a significant influence on the cure of diabetes patients, according to industry forecast.

Anti-rheumatoid arthritis innovative drug I

In this proprietary new drug program, we aim to screen a highly selective JAK1 inhibitor to reduce the possibility of adverse reactions caused by poor selectivity to other subtypes. This product is currently in the pre-clinical research stage. We believe that there is no similar drug currently available in the PRC market. We expect to submit a new drug application to the CFDA, and if developed successfully, this drug will become a Class 1.1 new drug with fully-owned intellectual property rights.

Anti-rheumatoid arthritis innovative drug II

This is our proprietary new drug program. BTK is a vital component of the signaling pathways of B cells and macrophages, and an important target for the treatment of immune system diseases such as rheumatoid arthritis and tumor diseases. BTK inhibitor products currently available are not suitable for the treatment of immune system diseases due to toxic side effects. With a BTK inhibitor currently in clinical trials as a lead compound, this program aims to develop a new BTK inhibitor with better efficacy and safety through structural transformation that treats diseases of the immune system and tumor causing diseases. Currently, the program is in the pre-clinical research stage.

Ulipristal Acetate tablets

Ulipristal Acetate is a selective progesterone receptor modulator (SPRM) used for emergency contraception within 120 hours of unprotected sexual intercourse or contraceptive failure. Female contraception is one of our important strategic areas. Ulipristal Acetate is currently under phase III clinical trials, and we currently expect to obtain CFDA approval for the manufacture and sale of this product in 2018.

Levonorgestrel-Ethinyl Estradiol tablets (low-dose)

This low-dose oral contraceptive product contains 0.10mg of levonorgestrel and 0.02mg of ethinyl estradiol in each tablet. Compared with existing high-dose contraceptives, this product has a lower rate of adverse reactions but similar efficacy. This research program has been funded by the "National Science and Technology Support Program of the 12th Five-Year Plan" ("十二五國家科技支撐計劃"). Levonorgestrel-Ethinyl Estradiol tablets are currently under phase III clinical trials, and we currently expect to obtain CFDA approval for the manufacture and sale of this product in 2019.

BFS infusion products

Under the blow-fill-seal ("BFS") technology, a container is formed, filled, and sealed without contamination in a continuous process in a sterile, enclosed area inside a machine. We were the first to introduce the BFS technology from Germany. We applied such technology to the manufacture of infusion products, and launched BFS infusion products in the PRC market in 2012. Compared with infusion products manufactured by the traditional two-step method and the multi-step method, BFS infusion has distinct advantages in respect of insoluble particulate matter and bacterial endotoxin, and

its unique sealed structure effectively solves the microleakage problem of plastic package infusion products. The BFS infusion product has been recognized as a new and safe infusion product in the Bluebook on PRC Infusion Safety and Protection Research (中國輸液安全與防護研究藍皮書), the first expert consensus on infusion safety in China.

We intend to develop a series of new infusion products with improved safety based on the BFS technology. For example, we have made a new drug application for Zoledronic acid injection in 2016, and are conducting research for multiple electrolytes injection.

A new long-acting insulin

Insulin is the most direct and effective drug for treating diabetes. The development of new long-acting insulin of which the patient needs only one injection per day has been a subject of intense interest in the field of diabetes therapy. We have established a low-cost production process for our new long-acting insulin and obtained two patents. We have completed studies on the quality standards and pre-clinical pharmacology and toxicology for this product, and are preparing to submit an application for clinical trials to the CFDA.

Levetiracetam tablets

Levetiracetam tablet, an anti-epileptic drug, has a unique anti-epileptic mechanism of action. It has a binding site specific to the synaptic vesicle of the central neuron, and is different from simple ion channel blockers or receptor activators and/or inhibitors. These features are considered to be related to the clinical efficacy and mild adverse drug reactions of levetiracetam.

We have obtained the abbreviated new drug application, or ANDA, approval for this product from the US FDA and are currently preparing to apply for bioequivalence studies to the CFDA. We expect to complete the clinical trials for this product in 2017, before submitting the new drug application to the CFDA.

Expanded indications for r-PA

Recombinant Human Tissue Plasminogen Activator Derivatives (r-PA) (Ruitongli) for injection is a key product of our biopharmaceutical product portfolio. It is a third-generation thrombolytics, currently approved for the treatment of acute myocardial infarction. r-PA has been widely used in the PRC market since its launch because of fast onset of action, high rate of recanalization and ease of administration. Because animal tests have shown that r-PA has excellent efficacy in other occlusive vascular diseases, we are currently conducting pre-clinical studies on potential new indications of this product, with a view to further expand its market.

Since July 2015, the CFDA has introduced a number of measures to deal with the drug applications backlog. On July 22, 2015, the CFDA issued the Notice in relation to the Self-review of Clinical Trials Data of Pharmaceutical Products (關於開展藥物臨床試驗數據自查核查工作的公告) (CFDA Notice No. 117 (2015)), which required the applicants of the then-existing 1,622 drug

manufacturing or drug import applications to the CFDA to re-review the clinical trials data in respect of each such application. On July 31, 2015, the CFDA issued the Consultation on Policies in relation to Swiftly Resolving Drug Applications Backlog (關於徵求加快解決藥品註冊申請積壓問題的若干政策意見) (CFDA Notice No. 140 (2015)), according to which the CFDA planned to apply the most stringent standards to review and approve the current drug applications. In addition, on November 11, 2015, the CFDA issued Certain Policies in relation to the Review and Approval of Drug Applications (關於藥品註冊審評審批若干政策的公告) (CFDA Notice No. 230 (2015)), which sets out ten key factors to be considered in the process of reviewing and approving drug applications, with an emphasis on the accuracy of clinical trials data, the effectiveness of the drug and the consistency between the original innovative version and the generic version of a product as demonstrated in comparability studies. The combination of these policies means that pharmaceutical companies will need to conduct self-reviews of their drug applications to determine if they meet the stringent standards of the , failing which the CFDA would expect the relevant applicant to withdraw its drug application and resubmit the relevant drug application when the requirements are met.

During the Track Record Period, we submitted 67 applications for registration of pharmaceutical products. We conducted a self-review on all of our drug applications against the more stringent requirements of the CFDA's Notices No. 117 (2015), No. 140 (2015) and No. 230 (2015) and concluded that seven applications, which were originally prepared in accordance with the standards at the time of application, fell short of the technical requirements under the CFDA's new standards. We have voluntarily withdrawn these drug applications, including four applications by CR Double-Crane, two applications by CR Sanjiu and one application by CR Zizhu. In December 2015 and January 2016, CR Sanjiu and CR Double-Crane published announcements relating to the withdrawal of their drug applications on the website of the Shenzhen Stock Exchange (http://www.szse.cn/) and the Shanghai Stock Exchange (http://www.sse.com.cn/), respectively. We incurred approximately RMB27.7 million in research and development expenditures in relation to these drug applications, the withdrawal of which did not have a material adverse effect on our results of operations and financial condition.

We have adopted the new technical requirements of the CFDA in our research and development criteria for new drug applications (including the requirements provided in Notice No. 117 (2015) issued by the CFDA in relation to the self-review of clinical trials data and the key-point checklist set out in Notice No. 230 (2015), which include conducting comparability studies to demonstrate consistency between the original innovative version and the generic version of a product and to ensure the data integrity in accordance with the more stringent standards set out in Notice No. 230 (2015)), and do not consider that the new measures of the CFDA will have a material adverse effect on our other existing drug applications. In addition, we understand from the CFDA that the purpose of the new measures was to reduce the backlog of drug applications, and to improve the efficiency and quality of the CFDA's review of drug applications. As of the Latest Practicable Date, we do not expect to further withdraw drug applications.

Product Improvement and Standard Setting

In addition to the research and development of new drugs and health products, we are equally focused on improving the quality standards of our existing product portfolio through the continual refinement of our production processes and evidence-based medicine research. Examples of our product improvement programs are set forth below:

(1) "Study on Standard Granules of Classical Recipes" (經典名方標準顆粒研究), a national "Significant New Medicines Development" (重大新藥創制) program undertaken by us. Under this program, we develop "standard granules of classical recipes" based on the principle of "three consistents," namely consistent prescriptions, consistent indications and consistent usage, and by emulating the preparation process of the Japanese Kampo medicine. This program aspires to combine the theory and philosophy of traditional Chinese medicine with modern manufacturing and quality control techniques. Additionally, we aim to formulate a set of production and quality control standards as well as evaluation and research paradigms that are commonly applicable to the modern-day Chinese medicine industry.

(2) Product improvement program of Zhengtian pellets. Our Zhengtian products are the only Chinese medicine products dedicated to the treatment of headaches in the National Essential Drug List, with excellent market performance. In order to further confirm the efficacy of the product and explore its competitive advantages, we conducted technical improvement and re-assessment studies on Zhengtian pellets, which are expected to foster the public recognition and gradual acceptance of traditional Chinese medicine as a mainstream medical treatment.

In March 2016, the General Office of the State Council issued the *Opinion on Carrying Out the Quality and Efficacy Consistency Evaluation of Generic Drugs* (國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見) (the Consistency Evaluation Opinion), which aims to eliminate generic drugs that fail the quality and efficacy consistency evaluation in order to enhance the overall quality and competitiveness of generic drugs in China. For details, see "Regulatory Environment — Other PRC Laws and Regulations in Relation to the Pharmaceutical and Medical Devices and Food (Health Food) Industry — The Quality and Efficacy Consistency Evaluation of Generic Drugs." The Consistency Evaluation Opinion is expected to have a major impact on the generic drug industry in China. We have proactively formulated plans to carry out the consistency evaluation of the generic drugs in our chemical drugs portfolio. As of the Latest Practicable Date, none of our drug registrations or applications had been revoked or withdrawn as a result of the Consistency Evaluation Opinion. As consistency can be established based on conformity with quality specifications set by the reference product, we intend to file certain of our generic drugs with the CFDA as reference products, thereby securing a competitive advantage over our competitors.

Manufacturing

We manufacture our pharmaceutical products in various dosage forms, such as tablets, granules, capsules, liquid injections, large-volume injections and oral liquids. As of June 30, 2016, we had a total of 288 production lines at our 40 production facilities in China, occupying over 3,800,000 square meters of land and an aggregate gross floor area of over 1,800,000 square meters of buildings and units. Our production facilities are primarily located in North China, East China and South China and cover 17 provinces and municipalities, including Beijing, Shandong and Guangdong. As of June 30, 2016, we had obtained all necessary licenses, registrations and permits to manufacture our pharmaceutical products, including the drug production licenses for our pharmaceutical manufacturing facilities, PRC GMP certifications for our production lines, and manufacturing permits for our products. Each PRC GMP certificate is valid for a term of five years upon issuance, and may be renewed within six months prior to its expiration.

As of June 30, 2016, a number of our production lines at CR Double-Crane and CR Sanjiu had passed the GMP certification of the US FDA and the European Medicines Agency, and a number of production lines at CR Zizhu had passed the PQ supplier certification of the WHO. We conduct regular maintenance and repair work in compliance with GMP certifications.

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

	Year ended December 31,									Six months ended June 30,		
	2013			2014			2015			2016		
Product form	Annual design capacity[1]	Actual production volume[1]	Utilization rate[2]	Annual design capacity[1]	Actual production volume[1]	Utilization rate[2]	Annual design capacity[1]	Actual production volume[1]	Utilization rate[2]	Annual design capacity[1]	Actual production volume[1]	Utilization rate[2]
Tablets	9,671.8	4,597.4	47.5%	10,026.5	5,790.5	57.8%	9,983.3	5,127.8	51.4%	9,657.5	2,307.4	47.8%
Granules	5,071.5	3,036.6	59.9%	5,351.9	3,278.1	61.3%	6,210.6	4,276.4	68.9%	6,318.1	2,333.6	73.9%
Capsules	2,665.3	897.1	33.7%	3,006.3	885.0	29.4%	3,113.9	1,016.0	32.6%	3,226.2	676.9	42.0%
Liquid Injections	2,432.3	1,202.9	49.5%	2,454.0	1,862.2	75.9%	2,484.0	1,351.4	54.4%	2,608.0	597.2	45.8%
Large-volume Injections	2,238.8	1,679.3	75.0%	2,246.4	1,762.6	78.5%	2,130.1	1,532.0	71.9%	2,009.6	686.1	68.3%
Oral Liquids	727.7	563.5	77.4%	771.1	538.7	69.9%	894.9	478.6	53.5%	875.2	281.1	64.2%
Ointment and Liniment	258.7	100.0	38.7%	237.2	79.8	33.6%	237.2	98.5	41.5%	221.2	48.4	43.8%
Powder Injections	241.9	106.8	44.2%	207.4	127.8	61.6%	207.4	115.9	55.9%	213.4	66.2	62.0%
Gloves/Condoms	1,336.2	1,046.0	78.3%	1,336.2	962.5	72.0%	1,336.2	1,017.3	76.1%	1,336.2	446.2	66.8%
Active pharmaceutical ingredients	1,359.5	711.5	52.3%	1,359.5	759.6	55.9%	1,568.5	876.2	55.9%	1,569.7	512.3	65.3%
Gelatins	2,100.0	2,361.0	112.4%	2,100.0	1,900.0	90.5%	2,100.0	2,003.0	95.4%	2,100.0	860.2	81.9%

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

(2) Calculated as the percentage of actual production volume over the design production capacity for the periods indicated; and for the six months ended June 30, 2016, calculated as the percentage of actual production volume over one half of the annual design capacity for 2016.

During the Track Record Period, the utilization rates of our capsules and ointment and liniment production capacities were lower than the utilization rates of our other production capacities, primarily due to (i) our increased production capacity for certain new products in anticipation of potential growth in their market demand; (ii) the expansion and upgrade of some of our production lines in order to obtain the new GMP certification, which typically resulted in larger production capacity; (iii) the need to retain the manufacturing permits of certain products that we consider to be essential to our product portfolio; and (iv) low market demand for certain products. According to Frost & Sullivan, overcapacity is an industry-wide issue of the PRC pharmaceutical manufacturing industry. For example, the total production capacity of sterile drugs of sterile drug manufacturers that had been certified with the new version of PRC GMP standard by the end of 2013 had reached 160% of the actual demand for sterile drugs in the PRC market in 2012, according to data published by the CFDA, and the production capacities of vitamin C and penicillin in the PRC have each exceeded their respective demand in the global market, according to Frost & Sullivan.

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

Plantation Bases

We intend to achieve upstream vertical extension in our Chinese medicine products and gain a better control over the quality and supply of Chinese herbs. As such, we have established our own herbal medicine plantation bases to plant, among others, *radix aconiti lateralis preparata* (附子), *carthamus tinctorius* (紅花) and ginseng (人參). As of June 30, 2016, we had 11 herbal medicine plantation bases located in Sichuan, Xinjiang, Jilin, Hubei and Guangdong, among which six plantation bases had obtained the Good Agricultural Practice, or GAP, certificates for Chinese herbal medicines (中藥材生產質量管理規範證書). During the Track Record Period and up to the Latest Practicable Date, we were not aware of any incidences of use of prohibited pesticide in our plantation bases and had complied with the relevant laws and regulations in our plantation activities.

The herbal medicines produced by us on our plantation bases are mainly for our own production use. In addition, we also procure herbal medicines from external suppliers in order to meet our production requirements.

Raw Material Procurement

The principal raw materials used for our chemical drugs are active pharmaceutical ingredients and chemicals used to produce APIs. Chinese herbs are the primary raw materials for our Chinese medicines. The primary raw materials for our biopharmaceutical products are biological materials collected from various sources. Our pharmaceutical manufacturing business also uses supplemental materials and packaging materials.

We source raw materials, supplemental materials and packaging materials mostly from third-party suppliers. As a general matter, our manufacturing subsidiaries are responsible for the planning and purchasing of materials used in their operations, while following policies and procedures adopted by our head office. In addition, we perform periodic audits to monitor purchases made by our subsidiaries.

We carefully screen the suppliers for our pharmaceutical manufacturing operations. We have established and maintained a stringent supplier evaluation system to ensure that the raw materials comply with applicable regulatory requirements, meet our quality standards and satisfy our technological requirements for pharmaceutical manufacturing operations. We require that our suppliers provide us with evidence that they have all the licenses and permits necessary to conduct their operations, which may include business licenses, manufacturing permits, import registration certificates, GMP or other relevant licenses and any other related documents. Under the GMP standards, we select suppliers by assessing the quality of their products as well as their quality control systems.

The raw materials required for the production of our pharmaceutical products are generally readily available in the market through many suppliers. During the Track Record Period, we did not experience significant difficulties in maintaining reliable sources of supplies, and we expect to be able to maintain adequate sources of quality supplies in the future. We generally enter into supply agreements with a term of one year with our raw material suppliers. We generally contract with more than one supplier for each major type of raw material. We believe short-term agreements with raw material suppliers provide us with the flexibility to re-negotiate prices when there are price fluctuations. We source certain raw materials from the overseas market. For example, we source a certain amount of donkey-hide, our primary raw material, from Mexico, Peru, Egypt and other overseas markets.

When we source raw materials, the purchase price for the relevant raw materials is based on the prevailing market price of such materials of similar quality. We generally maintain a raw material inventory that ranges from approximately 30 to 90 days to support the production of our pharmaceutical products, and keep higher levels of inventory for raw materials that are harder to procure to ensure their continued supply. Our suppliers normally grant us credit period of 30 to 90 days.

Sales, Marketing and Distribution

As is common in the PRC pharmaceutical industry, our in-house sales and marketing teams directly market and promote our pharmaceutical products to hospitals, other medical institutions and retail pharmacies, while sales to them are typically made through third-party distributors who purchase products from us and then resell to them. We also sell products to distributors for resale to customers or in markets not covered by our sales and marketing teams. In general, each of our manufacturing subsidiaries manages its own sales and marketing team to promote and sell its products.

Brands and Honors

We own a number of trademarks that are recognized as Well-Known Trademarks, including "Sanjiu (三九)" (also known as "999"), "Double-Crane (雙鶴)," "Saike (賽科)," "Zizhu (紫竹)," "Dong-E-E-Jiao (東阿阿膠)" and "Tianhe (天和)." We also own various other famous trademarks. We believe that the sales and marketing of our relevant products have significantly benefited from the strong brand recognition and customer loyalty associated with those trademarks.

CR Sanjiu has developed a full suite of family medicines that covers cold remedies and gastrointestinal, dermatological and orthopedics products. As a result, CR Sanjiu was one of the only three pharmaceutical companies to be named among the "Most Valuable Chinese Brands" for six consecutive years from 2011 to 2016 by WPP, a global leading company in advertising and marketing services. For three consecutive years from 2013 to 2015, CR Sanjiu was named No. 1 in the comprehensive ranking of PRC nonprescription manufacturing enterprises by the China Nonprescription Medicines Association (中國非處方藥物協會).

We have also successfully built "Dong-E-E-Jiao" as a premier brand in the PRC OTC products market and a household name in China. Dong-E-E-Jiao is recognized as a National Geographic Protected Product (國際地理標誌保護產品), and its production process is recognized as an Intangible Cultural Heritage (非物質文化遺產) in China. In 2014 and 2015, Dong-E-E-Jiao was named as one of the 50 "Best China Brands" by Interbrand, an international leading brand consultancy headquartered in New York. Dong-E-E-Jiao was honored as a "100-Year Expo Enterprise" at the Milan World Expo 2015. In 2015, Dong-E-E-Jiao was granted the China Quality Award (全國質量獎), a highly prestigious national award, by the China Association for Quality (中國質量協會), and was the only PRC pharmaceutical company to receive such award in 15 years.

A number of our prescription medicines also enjoy high market share or ranking in their respective therapeutic areas and segment markets. For details, see "— Product Portfolio." In addition, we recognize that customer loyalty to our products must be supported by the quality of our products and customer services. As a result, we exercise stringent quality control in the manufacturing and handling of our products. See "— Risk Management and Internal Control Systems — Pharmaceutical Manufacturing."

Sales and Marketing

We have established an extensive sales and marketing network comprising sales representatives located in all major markets where our products are sold. Our sales representatives implement our marketing strategies by promoting the relevant products directly to hospitals and other medical institutions in China through activities and the provision of relevant information that are designed to educate the doctors at the relevant hospitals and other medical institutions on the usage and benefits of our products. Furthermore, we continually strengthen the quality of our sales force by improving their product knowledge and sales skills.

A primary focus of our prescription medicines is the development, manufacture and sale of drugs for chronic diseases, such as hypertension, high blood cholesterol, and diabetes. According to Frost & Sullivan, with the aging population, the prevalence of cardiovascular diseases has been on the rise in China. As a result, we have made it our priority to focus our marketing and promotional resources on educating and informing physicians and patients in local medical communities. Since 2012, together with the China Rural Health Association (中國農村衛生協會) and under the auspices of the NHFPC, CR Double-Crane, our primary manufacturing subsidiary of chemical and prescription drugs, launched the "Crane Call Project" (鶴鳴行動), providing technical and practical training to physicians at local hospitals and other medical institutions, including those in rural areas. We believe such training improved the essential knowledge, skills and capabilities required of medical professionals,

and thus the quality of medical services at the grass-root level. Meanwhile, we launched the "Crane Dance Project" (鶴舞行動) in order to disseminate knowledge on the prevention and early detection of hypertension and other cardiovascular diseases, and to broaden healthcare access to residents in small cities, towns and villages.

As of June 30, 2016, in collaboration with our hospital partners, we had established 81 peritoneal dialysis centers in Hainan, Hunan and other provinces to promote the use of peritoneal dialysis solution, our major nephrology product, and provide training to physicians and other medical professionals on the use of, and technologies related to, our peritoneal dialysis product. We also established Internet-based customer service platforms to provide information and services to patients with chronic kidney diseases.

We are a leading provider of pediatric prescription drugs, especially in the areas of neonatal respiratory distress syndrome and pediatric nutrition support. In collaboration with the Neonatal Professional Committee of Chinese Medical Doctor Association (中國醫師協會新生兒專業委員會), we launched "CR Double Crane's NICU (Neonatal Intensive Care Unit) Western Development Strategy" (華潤雙鶴NICU(新生兒重症監護中心)西部行項目) to improve the essential knowledge, skills and abilities of neonatal physicians and to reduce the mortality and disability rates among newborns in Western China.

To promote the use of our large-volume IV infusion products, we have established PIVAS (Pharmacy Intravenous Admixture Service) centers in collaboration with hospitals and provided training for their nursing staff with a view to improving medication safety at these hospitals. We have formulated a distinct model that differentiates us from other manufacturers of large-volume IV infusion products, where we provide next-day, direct-distribution service of our large-volume IV infusion products to some of our large hospital customers that are in the vicinity of our production facilities. Such value-added services have helped our hospital customers lower inventory levels, achieve cost-saving objectives and enhance operational efficiency.

Compared to the promotion of prescription products, the promotion of OTC products is more oriented toward the general public. In recent years, we have proactively implemented a product placement advertising strategy for some of our key products and have enjoyed considerable success. For example, CR Sanjiu named the first season of *Where Are We Going, Dad? (爸爸去哪兒)*, a reality show that subsequently became highly popular in China, as well as a number of other highly popular TV dramas, a comedy movie and a reality show. Dong-E-E-Jiao has also placed E-Jiao products in the highly popular TV drama *Empresses in the Palace (甄嬛傳)*. These sponsorships and promotional activities raised the visibility of our manufacturing subsidiaries and the brand recognition of their respective pharmaceutical products.

We have launched diversified marketing and promotional activities and established strong sales channels for our OTC products. CR Sanjiu had one of the most extensive sales channels for OTC drugs in China, having established cooperative relationships with the largest retail chain pharmacies in China and reaching nearly 300,000 retail pharmacies as of June 30, 2016. CR Sanjiu regularly

organizes and sponsors a variety of activities, such as concerts, singing competitions and square dancing competitions at retail outlet level and in local communities, as well as charity events such as the donation of books and medicines and the provision of free medical services, in order to strengthen its bonds with retail outlets and local communities.

Dong-E-E-Jiao has made "cultural experience marketing" (文化體驗營銷) a nexus of its promotional initiatives and has embedded tourism into its overall marketing blueprint. For example, Dong-E-E-Jiao operates the China E-Jiao Museum (中國阿膠博物館) located in Dong E county, Shandong Province, which chronicles the long history of E-Jiao since ancient China and advocates the "life nourishment" (養生) philosophy in traditional Chinese medicine, which proved to be a unique and successful way of combining tourism and advertisement. As one of China's treasured products, E-Jiao has been presented as a gift to foreign dignitaries and distinguished guests. Dong-E-E-Jiao has established a centralized, digital end-customer management system to monitor the sales of its E-Jiao products at retail pharmacies and other retail outlets, which enables it to better analyze and predict market demands and developments, as well as provide tailored services to its end-customers.

Distribution

As a general matter, our pharmaceutical products are sold first to distributors. The distributors then resell these products based on our sales and marketing teams' efforts or through their own sales and distribution networks. In either case, we consider distributors our direct customers. Sales to other customers, primarily of certain active pharmaceutical ingredients and non-pharmaceutical products, are relatively insignificant for our pharmaceutical manufacturing business. We select our distributors based on a number of criteria, including their credit record, financial strength, customer portfolio, distribution network and market position. We also check the qualification of our distributors to ensure that they have obtained the necessary permits, licenses and certifications for the distribution of medical products, including drug operation permits and GSP certifications. Our Directors believe that our sales and distribution model is in line with the industry norm.

In recent years, pharmaceutical products have become more affordable in China, particularly in small cities and rural areas, primarily as a result of the healthcare reform. We continue to add new distributors and to expand our sales network to these markets. In addition, we have terminated relationships with distributors that are no longer able to help us compete effectively in the changing market. We may also choose not to continue distribution relationships with distributors that fail to meet performance targets. In general, our relationships with our major distributors have remained stable.

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

	Year ended December 31,			Six months ended June 30,
	2013	2014	2015	2016
As of the beginning of the period	2,454	2,579	2,548	2,769
Additions of new distributors	429	359	431	180
Termination of existing distributors	(304)	(390)	(210)	(250)
Net increase (decrease) in distributors	125	(31)	221	(70)
As of the end of period	2,579	2,548	2,769	2,699

Our relationship with our pharmaceutical products distributors is not that of a principal and an agent. We have no ownership or management control over any of our pharmaceutical products distributors other than our subsidiaries that are engaged in the pharmaceutical distribution business. However, the pharmaceutical product distributors are required to comply with the terms and conditions of our standard distribution agreement. The principal and general terms of our standard distribution agreements are as follows:

i.	Duration	We generally enter into annual distribution agreements with our distributors.
ii.	Geographic or other exclusivity	We manage cannibalization risk among distributors through our agreements with our distributors. These agreements specify the relevant products to be distributed and the geographic regions for which the distributor is responsible. The agreements also prohibit distributors from selling our products outside their respective designated geographical regions without our prior written consent.
iii.	The rights and obligations of parties involved	The distributors are liable for breaches of the relevant distribution agreements and are responsible for indemnifying us for damages as a result of such breaches. Certain distribution agreements entitle us to terminate the distribution right of our distributors if it is discovered that the distributor sells beyond its designated geographic areas.
iv.	Sales and pricing policies	The distribution agreements normally set the quantity and price (such as suggested retail prices or minimum sales prices) of our products.

v.	Obsolete stock arrangements	Each of our pharmaceutical products has a specified expiry period. Our pharmaceutical product distributors are responsible for disposing of our pharmaceutical products which are beyond the specified expiry period. Our distributors are not allowed to sell any expired pharmaceutical products.
vi.	Goods return arrangements	We normally only accept sales returns for defective products. During the Track Record Period, we did not encounter any material sales returns.
vii.	Sales and expansion targets	The distribution agreements normally set quarterly or yearly sales volume targets. We also enter into sales agreements with some of our distributors, which only set forth the sales price and logistics details for the delivery of our products and do not have sales targets.
viii.	Sales and inventory reports and estimates	We actively monitor the performance of our distributors, and our distributors are generally required to provide us with periodic market information related to our products that they distribute. We monitor the inventory level of our distributors by checking the volume of relevant products we sell to each distributor and the volume of relevant products the distributor resells to hospitals and other medical institutions, which allows us to manage the risk of channel stuffing. Our distributors generally may not return any unsold products at the end of the distribution period. Our sales representatives regularly communicate with target hospitals and retail pharmacies as part of our efforts to assess the performance of our distributors.
ix.	Any minimum purchase amounts	We generally have pre-set annual purchase targets for our distributors.
x.	Payment and credit terms	For certain products, we collect payment from our distributors before delivering goods to them. For other products, we typically extend a credit period ranging between 30 and 120 days to our distributors. Our distributors generally have strong credit records and steady cash flow. We have not experienced any material delays in payment by our distributors.
xi.	Conditions for terminating and renewing the agreements	The distribution agreements may be terminated upon distributors' default or the mutual consent of the parties. The distribution agreements may be renewed upon mutual agreement.

We also distribute pharmaceutical products through sub-distributors to reach hospitals, other medical institutions and retail pharmacies outside of the customer base of our distributors. In addition, we also distribute our products through our own pharmaceutical distribution business. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, inter-segment sales, which mainly represented the sales of our products by our own pharmaceutical distribution business, accounted for 6.6%, 10.3%, 10.9%, 10.4% and 10.3%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. The moderate percentage of inter-segment sales is mainly because: (i) although our own pharmaceutical distribution business covers a network across 19 provinces, products of our pharmaceutical manufacturing business are distributed to nationwide in the PRC; (ii) according to Frost & Sullivan, the PRC pharmaceutical distribution market is highly fragmented with more than 13,000 distributors as of the end of 2014, most of which distribute locally. As a result, pharmaceutical manufacturers typically have to establish relationships with a large number of distributors to achieve a wide coverage; and (iii) driven by the unique features of their respective products, some of our manufacturing subsidiaries have established long-term cooperation with their own distributors. We intend to further develop the synergies between pharmaceutical manufacturing and pharmaceutical distribution businesses.

Product Pricing

Prior to June 1, 2015, pharmaceutical products were subject to price controls by way of maximum retail prices, which 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. In May 2015, NDRC, NHFPC, MOHRSS, MIIT, MOF, MOFCOM and CFDA jointly promulgated the Notice Regarding the Opinions on Facilitating Pharmaceutical Pricing Reform (關於印發推進藥品價格改革意見的通知). According to the circular, effective from June 1, 2015, with the exception of narcotic and psychotropic drugs in category I, the maximum retail prices for drugs were lifted, allowing for a more market-based drug pricing system. Meanwhile, the government continued to retain its supervision over drug pricing by improving the drug procurement mechanism, strengthening the cost control function of the medical insurance system, and strengthening the supervision of medical practices and pricing practices, in order to foster a more market-based drug pricing mechanism.

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 "Regulatory Environment — Price Controls" and "Risk Factors — Risks relating to Our Business and Industry — We sell a number of our pharmaceutical products through a centralized tender process, and the pricing of our pharmaceutical products may be adversely affected by market competition" for more details.

Substantially, all procurement of pharmaceutical products by public hospitals and medical institutions is subject to a centralized tender process that involves bidding by manufacturers of these products. A duly organized bid-evaluation committee, which is composed of pharmaceutical experts and clinical medical experts randomly selected from a database of experts established by the relevant government authority, is responsible for bid evaluations. The selection is based on a number of factors, including bid price, quality, clinical effectiveness, and manufacturer's reputation and service quality.

We participate in such centralized tender process regularly, and the successful bidding prices are the hospital procurement prices at which distributors sell the products to the hospitals. We work with our distributors during the centralized tender process and seek to improve our overall bidding position and number of successful bids by utilizing our industry expertise, market intelligence and product quality. After the centralized tender process, our distributors then distribute our products upon receiving purchase orders provided by the hospitals, which specify the brand, volume and types of pharmaceutical products. 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, prices at which our competitors sell pharmaceutical products to distributors, our purchase costs from suppliers, our gross profit margins, and the margins for our distributors.

The Guiding Opinions on Enhancing Centralized Procurement of Pharmaceutical Products by Public Hospitals issued by the General Office of the State Council (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) on February 9, 2015 and the Notice on Implementing the Guiding Opinions on Enhancing Centralized Procurement of Pharmaceutical Products by Public Hospitals issued by the NHFPC (國家衛計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) on June 11, 2015 required that all drugs (except for decoction pieces) used by public hospitals shall be procured through provincial centralized drug procurement platform, and set out rules governing the centralized drug procurement process. For details, see "Regulatory Environment — Centralized Tendering System for Pharmaceutical Products by Medical Organizations."

PHARMACEUTICAL DISTRIBUTION

We provide comprehensive, intelligent and integrated distribution solutions to pharmaceutical manufacturers and dispensers, such as hospitals and other medical institutions, distributors and retail pharmacies. We were the second largest distributor of pharmaceutical products in China in terms of revenue in 2015, according to Frost & Sullivan. As of June 30, 2016, we operated a national distribution network comprising 109 subsidiaries and 114 logistics centers located strategically across 19 provinces. In Beijing, Hunan, Shandong, Guangdong, Henan, Liaoning, Jilin, Jiangsu, Tianjin and Inner Mongolia, we enjoy competitive advantages as a market leader. In Hubei, Shanxi, Hebei, Heilongjiang and Shanghai, we are leveraging our substantial market share to target opportunities for strategic growth. We have also expanded our business into Zhejiang, Fujian, Shaanxi and Anhui to develop our nationwide network and capture the growth potential of these markets. We conduct our pharmaceutical distribution business primarily through CR Pharmaceutical Commercial, one of our wholly-owned subsidiaries. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, the external sales from our pharmaceutical distribution business was HK$91,651.9 million, HK$111,789.8 million, HK$121,190.9 million, HK$58,755.7 million and HK$62,682.7 million, respectively, while our segment revenue was HK$92,557.1 million, HK$113,097.7 million, HK$123,156.4 million, HK$59,622.5 million and HK$63,667.5 million, respectively.

As of June 30, 2016, we distributed 34,348 types of prescription pharmaceutical products, 10,029 types of OTC pharmaceutical products, 47 types of medicine that can be both used as prescription products and OTC pharmaceutical products in China, and focused on products manufactured by leading PRC and international pharmaceutical manufacturers. We source products from 9,590 international and domestic pharmaceutical manufacturers, including the top 50 international pharmaceutical manufacturers with a presence in China and the top 200 PRC pharmaceutical

preparations manufacturers in terms of revenue. We had exclusive rights to sell 47 pharmaceutical products and medical devices from large domestic and international pharmaceutical companies in China as of June 30, 2016. Among the 47 exclusive rights to distribute pharmaceutical products and medical devices that we have, 30 of such rights will expire within a year, 11 of such rights will expire in between one and two years, and six of such rights will expire in over two years. Except for certain cases of exclusive rights that provide for automatic annual renewal, before the expiry of such exclusive rights, we generally negotiate with the supplier and have the option to renew such exclusive right upon mutual consent. Our comprehensive product portfolio aims to address increasingly complex healthcare needs. For example, our extensive range of products targeting chronic diseases addresses the rising prevalence of chronic diseases, while our oncology product offering caters to the increasing medical needs for these products.

Leveraging our comprehensive product offerings, wide distribution networks and strength in high-end pharmaceutical products, we directly distribute products to hospitals and other medical institutions, especially Class III and Class II hospitals. Direct sales to hospitals and other medical institutions generate higher margins than sales to other distributors. In 2015, our direct sales to hospitals and other medical institutions accounted for 61.1% of external sales from our pharmaceutical distribution business. Through 109 subsidiaries and 114 logistics centers in China, we directly sold products to 1,165 Class III hospitals, 3,034 Class II hospitals and 37,424 primary medical institutions in China as of June 30, 2016. We continue to expand our sales networks to reach other end-customers across the PRC through other distributors. We also distribute pharmaceutical and healthcare products to retail pharmacies and other retail outlets.

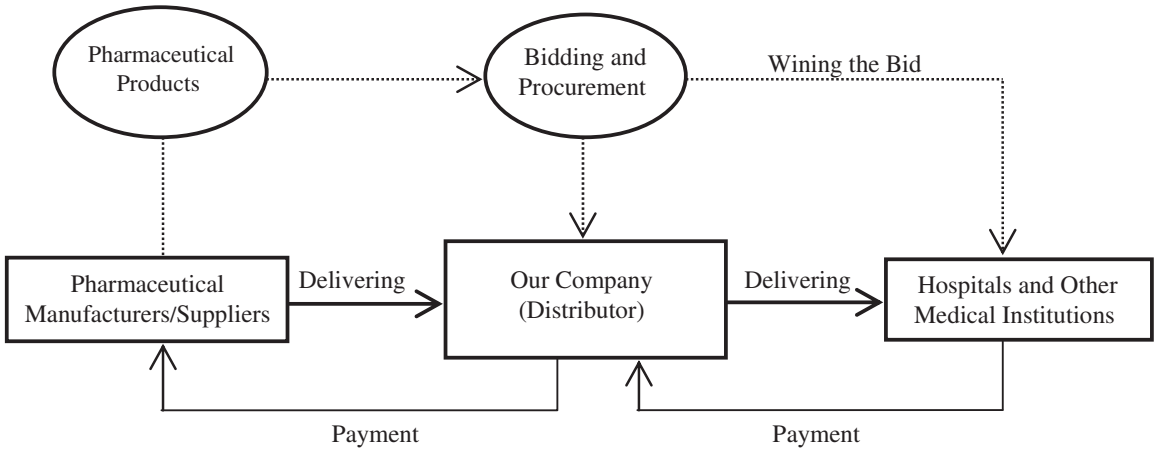
The following table sets forth a breakdown of revenue from our pharmaceutical distribution business by customer type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales
	(HK$ in millions, except percentages)									
External sales										
Hospitals and other medical institutions	55,811.5	60.9%	67,828.3	60.7%	74,082.1	61.1%	34,764.0	59.2%	38,159.9	60.9%
Other distributors	32,501.5	35.5	39,945.8	35.7	43,008.3	35.5	21,141.0	35.9	21,174.2	33.8
Retail pharmacies and others	3,338.9	3.6	4,015.7	3.6	4,100.5	3.4	2,850.7	4.9	3,348.6	5.3
Total	**91,651.9**	**100.0**	**111,789.8**	**100.0**	**121,190.9**	**100.0**	**58,755.7**	**100.0**	**62,682.7**	**100.0**
Inter-segment sales	905.2	1.0	1,307.9	1.2	1,965.5	1.6	866.8	1.5	984.8	1.6
Segment revenue	**92,557.1**	**101.0%**	**113,097.7**	**101.2%**	**123,156.4**	**101.6%**	**59,622.5**	**101.5%**	**63,667.5**	**101.6%**

Business Models

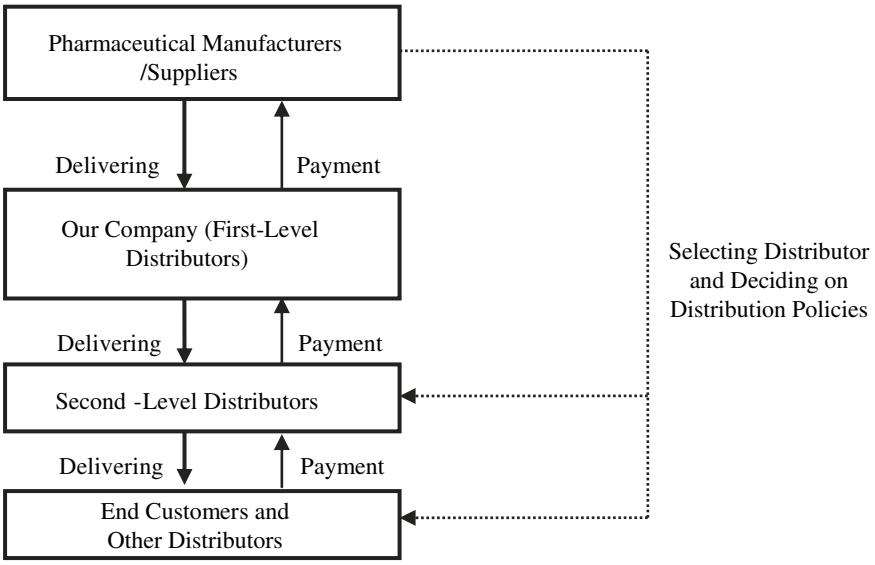
Overall, our pharmaceutical distribution business involves a process of purchasing from suppliers, conducting quality control inspections, warehousing, processing orders and invoicing, arranging logistics and delivering to customers, and then collecting payments.

The following diagram illustrates our major business model for sales to hospitals and other medical institutions:



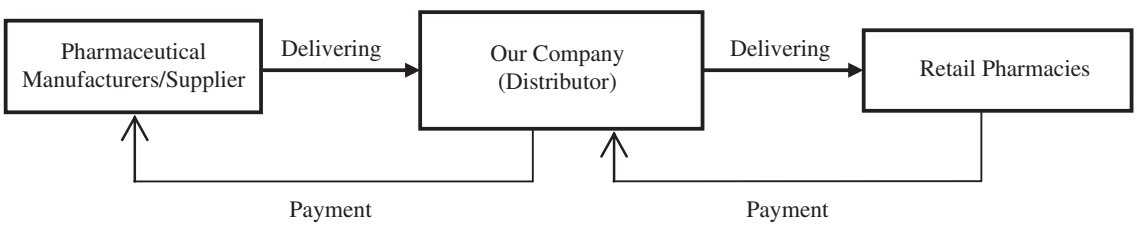
Our pharmaceutical distribution business is primarily conducted through direct sales to hospitals and other medical institutions, which accounted for 60.9% of the external sales for the six months ended June 30, 2016. Under the business model of direct sales to hospitals and other medical institutions, pharmaceutical manufacturers first participate in the provincial centralized bidding process. The winning pharmaceutical manufacturers will then select their distributors. The selected distributors will purchase products from the pharmaceutical manufacturers to build up inventories. When the distributors receive a hospital's orders, they will distribute to the hospital at the price set by the previous bidding process. In this process, the distributor's gross profit is derived from the difference between the sales revenue and the procurement cost, which is generally ranging from 6% to 8% of the order value. Meanwhile, the costs of distributors primarily consist of inventory cost, operating cost and financing cost resulting from the time between their payment to pharmaceutical manufacturers and the receipt of payment from hospitals and other medical institutions.

The following diagram illustrates the major business model for sales to distributors:



Our pharmaceutical distribution business is also conducted through sales to distributors. Because no individual distributor can reach all end-customers, pharmaceutical manufacturers or suppliers will sometimes select multiple levels of distributors to increase customer penetration. As the party determining the distribution structure of its products, pharmaceutical manufacturers generally select one to three first-level distributors in each province and may also choose to select several second-level distributors in different cities of a province. If needed, the pharmaceutical manufacturer may even select additional levels of distributors to achieve maximum coverage of its products. The pharmaceutical manufacturers will determine the gross margin for different levels of distributors, taking into account the services provided by each of the distributors. A first-level distributor's gross margin is generally at a rate ranging from 3% to 5% of the order value, while the gross margin for a second-level distributor will be generally at a rate ranging from 2% to 4% of the order value. In addition, some manufacturers or suppliers may also offer a bonus of 0.5% to 2% of the order value to the first and second-level distributors as incentives, depending on whether these distributors are able to fulfill their obligations under the annual distribution agreements and to make their payments in a timely manner. Sometimes, our subsidiaries might act as second or lower level distributors.

The following diagram illustrates our business model for sales to retail pharmacies:



Our pharmaceutical distribution business is also conducted through sales to retail pharmacies. As a distributor, we derive gross profit from the difference between procurement cost and sales revenue, generally at a rate ranging from 3% to 5% of the order value. Such rates are normally determined by us and the retail pharmacies through negotiations. We determine the credit terms for our retail pharmacy customers. The distributors will then deliver the products and collect payments based on the needs of the retail pharmacies. The manufacturers or suppliers, on the other hand, will also provide marketing services to retail pharmacies in order to increase the sales of their products.

Distribution Network

As of June 30, 2016, we operated our pharmaceutical distribution business through 109 subsidiaries and 114 logistics centers, covering 41,623 direct-sales hospitals and other medical institutions customers mainly located in 19 provinces. We also sell to other distributors, including regional wholesalers or distributors at the provincial or municipal level, through which we distribute pharmaceutical products, medical devices, personal care products, chemical reagents and other products nationwide in China.

The continuing growth and success of our pharmaceutical distribution business will depend on our ability to improve and expand our distribution network. We pursue selective acquisition opportunities focused on leading regional distributors, develop them into our regional business platforms with strong comparative strengths, and enhance our leadership and market share nationally. We also pursue acquisition opportunities to supplement our business service models and to optimize our pharmaceutical distribution business. For example, in 2013, we acquired a 70.0% equity interest in Shanghai Shenwei, expanding our pharmaceutical distribution business in Shanghai. In 2015, we acquired certain assets and businesses of Anhui Hongye Pharmaceutical Company Limited to enhance our market share in Anhui Province. In addition, we also made several acquisitions to supplement our business service models. For example, in 2011, we acquired a 51.0% equity interest in CR Hunan Shuangzhou Pharmaceutical, incorporating its mature "Original Equipment Manufacturer" model into the service offering of our pharmaceutical distribution business. In 2014, we acquired a 100.0% equity interest in Shenyang Huipusen Medical Device Co., Ltd. in order to enhance our strengths in medical devices distribution.

Sales and Marketing

We conduct our pharmaceutical distribution business primarily in China. The following table sets forth the external sales from our pharmaceutical distribution business by geographic region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total external sales	Amount	% of total external sales	Amount	% of total external sales	Amount	% of external sales	Amount	% of external sales
	(HK$ in millions, except percentages)									
Northern China Region[(1)]	32,442.8	35.4%	37,036.7	33.1%	39,426.4	32.5%	17,712.2	30.1%	18,914.0	30.2%
Eastern China Region[(2)]	24,294.7	26.5	30,112.4	26.9	34,336.6	28.3	17,305.4	29.5	17,434.0	27.8
Central China Region[(3)]	16,727.9	18.2	20,438.3	18.3	22,008.5	18.2	11,170.2	19.0	12,368.9	19.7
Northeastern China Region[(4)]	8,207.4	9.0	9,869.0	8.8	10,513.1	8.7	5,236.6	8.9	5,630.1	9.0
Southern China Region[(5)]	7,211.4	7.9	10,810.4	9.7	11,744.9	9.7	5,846.6	10.0	6,590.5	10.5
Other Regions[(6)]	2,767.7	3.0	3,523.0	3.2	3,161.4	2.6	1,484.7	2.5	1,745.2	2.8
Total external sales	**91,651.9**	**100.0%**	**111,789.8**	**100.0%**	**121,190.9**	**100.0%**	**58,755.7**	**100.0%**	**62,682.7**	**100.0%**

(1) Northern China Region comprises Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia.

(2) Eastern China Region comprises Shandong, Jiangsu, Anhui, Jiangxi, Zhejiang, Fujian and Shanghai.

(3) Central China Region comprises Hubei, Hunan and Henan.

(4) Northeastern China Region comprises Liaoning, Jilin and Heilongjiang.

(5) Southern China Region comprises Guangdong, Guangxi and Hainan.

(6) Other regions comprise Southwestern China Region (Sichuan, Yunnan, Guizhou, Tibet and Chongqing) and Northwestern China Region (Ningxia, Xinjiang, Qinghai, Shaanxi and Gansu).

As of June 30, 2016, our customers included 41,623 hospitals and other medical institutions, 6,235 distributors and 18,393 retail pharmacies. Through centralized planning and allocation of resources, we are able to guide our subsidiaries efficiently and precisely in their marketing efforts, by setting sales and market share targets, planning value-added services, and providing guidance on governmental policies and market analysis. Our centralized planning power is enhanced by our advanced information system embedded with data-gathering function of supply chain value-added service models, enabling us to adapt to ever-changing market conditions. We centralize the management of our distribution subsidiaries on matters such as budget control and standardized internal control procedures so as to minimize operational risks.

We have established highly specialized sales and marketing teams based on the particular type of customers, sales methods and product categories, including: (i) a direct sales team that primarily sells pharmaceutical products to hospitals and other medical institutions; (ii) a sales team that primarily sells pharmaceutical and healthcare products to other distributors; (iii) a sales team that primarily sells pharmaceutical and healthcare products to retail pharmacies and other customers; and (iv) a sales team that specializes in the distribution of medical devices. We have approximately 2,000 dedicated sales and marketing personnel, conducting and providing supporting services to our

customers. We believe that this division of specialties and responsibilities among our sales force enables us to better customize our services to effectively target different customers. The sales and marketing representatives located at our distribution subsidiaries are primarily responsible for undertaking regional sales, marketing and customer support activities directly to customers. Our distribution subsidiaries are strategically located close to their customers in the relevant regions, so that our sales and marketing representatives are able to respond promptly to customer needs in an effective manner. We conduct a review process to screen customers before engaging in sales and marketing efforts.

Sales and Distribution Arrangements

We have a broad customer base that includes hospitals and other medical institutions, other pharmaceutical product distributors and retail pharmacies. Hospitals include general and specialty hospitals at the national, regional and municipal levels, as well as primary medical institutions. Other medical institutions generally include private hospitals and clinics. Other pharmaceutical product distributors include national or regional distributors, which distribute pharmaceutical and healthcare products to hospitals, other medical institutions and retail pharmacies. Retail pharmacies include national and regional chain retail pharmacies and independent pharmacies.

We offer a broad range of logistics and value-added services designed to enhance the operational efficiency and competitive positions of our customers, thereby enabling them to improve the safety and effectiveness of healthcare services for their patients and consumers. We generally maintain long-term relationships with customers. However, due to policy concerns and market practice, we do not generally enter into any long-term contracts with customers.

The following table sets forth the types and total numbers of our customers by geographic region as of June 30, 2016:

	As of June 30, 2016			
	Hospitals and other medical institutions	**Other distributors**	**Retail Pharmacies and other customers**	**Total**
Central China Region[(1)]	12,526	1,404	4,476	18,406
Northeastern China Region[(2)]	5,912	626	2,763	9,301
Eastern China Region[(3)]	12,089	1,517	5,688	19,294
Northern China Region[(4)]	8,824	1,224	3,829	13,877
Other Regions[(5)]	871	696	1,376	2,943
Southern China Region[(6)]	1,401	768	261	2,430
Total	**41,623**	**6,235**	**18,393**	**66,251**

(1) Central China Region comprises Hubei, Hunan and Henan.

(2) Northeastern China Region comprises Liaoning, Jilin and Heilongjiang.

(3) Eastern China Region comprises Shandong, Jiangsu, Anhui, Jiangxi, Zhejiang, Fujian and Shanghai.

(4) Northern China Region comprises Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia.

(5) Other regions comprise of Southwestern China Region (Sichuan, Yunnan, Guizhou, Tibet and Chongqing) and Northwestern China Region (Ningxia, Xinjiang, Qinghai, Shaanxi and Gansu).

(6) Southern China Region comprises Guangdong, Guangxi and Hainan.

Hospital and Other Medical Institution Customers

To sell its products to hospitals, a pharmaceutical manufacturer in China may need to go through a bidding process conducted by the provincial governments. Multiple manufacturers may win the bids to supply any particular type of medicine. The hospitals select one or more winning manufacturers to supply the medicine by placing orders with the relevant pharmaceutical distributors. As part of our value-added services, we provide policy and market consultation to the pharmaceutical manufacturers during the bidding process. After the bidding process, we distribute products of the selected manufacturers based on purchase orders provided to us from the hospital. Such order will specify the brand, volume and specifications of pharmaceutical products. The pricing of these products will be determined in accordance with the bidding process. See "Regulatory Environment — Centralized Tendering System for Pharmaceutical Products by Medical Organizations."

Sales of pharmaceutical products, healthcare products and medical devices to our hospital and other medical institution customers in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016 was HK$55,811.5 million, HK$67,828.3 million, HK$74,082.1 million, HK$34,764.0 million and HK$38,159.9 million, respectively, representing 60.9%, 60.7%, 61.1%, 59.2% and 60.9%, of external sales from our pharmaceutical distribution business during the same periods, respectively.

Distributor Customers

We also distribute pharmaceutical products through other distributors to reach hospitals, other medical institutions and retail pharmacies outside of our customer base. The pharmaceutical manufacturers generally determine, in tripartite agreements with us and our distributor customers, the qualification requirements of distributor customers, any geographic/product exclusivity, the time or geographic restriction for the resale of such products by our distributor customers, as well as the order, delivery and payment arrangements between us and the distributor customers. We may also advise the pharmaceutical manufacturers with regard to the qualification of the distributor customers, with the aid of the distributor qualification information we have collected and organized in our system. Our distributor customers place orders with us, and we supply and deliver the products accordingly. The majority of our tripartite agreements are for a term of one year, and may be renewed upon mutual agreement.

Pharmaceutical manufacturers generally have the power to determine which distributors we can distribute to, and the relevant distribution policies. As of December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we had 6,161, 6,504, 8,222 and 6,235 distributor customers, respectively. The number of our distributor customers evolves corresponding to the process of acquisitions, strategic disposal and integration of our pharmaceutical distribution business as well as the implementation of new policies within the industry, such as the "two-invoice system." Specifically, in 2014 and the six months ended June 30, 2016 we made a series of strict management and consolidation efforts on our acquired distribution operations with respect to sales to distributor customers, and further consolidated our list of distributor customers, taking into account their business performance,

payment record, as well as manufacturers' requests. In February 2016, we disposed of our equity interest in Anhui Huayuan Pharmaceutical Co., which further resulted in changes in the number of our distributors. The following table sets forth the movement of the number of our distributor customers in 2013, 2014 and 2015 and the six months ended June 30, 2016:

	Year ended December 31,			Six months ended June 30,
	2013	2014	2015	2016
As of the beginning of the period	4,617	6,161	6,504	8,222
Additions of new distributor customers	1,546	2,528	1,945	1,533
Termination of existing distributor customers	(2)	(2,185)	(227)	(3,520)
Net increase (decrease) in distributor customers	1,544	343	1,718	(1,987)
As of the end of period	6,161	6,504	8,222	6,235

The principal terms of the distribution agreements are set forth below:

i.	Parties and Duration	We sometimes enter into tripartite agreements with the suppliers and our distributor customers, and the majority of our tripartite agreements are for a term of one year, and may be renewed upon mutual agreement. We also sometimes enter into annual bilateral agreements with our distributor customers and suppliers separately, which collectively allocate the similar rights and responsibilities among the parties as those of the tripartite agreements.
ii.	Geographic or other exclusivity	Our suppliers manage cannibalization risk among distributors through the distribution agreements by specifying the relevant products to be distributed and the geographic regions for which we and our distributor customers are responsible. The agreements prohibit us and our distributor customers from selling the products outside the respective designated geographical regions without prior written consent of the suppliers.
iii.	The rights and obligations of parties involved	The distributor customers are liable for their breaches of the relevant distribution agreements and are responsible for indemnifying us and/or the suppliers for damages as a result of such breaches.
iv.	Sales and pricing policies	The distribution agreements normally: (i) set the quantity and pricing policies of the products; or (ii) require us and additional levels of distributor customers, if any, to set the quantity and pricing policies of the products in a separate annual sales contract.

v.	Obsolete stock arrangements	Each of the pharmaceutical products we distribute has a specified expiry date. We and our distributor customers may return those products which are near the specified expiry date to the suppliers. If we and our distributor customers failed to return the products before the expiry date, we and our distributor customers would be responsible for disposing of the expired pharmaceutical products.
vi.	Goods return arrangements	We also encounter sales return requests for products that are damaged, or have incomplete packaging, unclear labels or missing contents, or which are inconsistent with the specifications on the purchase orders. Generally, our suppliers will bear the cost of sales returns, and we will initiate relevant sales return procedures with the suppliers, and process sales return receipts with the tax authorities in the meantime.
vii.	Sales targets	Under the tripartite agreements, the supplier may sometimes set sales volume targets for us and the distributor customers and offer rewards, generally in the form of discounts, for reaching such targets.
viii.	Sales and inventory reports and estimates	Our distributor customers are generally required to provide the suppliers with periodic market information related to the products that they distribute, such as market activities, inventory levels and sales volumes.
ix.	Payment and credit terms	Depending on the type of customers and products, we may require prepayment, immediate payment upon delivery, or payment within a credit period of generally up to 60 days for our distributor customers. Our distributor customers generally have strong credit records and steady cash flow, and we have not experienced any material delays in payment by our distributor customers during the Track Record Period.
x.	Conditions for terminating and renewing the agreements	The distribution agreements may be terminated upon the mutual consent of the parties. The distribution agreements may be renewed upon mutual agreement. In certain agreements, the suppliers are entitled to terminate the sales or distribution rights of our distributor customers as a result of our distributor customers' material breaches of the agreements.

Sales to our distributor customers in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016 was HK$32,501.5 million, HK$39,945.8 million, HK$43,008.3 million, HK$21,141.0 million and HK$21,174.2 million, respectively, representing 35.5%, 35.7%, 35.5%, 35.9% and 33.8%, of external sales from our pharmaceutical distribution business during the same periods, respectively.

Retail Pharmacy Customers

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

Sales to our third-party retail pharmacy and other customers in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016 was HK$3,338.9 million, HK$4,015.7 million, HK$4,100.5 million, HK$2,850.7 million and HK$3,348.6 million, respectively, representing 3.6%, 3.6%, 3.4%, 4.9% and 5.3%, of external sales from our pharmaceutical retail business during the same periods, respectively.

Pricing

For sales of pharmaceutical products to hospitals and other medical institutions, we typically sell at the prices determined through the governmental bidding process; for sales of pharmaceutical products to distributors, we typically sell at the prices determined by the pharmaceutical manufacturer; and for sales of pharmaceutical products to retail pharmacies, the sales price is usually set between our procurement costs and the market prices and by negotiation with the retail pharmacies. The prices of other products we distribute are generally determined through negotiations with our suppliers and customers. These negotiations take into account various factors, including our procurement costs and gross margin levels, our capital sufficiency, our distribution capability and bargaining power, government policies and regulations, competition, customer preferences and market conditions.

Payment

Customers of our pharmaceutical distribution business are generally invoiced at the time of the delivery of their orders, with credit terms generally up to 240 days for hospital and other medical institution customers, and generally up to 60 days for distributors and other retail customers. We may extend credit terms depending, in part, on the type of customer, their creditworthiness, their location, and the products being sold.

Sales Returns

We encounter sales return requests for products that are damaged or near expiry, have incomplete packaging, unclear labels or missing contents, or which are inconsistent with the specifications on the purchase orders. In addition, our customers may return the products at the time of delivery. Pharmaceutical manufacturers bear the cost of sales returns. In relation to the disposal of returned products, we generally initiate relevant sales return procedures with the suppliers, and process sales return receipts with the tax authorities in the meantime. For certain products, we are required to obtain

the prior approval of the manufacturers before accepting sales returns from our customers. Our sales returns were approximately HK$2.1 billion, HK$1.7 billion, HK$2.0 billion and HK$1.1 billion for 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, representing 2.2%, 1.5%, 1.7% and 1.7% of external sales from our pharmaceutical distribution business during the same periods, respectively.

Supplier Arrangements

Our suppliers include 9,590 international and domestic pharmaceutical manufacturers, including those ranking among the top 50 international pharmaceutical manufacturers and the top 200 domestic pharmaceutical preparation manufacturers as of June 30, 2016. We also distribute products of our pharmaceutical manufacturing business. We manage our procurement centrally, which enhances our bargaining power in terms of pricing and services and overall risk management, especially in the area of quality control. We have strong relationships with our suppliers and as of June 30, 2016 we had exclusive rights to sell 47 pharmaceutical products and medical devices from large domestic and international pharmaceutical companies.

We have dedicated teams that work closely with our top suppliers to strengthen our relationships with them. We generally enter into annual agreements with our suppliers to distribute their products, which may be renewed upon mutual agreement before their expiry, except for a small quantity of domestic suppliers that still adopt the practice of per-order purchase agreement. In 2013, 2014 and 2015, we did not experience any material difficulty in renewing our agreements with suppliers.

Our agreements with suppliers typically set out the specifications and pricing policies for the products, payment methods and guidelines for the sale and distribution of their products, including restrictions, if any, on the regions in which the products may be sold, as well as the total purchase quantity. If the suppliers opt for second or additional levels of distributors, the arrangements will also be reflected in our agreements. In addition, the suppliers are generally responsible for the timely delivery and the quality of their products. When handling sales returns, our quality inspection team also follows the strict screening and inspection procedures and returns all products of defective quality. We are responsible for timely payments to the suppliers according to the agreements, as well as compliance with guidelines set by our suppliers. Suppliers may also engage our consultation services in the government-mandated bidding process and in their sales and marketing activities. In addition, some suppliers may provide us with discounts for early payment, and value-added services. Our agreements with suppliers generally do not restrict us from selling competing products.

The salient terms of the agreements with our suppliers are set forth as below:

i. Parties and Duration — We sometimes enter into tripartite agreements with the suppliers and our distributor customers, and the majority of our tripartite agreements are for a term of one year, and may be renewed upon mutual agreement. We also sometimes enter into annual bilateral agreements with our suppliers, which allocate the similar rights and responsibilities between us and the suppliers as those of the tripartite agreements.

ii.	Geographic or other exclusivity	Our suppliers generally manage cannibalization risk by specifying the guidelines for the sale and distribution of their products, and restrict the regions in which the products may be sold in the agreements with us. Such agreements generally prohibit us from selling the products outside the respective designated geographical regions without prior written consent of the suppliers.
iii.	The rights and obligations of parties involved	The suppliers are responsible for the timely delivery and the quality of their products. We, on the other hand, have the obligations for timely payments and the compliance with guideline set by the suppliers.
iv.	Sales and pricing policies	The agreements with our suppliers generally set out the specifications and pricing policies for the products, as well as the total purchase quantity we commit. In most cases, the suppliers do not restrict us from selling competing products.
v.	Obsolete stock arrangements	Each of the pharmaceutical products we sell or distribute has a specified expiry date. We may return those products which are near the specified expiry date to the suppliers. If we fail to return the products before the expiry date, we would be responsible for disposing of the expired pharmaceutical products.
vi.	Goods return arrangements	We generally return the defective products to the suppliers.
vii.	Sales targets	The supplier may sometimes set sales volume targets for us in the agreements with our suppliers.
viii.	Sales and inventory reports and estimates	The suppliers generally require us to report the periodic market information related to their products, such as market activities, inventory levels and sales volumes.
ix.	Payment and credit terms	We are normally granted by our suppliers a credit period of up to 120 days.
x.	Conditions for terminating and renewing the agreements	The agreements with our suppliers may be terminated upon the mutual consent of the parties. The agreements with our suppliers may also be renewed upon mutual agreement. In certain agreements, the suppliers are entitled to terminate our sales or distribution rights as a result of our material breaches of the agreements.

When choosing suppliers, we take into consideration, among others things, whether the products complement our overall product offering, the prices of their products, market reputation, production and/or distribution capacity, the market potential of their products and whether the suppliers have all the necessary licenses, permits and certifications, including GMP and/or GSP certifications. We also monitor the qualifications of our suppliers to verify that they operate their businesses in compliance with applicable laws, rules and regulations.

Product Portfolio

As of June 30, 2016, our product portfolio included over 82,630 types of pharmaceutical and healthcare products, encompassing prescription medicines, OTC medicines, medical devices, cosmetics, personal care products, chemical reagents and others. Due to its diverse product portfolio, our pharmaceutical distribution business, as a whole, is generally not affected by the seasonality of individual products. Among our comprehensive product portfolio, we included an extensive range of products targeting chronic diseases, capturing the large and steady demand for such products. We have also built up a strong oncology product offering to cater to the demand for this relatively expensive category of products brought about by increasing patient numbers. We mainly source our products from 9,590 international and leading domestic pharmaceutical manufacturers. We also distribute products of our pharmaceutical manufacturing business.

As of June 30, 2016, we distributed 52,612 pharmaceutical products and the table below sets forth a summary of these pharmaceutical products:

Prescription medicines	OTC medicines	Medicines that can be used for both prescription and OTC use	Medicines listed in NDRL	Medicines listed in National Essential Medicine List
34,348	10,029	47	19,220	14,390

The table below sets forth the major therapeutic areas of pharmaceutical products we distributed, the number of products for each therapeutic area and examples of the major products in each category as of June 30, 2016:

Product Category	Approximate number of products	Examples of Major Products
Antimicrobial medicines	5,822	Imipenem and Cilastatin Sodium for Injection, Cefuroxime sodium for Injection, Clindamycin Hydrochloride for Injection
Nervous system medicines	4,261	Sodium Monosialotettrahexosylganglioside Injection, Selegiline Hydrochloride Tablet, Cattle Encephalon Glycoside and Ignotin Injection
Specialty medicines	2,411	Ranibizumab Injection, Tacrolimus Ointment, Mouse Nerve Growth Factor for Injection
Alimentary tract medicines	2,232	Compound Glycyrrhizin Injection, Phloroglucinol for Injection, Esomeprazole Sodium for Injection
Circulatory system medicines	2,089	Atorvastatin Calcium Tablet, Cardiomyopeptide for Injection, Calcium Dibutyryladenosine Cyclophosphate for Injection

Product Category	Approximate number of products	Examples of Major Products
Hormone and immune therapy medicines	1,557	Methylprednisolone Sodium Succinate for Injection, Recombinant Human Follitropin Alfa Solution for Injection, Sirolimus Tablet
Vitamins and nutraceuticals medicines	1,356	Cobamamide for Injection, 18 Injection Amino Acids, Compound Amino Acid Injection
H_2O, electrolytes and acid-base balance medicines	2,008	Low Calcium Peritoneal Dialysis Solution, Lanthanum Carbonate Chewable Tablet, Multiple Electrolytes and Invert Sugar Injection
Blood and hematopoietic system medicines	1,106	Human Albumin, Recombinant Coagulation Factor VIII for Injection, Recombinant Human Erythropoietin Injection
Respiratory medicines	961	Budesonide Suspension for Inhalation, Acetylcysteine Solution for Inhalation, Ambroxol Hydrochloride and Clenbuterol Hydrochloride Oral Solution
Antitumor medicines	632	Sorafenib Tosylate Tablet, Crizotinib Capsule, Trastuzumab Injection
Non-sedating antihistamines	397	Novo-Helisen-Depot(NHD), Cetirizine Hydrochloride Oral Solution, Desloratadine Citrate Disodium Tablet
Urinary system medicines	228	Solifenacin Succinate Tablet, Mannitol Injection, Terlipressin for Injection
Biological products, biochemical drugs, enzyme and coenzyme	161	Haemophilus Influenzae Type b conjugate vaccine, Diphtheria, tetanus, pertussis (acellular, component), poliomyelitis (inactivated) vaccine and Haemophilus type b conjugate vaccine, adsorbed, Inactivated Poliomyelitis Vaccine
Reproductive system medicines	65	Carboprost Methylate Suppositories, Carbetocin Injection, Oxytocin Injection
Other chemical medicines	540	Iohexol Injection, Desferrioxamine Mesilate for Injection, Sulphur Hexafluoride Microbubbles for Injection
Prepared traditional Chinese medicines	18,598	Kechuanning oral solution, Bufeiwan (補肺丸), Xiaoqinglong Granules (小青龍顆粒)
Herbal Chinese medicines and decoction pieces	7,673	Rhizome Pinelliae Preparata, E Jiao, Radix Codonopsis
Healthcare medicines	379	Tiepifengdou Granules (鐵皮楓鬥顆粒), Jinxin Menocare (靜心口服液), Compound Pien Tze Huang Buccal Tablet (複方片仔癀含片)
Bulk pharmaceutical chemicals and adjuvants	136	Tazobactam Sodium, Mannitol, Urea

The table below sets forth the categories of non-pharmaceutical products and examples of major products for our pharmaceutical distribution business as of June 30, 2016:

Product Category	Approximate number of products	Example of Major Products
Medical devices	21,780	Blood glucose test strips, one-piece acrylic posterior chamber intraocular lens, robot arm aid
Cosmetics	1,338	Liushen florida water (六神花露水)
Personal care products	3,705	Zinc gluconates oral solution, Besunyen tea (碧生源常潤茶)
Chemical reagents	305	Washing buffer solution
Others	2,890	Toothpaste, three-chip high-definition camera

Value-Added Services

We distinguish ourselves as a pharmaceutical product distributor partly through the value-added services we provide to both suppliers and customers.

The table below sets forth the value-added services we provide to our suppliers and customers:

Category		Value-added services
Upstream Solutions Services		Market Entrance Centralized Procurement Three-Party Logistics Contracted Processing Manufacturer "Direct-to-Patient" Services Distributor Data Integration Products Periodic Analysis Report
Downstream Solutions Services	For Hospitals	"Hospital Logistics Intelligence" External Pharmaceutical Warehouses/Pharmacies Trusted Management Prescription Analysis, Pharmaceutical Cost Control and Medication Instruction
	For Communities	"Network Hospital Logistics Intelligence" Zero Inventory Management Doctors Training and Patient Education
	For Pharmacies	Sales and Procurement Analysis Marketing Supporting Services Patients Education
Regulatory Solutions Services		Regional Information Management Platform Government Contingency Reserve Adverse Drug Reaction Monitoring
Distributors Solutions Services		Three-Party Logistics Services Marketing Supporting Services

We provide a series of value-added services to upstream manufacturers. We have extensive experience in assisting our international suppliers with their government-mandated inspection of certain products with National Institutes for Food and Drug Control. We provide our upstream manufacturers with market data, advanced inventory tracking and management services, distributor management consulting services and distribution chain management consulting services, all originated from information collected through our operation. In addition, we provide quarterly market analyzes to leading domestic pharmaceutical manufacturers.

We also provide a series of value-added services to our downstream customers. For example, we are the first in China to provide hospital logistics intelligent integration value-added services to our customers. Such services seamlessly integrate our logistics system with our customers' inventory systems to improve pharmaceutical product management through our advanced logistics services. We have instaled an automatic pharmacy module in some hospital customers. Once a doctor inputs the prescription, the information would be directly transmitted to the hospital pharmacy, in which the automatic pharmacy module accurately sorts the prescribed products and delivers to the collection window for the nurse to hand to the patient. In addition, this pharmaceutical product consumption shows up in the hospital customer's inventory management system. The consumption data, together with numerous other data such as past orders, remaining shelf life of products, and seasonality of demand for certain products, form an accurate estimate for future shipment, which is the basis for our advanced sales plan. Through these inventory and procurement management services brought about by hospital logistics intelligent integration system, we believe our hospital customers are able to rely on reliable shipment and so reduce their inventory holding to minimize associated costs and risks. As a result, we integrated the sales plans with our procurement plan and thus further reduced our own inventory holding costs and shortened collection periods of receivables. As of June 30, 2016, we had provided such value-added services to over 150 hospitals in China.

We believe our value-added services help customers to increase operating efficiency and reduce inventory and fulfillment costs and other operational expenses, which at the same time enhances our ability to retain customers. In addition, we believe our value-added services allow suppliers to more efficiently manage their businesses as well as tailor their marketing activities to target customers. We believe these services also help us to strengthen our existing supplier and customer relationships, differentiate us from our competitors and identify new suppliers and customers. Depending on the nature of the services and our arrangements, we may charge our customers and suppliers for our value-added services.

Logistics and Infrastructure

With our highly modernized logistics and extensive network, we are able to support our pharmaceutical distribution business with efficient and smooth warehousing, transportation and management of products, all at carefully controlled cost levels.

Our logistics centers are equipped with advanced information management systems that control and document the movement and storage conditions of products in logistics centers. Some of our logistics centers are also equipped with advanced sorting equipment, which enhances accuracy, service

speed and improves cost-efficiency. Our logistics centers differentiate themselves by being designed to serve the end-users. In addition, some of our logistics facilities have advanced cold chain and whole process temperature-control capability for the storage and delivery of temperature-sensitive products. As of June 30, 2016, we had 114 logistics centers in 19 provinces in China, consisting of 28 self-owned warehouses and 86 leased warehouses. The gross floor area of our logistics centers was approximately 785,252.5 square meters, and among which, the gross floor area of self-owned warehouses was approximately 426,750.0 square meters and the gross floor area of our cold storage warehouses was approximately 64,495.0 cubic meters. Our logistics centers are extensively used in our daily operation. As of June 30, 2016, the average utilization rate of 67 of our logistics centers in China was not less than 70%.

We arrange the timely transportation of products to our logistics centers and delivery of the ordered products to the customers. We generally engage, through a bidding process, reputable domestic large logistics companies to transport products across provinces. We conduct thorough inspections of the capacities and quality control systems of such logistics companies, and monitor the documented condition and quality of the products in every shipment. These logistics companies have made undertakings for timely delivery and effective quality control. When delivering to customers from our logistics centers, we generally do not use third-party delivery services. Upon receiving the orders, it generally takes us four to 12 hours to dispatch the delivery, and our products usually reach the customers within 24 hours, or 48 hours if the customer is located in remote areas. For emergency orders, we generally dispatch within half an hour, with the delivery to our customers then made in two to four hours.

We carefully design every link in the movement of each product to ensure that the products reach their destinations in an ideal condition. In particular, for temperature-sensitive products, before we even begin the first delivery, our logistics department will work closely with our quality control department to conduct a series of dry runs to make sure our logistics design will withstand unexpected or extreme conditions and meet the expected schedule of our customers. Once we commence the logistics process, every key link of the delivery process is monitored with devices that document changes in conditions such as temperature, thus making our logistics process for each product fully traceable and thereby effectively ensuring the quality of our products.

Information System

We employ advanced information systems in our pharmaceutical distribution business. In particular, our information collection systems supply us with crucial market information, which is then integrated with our procurement system through centralized enterprise resource planning systems. In addition to value-added services, we provide some data and analyzes to our customers and suppliers.

PHARMACEUTICAL RETAIL

We operate and franchise a network of retail pharmacies across 16 PRC provinces as well as Hong Kong, with extensive product offering and diversity. We were the ninth largest retail pharmacy network in China in terms of revenue in 2015, according to Frost & Sullivan. We operate our retail pharmacies under national or regional premium brand names, such as "CR Care (華潤堂),"

"Yibaoquanxin (醫保全新)," "Li'an chain (禮安連鎖)," and "Tung Tak Tong (同德堂)." In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our pharmaceutical retail business revenue totaled HK$2,600.6 million, HK$3,040.3 million, HK$3,651.2 million, HK$1,840.9 million and HK$1,921.5 million, respectively.

Retail Network

We operate a retail pharmacy network in 16 PRC provinces as well as Hong Kong. As of June 30, 2016, our retail pharmacy network consisted of 722 retail pharmacies, among which 701 were directly operated retail pharmacies, and 21 were franchise pharmacies. Among these pharmacies, 462 of them are qualified under the public medical insurance program. The following table sets forth the number of retail pharmacies in our network by geographic region as of June 30, 2016:

Regions	Directly operated	Franchise	Total
Eastern China Region(1)	480	15	495
Hong Kong	80	0	80
Northern China Region(2)	54	6	60
Southern China Region(3)	40	0	40
Central China Region(4)	26	0	26
Northeastern China Region(5)	19	0	19
Other Regions(6)	2	0	2
Total	**701**	**21**	**722**

(1) Eastern China Region comprises Shandong, Jiangsu, Anhui, Jiangxi, Zhejiang, Fujian and Shanghai.

(2) Northern China Region comprises Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia.

(3) Southern China Region comprises Guangdong, Guangxi and Hainan.

(4) Central China Region comprises Hubei, Hunan and Henan.

(5) Northeastern China Region comprises Liaoning, Jilin and Heilongjiang.

(6) Other regions comprise of Southwestern China Region (Sichuan, Yunnan, Guizhou, Tibet and Chongqing) and Northwestern China Region (Ningxia, Xinjiang, Qinghai, Shaanxi and Gansu).

Directly Operated Stores (直營店)

As of June 30, 2016, our network had 701 directly operated retail pharmacies. Substantially all of these pharmacies are located in well-developed urban residential areas and prime retail locations in 16 provinces in China as well as Hong Kong.

Franchise Pharmacies (加盟店)

As of June 30, 2016, our retail pharmacy network had 21 franchise pharmacies, all of the franchisees were independent third parties. We generally charge our franchise pharmacies an annual franchise fee and a one-time deposit. The franchise fee covers the permit for operating under one of our retail brands and the services we provide to the franchise pharmacy, such as electronic inventory management and centralized promotion management. The deposit is paid upon initializing the franchise, and held until the arrangement terminates so as to ensure that the terms of the franchise

agreements are strictly adhered to and our quality standards are strictly observed. Our franchise agreements require the franchise pharmacies to purchase from us all the pharmaceutical products they carry. We did not have any new franchise pharmacies in 2013, 2014 and 2015 and the six months ended June 30, 2016, and do not intend to contract any new franchise pharmacies going forward.

Products and Services

We aim to cover medicines that are widely used and products that are frequently purchased by customers as well as high-value pharmaceutical products. We benefit from cooperation with our pharmaceutical distribution capability, especially in the area of imported pharmaceutical products. We also leverage our advantage of our Hong Kong local team in sourcing imported products, both pharmaceutical and non-pharmaceutical.

We are generally not affected by the seasonality of individual products due to the wide coverage and diversity of our product offering. We sell five types of merchandise in most of our retail pharmacies: prescription medicines, OTC medicines, prepared or raw traditional Chinese medicines, medical devices and non-pharmaceutical products.

Prescription Medicines. We offer 4,542 types of prescription medicines. We accept prescriptions only from physicians and other licensed healthcare service providers. Our in-store pharmacists verify the validity, accuracy and completeness of all prescription orders. Our pharmacists also perform a drug utilization review in which they cross-check every prescription against the customer's submitted information for drug, disease and allergy reactions.

OTC Medicines. We offer 3,898 types of OTC medicines for the treatment of common diseases.

Prepared or Raw Chinese Traditional Medicines. We offer 4,641 types of prepared or raw Chinese traditional medicines.

Medical Devices. We offer 2,183 types of medical devices, which mainly include medical equipment, medical supplies, home healthcare products and family planning products.

Non-Pharmaceutical Products. We offer 3,675 types of personal healthcare products, including a variety of healthcare supplements, skincare products, hair growth products and beauty products.

We seek to introduce new products and services to meet changing customer preferences and to differentiate us from our competitors, such as "Direct-to-Patient" services for high-value pharmaceutical products.

Under the "Direct-to-Patient" model, pharmaceutical manufacturers will authorize "Direct-to-Patient" pharmacies to sell high-value pharmaceutical products. Normally such authorization in any region will be exclusively granted to one distributor's "Direct-to-Patient" pharmacies. After having received a prescription for a "Direct-to-Patient" pharmaceutical product, patients will submit their prescriptions to our "Direct-to-Patient" pharmacies for verification ahead of

time. Once the prescription is verified, our "Direct-to-Patient" pharmacies order the high-value pharmaceutical products for delivery to the patients or for the patients to collect. Typically, "Direct-to-Patient" pharmaceutical manufacturers offer high-value or innovative medicines for chronic diseases such as cancer, arthritis, Acquired Immune Deficiency Syndrome and renal disease. As compared with traditional retail pharmacies, "Direct-to-Patient" is a new service model characterized by professionalized, exclusive channels and relatively high profit, despite relatively low profit margin due to high selling prices and the corresponding high cost of sales for such products. In addition, under "Direct-to-Patient", we will also collect patient feedback on any adverse side effects and provide that information to pharmaceutical manufacturers to track and monitor the effectiveness of the products. Through this process we further strengthen our cooperation with pharmaceutical manufacturers.

We purchase our retail merchandise from our own pharmaceutical manufacturing and pharmaceutical distribution businesses and various third-party manufacturers and distributors. We believe that alternative suppliers are readily available for substantially all of the products we carry, and the loss of any one supplier would not have any material effect on our operations. Although we generally do not have long-term agreements with our major suppliers, we have not experienced significant difficulties in maintaining reliable sources of supply, and generally expect to be able to maintain adequate sources of supply of pharmaceutical and other products sold in our retail pharmacies.

Marketing and Promotion

We coordinate market development and promotion efforts for our retail pharmacies, such as promotional programs, store design, interior layout and shelf display. We also have joint promotional programs with our product suppliers and manufacturers, which may include gift promotions, discounts and rebates. We believe that through our marketing and promotional activities we have increased public awareness of our retail brands and reputation, which in turn helps to increase our revenue and profitability.

CUSTOMERS

In 2013, 2014 and 2015 and the six months ended June 30, 2016, revenue from our five largest customers in the corresponding periods in aggregate accounted for 3.6%, 4.5%, 4.4% and 5.2% of our revenue, respectively. In the same periods, revenue from our largest customer accounted for 0.9%, 1.3%, 1.1% and 1.2% of our revenue, respectively. Three customers among our five largest customers of 2013, 2014 and 2015 and the six months ended June 30, 2016 were also our suppliers. These three customers are all pharmaceutical distributors. In pharmaceutical distribution industry, it is common for distributors to be each other's customer and supplier at the same time, since distributors carry different product portfolios and have the commercial need to sometimes source from each other.

None of our Directors, their respective Associates or any Shareholder who, to our knowledge, owns more than 5% of the issued share capital of our Company has any interest in any of the above-mentioned customers.

In the ordinary course of business, we grant credit terms to certain of our customers with strong credit profile, which resulted in the banking of trade receivables in our financial statement. For further details of our trade receivables, relevant provisioning policy and the amount of our provisions, see "Financial Information — Liquidity and Capital Resources — Working Capital — Trade and Other Receivables — Trade Receivables."

SUPPLIERS

In 2013, 2014 and 2015 and the six months ended June 30, 2016, our purchases from our five largest external suppliers in the corresponding periods in aggregate, accounted for 20.2%, 21.7%, 21.0% and 23.3% of our total purchases, respectively. In addition, purchases from our single largest external supplier accounted for 7.2%, 7.7%, 7.6% and 9.1%, respectively, of our total purchases in the same periods.

None of our Directors, their respective Associates or any Shareholder who, to our knowledge, owns more than 5% of the issued share capital of our Company has any interest in any of the above-mentioned suppliers.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to their development and protection. We rely on a combination of patents, trademarks and trade secrets, as well as employee and third-party confidentiality agreements, to safeguard our intellectual property. For details of our Intellectual Property Rights, see Appendix IV — "Statutory and General Information — 2. Further Information about Our Business — B. Our Intellectual Property Rights."

We own and have applied for patents to protect the technologies, inventions and improvements that we believe are significant to our business. Generally, a patent holder enjoys the exclusive right to exclude others from using, licensing and otherwise exploiting the patent in the country that issued the relevant patent. However, there is no assurance that our patents will not be challenged, which could be costly to defend and could divert our management from their normal responsibilities.

We also maintain trademark registrations in China. Under applicable PRC law, we have the exclusive right to use a trademark for products and services for which such trademark has been registered with the Trademark Office. Trademark registration in China is valid for ten years, starting from the day the registration is approved. If we believe that a third party has infringed upon the exclusive right of our registered trademark, we may, through appropriate administrative and civil procedures, institute proceedings to request an injunction from the relevant authority or resolution of the infringement through consultation. The relevant authority could also impose fines, or confiscate or destroy the infringing products or equipment used to manufacture the infringing products.

We own a number of trademarks that are recognized as Well-known Trademarks, including "Sanjiu (三九 or 999)," "Double-Crane (雙鶴)" and "Dong-E-E-Jiao (東阿阿膠)." We are committed to increasing and enforcing our trademark rights, which are critical to our overall branding strategy and reputation.

The existence of counterfeit drugs in the PRC may damage our brand names and reputation, expose us to liability claims, and have a material adverse effect on our results of operations and business prospects. For details, see "Risk Factors — Risks relating to Our Business and Industry — The existence of counterfeit products in the pharmaceutical distribution and retail markets in China may damage our brand and reputation, expose us to liability claims, and have a material adverse effect on our business, financial condition, results of operations and business prospects." In order to monitor and combat counterfeit drugs, we have implemented the following measures: (i) creating special task forces charged with safeguarding our intellectual property rights and anti-counterfeiting; (ii) applying modern technologies and affixing our products with anti-counterfeit labels; (iii) organizing periodic trainings to enhance the awareness and knowledge of our employees on anti-counterfeiting matters; (iv) setting up customer service hotlines and other channels to facilitate the reporting of counterfeit incidents; and (v) establishing regular contact and enhancing our relationship with regulatory bodies, including offices of the industry and commerce administration and the food and drug administration.

Some elements of our pharmaceutical composition, formulation and delivery, as well as manufacturing methods or processes, involve unpatented, proprietary technology, processes, know-how or data. With respect to such proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements in order to safeguard our interests. Our core research and development personnel have entered into confidentiality, non-competition and proprietary information agreements with us. These agreements require that all inventions, designs and technologies developed by our employees during their periods of employment with us will belong to us.

In addition to protecting our own intellectual property, our success also depends on our ability to minimize the risk that any of our products or operations infringes the intellectual property rights of others. As a general matter, we follow a procedure under which a patent clearance search is undertaken for each product, and product development is only approved if the conclusion is that the proposed product would not infringe any third-party intellectual property rights discovered in our searches. We believe that the risk of infringing third-party intellectual property rights could be effectively reduced by our rigorous adherence to these procedures. To date, we have not been sued on the basis of, and have not undergone arbitration in respect of, nor have we received any notification from third parties claiming, any infringement of intellectual property or sales of counterfeit pharmaceuticals. Further, to date, we have not been the subject of any material adverse finding in an investigation or audit by any governmental authorities in respect of any infringement of the intellectual property of third parties or sales of counterfeit pharmaceuticals. However, despite our internal control procedures, the risk of infringing third-party intellectual property rights cannot be eliminated entirely. See "Risk Factors — Risks Relating to Our Business and Industry — If our products infringe the intellectual property rights of third parties, we may incur substantial liabilities, and we may be unable to sell these products."

COMPETITION

The pharmaceutical manufacturing, distribution and retail industries are highly competitive. We compete with both PRC and foreign competitors, which vary widely by region and scale of operations.

Pharmaceutical Manufacturing

The PRC pharmaceutical manufacturing industry is currently highly fragmented. According to Frost & Sullivan, there were over 5,000 pharmaceutical manufacturers in China in 2015. Our pharmaceutical manufacturing business competes directly with manufacturers engaged in producing the same type of pharmaceutical products and indirectly with pharmaceutical manufacturers producing products with similar therapeutic effects, which can be used as substitutes for our products. We will also face competition when we expand into other markets, and new competitors may emerge in our existing markets. Our competitors vary by product and, in certain cases, different competitors may have greater or lesser market shares by region in China. Our major competitors in the pharmaceutical manufacturing business are large PRC pharmaceutical companies and some large international pharmaceutical companies with a presence in China, such as Bayer AG, Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司), Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) and Xiuzheng Pharmaceutical Group Co. Ltd. (修正藥業集團股份有限公司).

The pharmaceutical industry is characterized by rapid product development and technological changes. We believe we compete with other pharmaceutical manufacturers in China based on our product portfolio, product efficacy, safety, reliability and availability, research and development capability, and sales and marketing abilities. According to Frost & Sullivan, we were the second largest pharmaceutical manufacturer and the largest OTC medicine manufacturer in China in terms of revenue in 2015. We believe we are capable of adapting to changing market demand for pharmaceutical products. We manufacture our products in accordance with national GMP standards and following our stringent quality control procedures to achieve high-quality products. We conduct advanced pharmaceutical research and development to both improve our existing products and introduce new products. Finally, our sales and marketing teams work with pharmaceutical distributors nationwide, including our own distribution operations.

Pharmaceutical Distribution

We face intense competition in the distribution of pharmaceutical and healthcare products in China. In the past few years, the industry has experienced significant consolidation driven by more stringent GSP regulations and favorable policies. The market share of the ten largest market players in the PRC pharmaceutical distribution market increased from 40.3% in 2011 to 48.0% in 2015. However, according to Frost & Sullivan, compared with developed countries, the pharmaceutical distribution market in China remains highly fragmented. In 2014, there were over 13,000 pharmaceutical distributors in China.

According to Frost & Sullivan, we were the second largest pharmaceutical distributor in China in terms of revenue in 2015, and face competition primarily from large national and regional pharmaceutical product distributors, such as Sinopharm Holding Distribution Co., Ltd. (國藥控股分銷中心有限公司), Shanghai Pharmaceutical Distribution Co., Ltd. (上海醫藥分銷控股有限公司) and Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司). We compete with our competitors on the basis of depth of distribution network, type of customer served, breadth of product portfolio, logistics and value-added services programs. We have extensive experience in serving hospital customers and have built an extensive network of hospital customers in China. In addition, we provide sophisticated logistics and value-added services to attract customers and suppliers.

On the expansion and optimization of our distribution network, we intend to pursue selective acquisition opportunities focused on leading regional distributors, develop them into our regional business platforms with strong comparative strengths, and thus enhance our leadership and market share nationally. We shall actively pursue acquisition opportunities with potential to introduce into our business services model, and thus to optimize our pharmaceutical distribution business. As we enter new markets, we face competition from existing distributors in those markets. These competitors have introduced successful business models and advanced logistics and information management systems, which may lead to increased direct competition.

Regardless of the degree or type of competition, we must continue to explore new customer relationships and business opportunities and further serve our existing customers by providing a comprehensive product portfolio, maintaining efficient inventory controls, offering flexible and reliable services and providing competitive pricing.

Pharmaceutical Retail

According to Frost & Sullivan, there were approximately 434.9 thousand retail pharmacies in China in 2014. We compete with certain regional and local retail pharmaceutical chains, independent pharmacies, supermarket and convenience chains, and Internet pharmacies. Our major competitors in the pharmaceutical retail business include Sinopharm Holding Guoda Drugstores Co., Ltd. (國藥控股國大藥房有限公司), Shanghai Fahrenheit Pharmacy Co., Ltd. (上海華氏大藥房有限公司) and Laobaixing Pharmacy Chain Joint Stock Company (老百姓大藥房連鎖股份有限公司).

We compete principally on the basis of store location and convenience, brand name, merchandise selection, and customer service and satisfaction, including offering customers the ability to pay by medical insurance card, private-label product offerings and prices. Although the geographical spread of our retail pharmacies enables us to offset the impact of competitive conditions in individual markets, we believe that more new store openings in certain of our existing markets may intensify the competition.

In light of increasing competition, we seek to continue expanding our competitive advantages, including further enhancing our cross-segment integration to achieve the benefits offered by our vertically integrated business model.

INVENTORY MANAGEMENT

We actively manage and maintain our inventories to ensure cost-efficiency, quality control and the timely manufacturing, distribution and sales of our pharmaceutical and healthcare products. Our senior management is actively involved in setting inventory standards, and is continually seeking ways to further improve our inventory control.

Pharmaceutical manufacturing

Inventory for our pharmaceutical manufacturing primarily includes raw materials, work-in-progress and finished products. We employ advanced information systems to track inventory levels as well as to ensure adequate levels of raw materials and finished products. In 2013, 2014 and 2015 and the six months ended June 30, 2016, the average inventory turnover days of our pharmaceutical manufacturing business were 133, 187, 207 and 215 days, respectively. Our pharmaceutical products generally have a shelf life ranging from two to five years. We have an inventory provisioning method to value our inventories and to write off inventories when they become obsolete or damaged, or when their market value is below their carrying costs. We did not have significant write-offs for obsolete inventories in 2013, 2014 and 2015 and the six months ended June 30, 2016. For more details, see "Financial Information — Liquidity and Capital Resources — Working Capital — Inventories."

Pharmaceutical distribution

With a focus on controlling our inventory holding costs, maintaining the variety of products available for our customers and ensuring the prompt delivery of products to customers, we fully utilize our information collection systems and integrate those with our procurement system. We generally set minimum and high inventory levels for each product we carry, and monitor those inventory levels. In 2013, 2014 and 2015 and the six months ended June 30, 2016, the average inventory turnover days of our pharmaceutical distribution business were 32, 34, 35 and 33 days, respectively. For more details, see "Financial Information — Liquidity and Capital Resources — Working Capital — Inventories."

Pharmaceutical retail

We manage our inventories to minimize holding costs, ensure the timely delivery of merchandise and to maintain a variety of merchandise in our retail pharmacies. We carefully analyze our sales data and market demographics to establish inventory management plans, which are evaluated from time to time to achieve high precision in management. We also perform regular and spot inventory counts in our pharmacies and warehouses. We monitor the shelf life of our pharmaceutical products by conducting periodic reviews. We utilize the data compiled to generate a monthly inventory analysis report, which is used to assess our inventory control measures and costs. We have a comprehensive set of policies to respond to different kinds of inventory discrepancies discovered during each inventory count, and a reporting system that can guarantee proper management attention for the discrepancies. In 2013, 2014 and 2015 and the six months ended June 30, 2016, the average inventory turnover days of our pharmaceutical retail business were 83, 71, 60 and 57 days, respectively. For more details, see "Financial Information — Liquidity and Capital Resources — Working Capital — Inventories."

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We have established a comprehensive risk management and internal control system, and devoted significant attention to internal control measures of our pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail businesses. We have adopted stringent internal control measures and operating procedures to regulate all stages of our pharmaceutical value chain, from research and development to manufacturing, distribution and retail. Our internal control system is designed according to relevant industrial and management standards, including the GMP and GSP requirements. It fully implements the procedures for periodic internal control audit, internal risk management, and error correction and prevention. Meanwhile, our senior management also places strong emphasis on quality control, and is actively involved in setting quality policies and improving quality control standards through different means in our business operation.

We have built various risk management and internal control teams, primarily comprising our internal control and risk management committee, internal control and risk management office and other management departments, through which we monitor, evaluate and manage risks relating to compliance, financial matters, market development, capital management, human resources and other matters. Our internal control and risk management committee, and internal control and risk management office, are headed by our senior managers. Our internal control and risk management committee is responsible for organizing and establishing general guidance for our risk management and internal control operation as well as monitoring and inspecting our operations. Our internal control and risk management office is in charge of making relevant policies and standards, annual internal control auditing, annual risk assessment, as well as cooperating with other management departments to implement our internal control and risk management measures. Members of our risk management and internal control team have extensive experience of the industries we operate in. We also run training programs for our risk management and internal control personnel in order to enhance their overall risk management ability and knowledge. We review and refine our risk management system periodically based on changes to our business. Our senior management oversees our risk management systems, and reviews the results of our annual risk assessment.

Pharmaceutical Manufacturing

In our pharmaceutical manufacturing business, we have established a risk management and internal control system covering various aspects of our operations, in accordance with the relevant PRC laws and regulations.

Our quality control system is an essential component of our risk management and internal control system. Our quality control measures cover all aspects of our pharmaceutical manufacturing operations, including design and construction of manufacturing plants and facilities, the installation and maintenance of manufacturing equipment, procurement of raw materials and packaging materials, quality checks of raw materials, work-in-progress and finished products, monitoring adverse drug reactions and verification of documentation. The procedures and methodologies of our quality control system are based on GMP standards, the PRC Pharmacopoeia and other applicable domestic and international standards. Our dedicated quality management departments are responsible for

formulating and implementing procedures under our quality control system, compliance of our product supply chain and production processes with stipulated standards and procedures, inspection of incoming raw materials, work-in-progress and finished products, as well as reviewing the stability of samples.

We also conduct regular trainings so that our dedicated quality managers understand the regulatory requirements applicable to the operation of our production facilities. New employees at our production facilities receive trainings pertinent to their job duties, which cover topics such as pharmaceutical regulations, production safety, requirements under GMP certification, as well as procedures and protocols relating to internal control and risk management. We have instaled air and water cleaning devices in our production facilities and regularly examine the manufacturing environment for safety and hygiene purposes, and the maintenance of our devices is also covered in our risk management and internal control system.

As a result, as of June 30, 2016, we have not had any reports of fatalities or serious incidents of adverse drug reactions caused by the use of our major products. We have not been subject to any material adverse findings in any investigation or audit by any government authority during the Track Record Period.

Product Recalls

We have established product recall procedures and guidelines in compliance with the Measures on Drug Recall (藥品召回管理辦法) to handle both mandatory and voluntary recalls. During the Track Record Period, we were not involved in any product recalls that had any material and adverse impact on our pharmaceutical manufacturing business. However, certain product recalls, although not resulting in any material adverse impact on us, have revealed certain deficiencies and weaknesses in our quality controls and manufacturing process, and we have implemented appropriate rectification measures in order to address such deficiencies and weaknesses. These product recall incidents occurring during the Track Record Period included the following:

Shuxuening injection

During their routine inspections in 2015, Beijing Institute for Drug Control and Jilin Institute for Drug Control discovered risks relating to pyrogenic reaction in certain batches of Shuxuening injection manufactured by our subsidiary, Beijing China Resources High-Tech Natural Drugs Co., Ltd. (北京華潤高科天然藥物有限公司) ("CR High-Tech"). Subsequently, Beijing Food and Drug Administration ("Beijing FDA") and Food and Drug Administration of Beijing Yanqing District ("Yanqing FDA") conducted on-site inspections of Suxuening injection. In February and March 2015, CR High-Tech received notices from Beijing FDA and Yanqing FDA stating that three batches of Shuxuening injection manufactured by CR High-Tech failed to pass inspections due to the failure to meet relevant requirements in relation to pyrogenic reaction. Beijing FDA ordered CR High-Tech to recall the batches of Shuxuening injection manufactured with the same batch of extract with safety risks and imposed on CR High-Tech a fine of RMB5.2 million which has been fully paid. CR High-Tech also voluntarily recalled other batches of Shuxuening injection with potential risks as a precautionary measure. In 2014, our revenue generated from Shuxuening injection accounted for approximately 0.1% of our total revenue in the same year. After receiving the notices, CR High-Tech

has suspended the manufacturing and sale of Shuxuening injection and conducted comprehensive investigations into the manufacturing, quality controls and product inspection procedures of Shuxuening injection. The investigations revealed that: (i) the raw materials used introduced risks relating to pyrogenic reaction; (ii) the sterilizing filters were used repeatedly without strict compliance to the cleaning and sterilization procedures; and (iii) the pyrogenic reaction testing and limitation testing standards used required improvement to ensure effective product quality control. CR High-Tech has taken relevant measures to strengthen its internal control, including:

- amending and enhancing its policies for raw material quality control, which mitigated the risk arising from inconsistent quality of raw materials;

- strengthening control over the cleaning and sterilization of the sterilizing filters, which mitigated the risk from unsanitary or contaminated filters;

- adopting more stringent pyrogenic reaction testing and limitation testing standards, which mitigated the risk from outdated or lax testing standards;

- strengthening the standard operating procedures and documentation during manufacturing and inspection, which mitigated the risk from flaws in procedures and documentation; and

- improving the training and qualification of manufacturing and inspection personnel, which mitigated the risk from human errors.

Since the product recall incident, we have been actively monitoring any side effects and adverse drug reactions from the clinical use of Shuxuening injection, and as of the Latest Practicable Date, we were not aware of any report of severe adverse drug reactions from this product. In August 2016, the Beijing FDA approved our application to resume the manufacture and sale of Shuxuening injection.

Prepared Chinese herbal medicines

During the period between August 2013 and September 2016, our subsidiary, Quzhou Nankong Chinese Herbal Medicine Co. Ltd. (衢州南孔中藥有限公司) ("Quzhou Nankong") recalled 19 batches of different prepared Chinese herbal medicines it produced that were deemed sub-standard by the local food and drug administration in Quzhou city, due to the failure to meet relevant quality standards on Chinese herbal medicines. We believe that these negative findings were primarily due to a combination of the following factors:

- inconsistencies in provincial and national standards on the production of Chinese herbal medicines before 2013 while a majority of these findings were related to our products produced before 2013;

- the different testing discretions applied by the local food and drug administrations at different cities in Zhejiang province on testing prepared Chinese herbal medicines;

- prepared Chinese herbal medicines are processed products based on agricultural products, such as tangerine pith, kudzuvine root and gastrodia tuber, whose properties and characteristics depend heavily on weather and agricultural conditions and therefore it is difficult for manufacturers of prepared Chinese herbal medicines to maintain consistent quality; and

- outdated testing equipment and shortage of qualified quality control personnel.

After the incident, Quzhou Nankong conducted comprehensive investigations into its raw material management, manufacturing, quality controls and product evaluation procedures and enhanced its quality control capabilities, including:

- upgrading product inspection facilities and equipment, including installing sophisticated testing equipment and establishing new laboratories, which mitigated the risk of low product quality caused by low-precision testing equipment;

- enhancing management and controls over its raw material suppliers, which mitigated the risk arising from inconsistent quality of raw materials;

- enhancing product evaluation procedures and standards, which mitigated the risk of low product quality attributable to flaws in procedures and standards; and

- recruiting a number of experienced quality control inspectors and providing regular on-job training to them, including sending quality control personnel to various pharmaceutical laboratories to improve their skills, which mitigated the risk of low product quality attributable to human errors.

Quzhou Nankong also had regular dialogue with the local food and drug administration in Quzhou city and sought its guidance and assistance on quality controls and compliance with regulatory standards. After implementing the foregoing enhancement measures, Quzhou Nankong is able to inspect, process and produce prepared Chinese herbal medicines meeting the national standards required by the Pharmacopoeia of the PRC (中華人民共和國藥典), or the local standards in Zhejiang province if there are no national standards.

We cannot assure you that we will not be subject to similar recalls in the future, where our business, financial condition and results of operations may be materially and adversely affected. See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products and services, which may materially and adversely affect our reputation, financial condition and results of operations."

Pharmaceutical Distribution

We comply with all relevant PRC laws, rules and regulations in all material respects to ensure the quality of our operations in our pharmaceutical distribution business. Our suppliers have proven track records and excellent credentials, and we implement annual inspections and audits of our suppliers to ensure the high-quality of our products. We also build high-standard internal control systems, and require senior managers to be responsible for the internal control of our pharmaceutical distribution business.

We apply stringent internal control standards covering all stages from procurement, transportation, and warehousing, sales to internal control data management. Our procurement process follows all relevant regulations, internal measures or procedures. Comprehensive data on our qualified suppliers are collected and organized in our information system. We only cooperate with qualified suppliers recorded in our IT system. We also provide customized transportation and warehousing solution plans for our customers, and have established climate-controlled warehouses to maintain suitable storage conditions for the quality and safety of pharmaceutical products.

In addition, we maintain a strict selection and monitoring process on our distributor customers, in order to control our operational risks and maintain the quality of the pharmaceutical products. During the initial screening, we carefully collect, record, organize and analyze information on their qualifications, business scope and credit history. Upon receiving product orders from them, we also review their remaining quota under relevant credit terms, and only orders which meet these qualifications will be passed to the logistics center for further deliveries.

Meanwhile, to improve the efficiency and integrity of our selection and reviewing process, we have also established an advanced and fully automated internal control data management system, covering all stages of our pharmaceutical distribution business, through which we can obtain access to the comprehensive and updated information and records of our suppliers, products and customers. Our internal control team is in charge of granting access to the internal control data management system to the relevant personnel.

Pharmaceutical Retail

We maintain strict risk management and internal control measures in our Pharmaceutical Retail business. In particular, we place strong emphasis on supplier screening. We conduct stringent reviews of our suppliers' product selection and quality, manufacturing, packaging, transportation and storage capabilities, as well as pricing competitiveness. We also inspect each shipment of products we receive, and reject the shipment if it fails to meet our quality standards.

We also place strong emphasis on the service quality rendered by our employees at all levels, including in-store pharmacists and store staff. We review their performance and service quality, and any feedback is taken into account as part of the employee appraisal process.

Anti-bribery measures

As part of our risk management and internal control measures, our risk management and internal control team has worked with other management departments to establish a series of internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misuse of company assets. This series of regulations apply to us and our subsidiaries, and sets out, among other things, the following:

- The audit and compliance department and the discipline inspection department are responsible for the daily execution of anti-bribery measures. Their scope of duties includes reviewing and assessing anti-bribery measures in each department, reviewing complaints and reports from internal and external sources, and conducting investigations and undertaking rectification actions accordingly. The results of such daily execution of anti-bribery measures, as well as any specific incidents, are regularly reported to our senior management.

- The disciplinary inspection department has established a variety of anonymous whistle-blowing systems, such as complaints hotlines and mailboxes, for handling complaints in a timely manner and initiating investigations into, and verifications of, disciplinary offences.

- We conduct an annual risk assessment and this includes an assessment of risks of bribery, false financial reports, misappropriation of company assets, and inappropriate income or expenses. The assessment is made with regard to each business department and is also conducted on major accounts, as well as on each senior management member and board member.

- Our disciplinary inspection department has initiated a variety of anti-corruption training programs for our managers at different levels. These training programs aim to enhance regulation compliance awareness among our managers and summarize the risk points where corruption is likely to occur in the pharmaceutical industry. We also discuss the points that need to be taken into account in these training programs and obtain undertakings to ensure the integrity of conduct from our management department as well as our subsidiaries.

- We require our employees to abide by our professional ethics guidelines, which consist of strict anti-corruption and anti-bribery clauses. We also communicate with all relevant stakeholders, including customers and suppliers, in relation to our compliance measures and professional ethics guidelines.

- If material violations take place, after taking remedial measures, we would file and archive all relevant materials. Such files generally consist of monitoring and inspection plans, key items inspection records, work sheets, inspection reports, inspection recommendations, inspection decisions and other material. We would also carefully learn from our experiences of such incidents, understand the weaknesses discovered and use this information as guidance for our future work.

We have implemented preventive anti-bribery measures in our daily operations. For example, price quotations for procurement obtained by an employee are independently verified by another employee to ensure that there are no discrepancies in the pricing. We also segregate different sales duties, where possible, such as conducting sales, receipt of payments and maintenance of sales records, and monitoring the sales process via a computerized system which keeps proper records of sales transactions, prices and discounts. We believe these measures make it more difficult for an employee to carry out fraudulent activities.

OCCUPATIONAL HEALTH AND SAFETY

The PRC government imposes a number of regulatory requirements on pharmaceutical companies with regard to employee occupational health and safety. See "Regulatory Environment — Occupational Health and Safety" for a discussion of these requirements. We regard occupational health and safety as one of our important social responsibilities and have implemented safety measures at our production facilities to ensure compliance with applicable regulatory requirements. In particular, each of our operating business entities has established a designated safety supervision team to oversee the implementation of the safety measures of that entity. These safety supervision teams conduct periodic inspections of operating facilities to ensure that our pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail operations are in compliance with existing laws, rules and regulations. We believe that safety practices are the only means to ensure employee safety, and our safety supervision teams conduct regular safety training sessions for employees, including in relation to accident prevention and management.

We have also adopted a safe production development and accident prevention implementation policy, which provides comprehensive guidelines on occupational health and safety. Among other things, the policy: (i) identifies the personnel and department responsible for accident prevention; (ii) details each employee's responsibility to prevent accidents and promote safety awareness; and (iii) requires safety performance reports on a regular basis.

We conduct periodic inspections of our manufacturing facilities, warehouses, laboratories and logistics centers to ensure that our manufacturing, warehousing and logistics operations comply with existing PRC laws, rules and regulations. We also conduct regular training sessions for employees on accident prevention and management. We have established a comprehensive safety warning and emergency processing system to minimize the risk of injury at our manufacturing facilities, warehouses, laboratories and logistics centers. Some of the products we distribute and chemicals we use in the manufacturing process are inherently dangerous, and we have adopted strict policies in accordance with relevant national standards when handling such products.

However, some of our business operations involve certain risks and hazards that are inherent in such activities and may not be completely eliminated by safety measures. These risks and hazards could result in damage to, or destruction of, properties or facilities, personal injury, environmental damage, business interruption and possible legal liability. See "Risk Factors — Risks Relating to Our Business and Industry — Our business operations may be materially and adversely affected by changing environmental regulations or enforcement requirements."

As of the Latest Practicable Date, we had not experienced any material accidents in the course of our operations and our Directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

ENVIRONMENTAL MATTERS

Our business is primarily governed by general environmental protection laws and related regulations. We must comply with relevant provisions governing environmental protection and appraisal of environmental impact, as well as national and provincial standards of environmental quality established by various government authorities. For example, our pharmaceutical manufacturing operations are governed by national, provincial and local environmental laws, rules and regulations. The relevant laws, rules and regulations applicable to pharmaceutical manufacturers in China include provisions governing air emissions, water discharge, prevention and treatment of sewage and exhaust fumes and the management and disposal of hazardous substances and waste. Manufacturers are also required to conduct an environmental impact assessment before engaging in new construction projects to ensure that the production processes meet the required environmental standards to treat wastes before the wastes are discharged.

The primary wastes generated from our pharmaceutical manufacturing processes are air emissions, waste water and organic waste, which are generated in compliance with all applicable environmental laws, rules and regulations. In addition, with respect to the development projects of our logistics centers, we are required to carry out an environmental impact assessment and submit assessment documents arising therefrom to the relevant competent authorities for approval before we commence construction of these projects. Furthermore, PRC national and local environmental protection laws, rules and regulations impose fees for the discharge of pollutants and, in cases where pollutants have not been properly treated, fines for such discharge. The relevant environmental laws, rules and regulations empower certain governmental authorities to shut down any enterprise that violates such laws, rules and regulations. See "Risk Factors — Risks Relating to Our Business and Industry — Our business operations may be materially and adversely affected by changing environmental regulations or enforcement requirements."

In 2013, 2014 and 2015, we carried out the relevant environmental impact assessments before commencing construction of our manufacturing facilities and have obtained all the required permits and environmental approvals for our manufacturing facilities. To ensure compliance with relevant laws, rules and regulations on pollution control, we have established waste water treatment and waste management facilities at our pharmaceutical manufacturing sites. Our production facilities have complied with all current and relevant environmental and manufacturing standards required by the PRC authorities. In addition, certain of our manufacturing subsidiaries have also obtained ISO14001 certification for their environmental management systems from the Universal Certification Service Co., Ltd., an organization authorized to issue quality control certification, such as ISO certifications. We incurred costs of HK$29.2 million, HK$38.6 million, HK$41.3 million and HK$19.5 million in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, to comply with relevant environmental protection laws, rules and regulations.

We believe we are currently in compliance in all material respects with applicable national, provincial and municipal environmental laws, rules and regulations. As of the Latest Practicable Date, we had no major incident and had not been the subject of any material penalty with respect to environmental violations.

We are not aware of any pending litigation or significant financial obligations arising from our current or past environmental practices that are likely to have a material adverse effect on our financial position. However, we cannot predict the impact that unforeseeable environmental contingencies or new or amended laws, rules or regulations may have on us or our production facilities. In this regard, as PRC environmental compliance requirements continue to evolve, we may be required to make significant expenditures in order to comply with environmental laws, rules and regulations that may be adopted or imposed in the future. We are also not able to predict our annual cost of compliance with respect to the environmental laws, rules and regulations that may be adopted or imposed in the future. For further information on the environmental laws, rules and regulations governing our operations, see "Regulatory Environment — Environmental Protection."

Our plans to address potential environmental laws, rules and regulations that may be adopted in the future comprise the following: (i) designating our management and manufacturing departments to oversee and maintain our compliance with environmental protection policies; (ii) providing periodical training to our staff regarding compliance with PRC environmental laws, rules and regulations, and more frequent training, as required upon adoption of new environmental laws, rules and regulations, and encouraging our staff to also attend environmental protection training sessions organized by the local environmental protection authorities; (iii) conducting regular on-site inspections of our facilities; (iv) immediately reporting to our management any violation of PRC environmental protection laws, rules and regulations; and (v) immediately reporting to and coordinating with the applicable PRC regulatory authorities in the event of violations.

INSURANCE

We maintain insurance coverage over our daily operations as well as project construction during our expansion. We require all our subsidiaries to submit for assessment and approval, their detailed insurance plans, and monitor the implementation of approved plans. We carry property insurance, machinery damage insurance, social responsibility insurance and owner responsibility insurance. Some of our subsidiaries, depending on their specific needs, carry product recall insurance, cargo insurance and vehicle insurance.

We carry occupational injury, medical, pension, maternity and unemployment insurance for our employees, in compliance with applicable regulations. Since it is not required by applicable PRC laws and regulations, and consistent with the usual industry practice in China, we do not carry any business interruption or product liability insurance or third-party liability insurance.

We consider our current insurance coverage to be adequate. However, we will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance

practices to align with our needs and with industry practice in China. See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products and services, which may materially and adversely affect our reputation, financial condition and results of operations."

EMPLOYEES

As of the Latest Practicable Date, we had 51,669 full-time employees. The table below sets forth a breakdown of our employees by function:

	Number of employees	% of total employees
Management	969	1.9%
Technical support	8,368	16.2
Research and development	1,098	2.1
Quality control	3,228	6.2
Supply chain	6,441	12.5
Sale and marketing	17,013	32.9
Manufacturing	12,216	23.6
General operation	1,496	2.9
Others[(1)]	840	1.6
Total	**51,669**	**100.0%**

(1) Others include office support staff, office security staff and drivers.

We have extensive training programs for all our employees, from entry-level employees to management. For our entry-level employees, we provide training programs focusing on corporate culture, strategies, policy and internal control, practical tips on various internal systems and business skills. Such programs are designed to foster career development of our entry-level employees and to invest in the future of our human resources. We also offer our employees technical training on essential knowledge areas concerning the pharmaceutical industry, including pharmacist training courses. For our managers, we have designed advanced management courses to guide their daily work as well as strategic planning.

The remuneration package for our employees generally includes salary and bonuses. Employees also receive welfare benefits, including medical care, pension, occupational injury insurance and other miscellaneous benefits. As required by applicable PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including housing funds, occupational injury, pension, medical, maternity and unemployment benefit plans. Furthermore, we are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the respective local government authorities where we operate our businesses from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. We also provide post-employment benefits to some of our retired employees.

The total amounts of our employee benefit expenses in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016 were HK$5,560.1 million, HK$6,414.7 million, HK$6,481.9 million, HK$3,128.2 million and HK$3,168.9 million, respectively.

As of the date of this prospectus, all members of our work force are employed under employment contracts which specify the employee's position, responsibilities, remuneration and grounds for termination. All employees who are unable to work due to illness or disability are entitled to receive certain benefits during their period of absence from the workplace. In addition, the PRC government requires us to provide work-related injury insurance for each of our employees. We and our subsidiaries have labor unions that protect employees' rights, help fulfill our and our subsidiaries' economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. Our operating units have labor union branches. We did not experience any material labor dispute during Track Record Period.

PROPERTIES

Our corporate headquarter is located at the 41st Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. We own and lease properties in China and also lease properties in Hong Kong.

As of June 30, 2016, our property interests represented 6.8% of our total assets and no single property accounted for 15% or more of our total assets by book value. Accordingly, pursuant to section 6(1) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempt from the requirement under Chapter 5 of the Listing Rules and section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Properties in China

As of June 30, 2016, we owned 1,027 buildings in China with a gross floor area of approximately 2,833,421.6 square meters and owned 340 parcels of land with a total site area of approximately 7,233,370.6 square meters. In addition, we leased 640 buildings with a gross floor area of approximately 546,993.0 square meters, and leased 28 parcels of land with a total site area of approximately 1,516,072.3 square meters.

Owned Buildings

As of June 30, 2016, we owned 1,027 buildings with a gross floor area of approximately 2,833,421.6 square meters in China, representing 23.4% of the total gross floor and site area of the properties that we owned or leased.

Among such 1,027 buildings that we owned, we have obtained the building ownership certificates for 860 buildings with a gross floor area of approximately 2,209,187.6 square meters,

representing 78.0% of the gross floor area of the buildings that we owned. Our PRC legal advisors are of the view that we have the legal ownership of these 860 buildings and thus have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of such buildings in accordance with applicable PRC laws and regulations.

As of June 30, 2016, we had not completed the ownership transfer procedures or obtained the building ownership certificates for the remaining 167 buildings in the PRC, with a gross floor area of approximately 624,234.0 square meters and representing 22.0% of the gross floor area of buildings that we owned. The table below sets forth our owned buildings with defective titles during the Track Record Period and as of June 30, 2016:

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
1	We had not obtained the building ownership certificates for certain buildings.	Five buildings with a gross floor area of approximately 23,507.3 square meters and representing 0.8% of the gross floor area of the buildings that we owned.	We were in the process of applying for the relevant building ownership certificates. Subject to the reviewing procedures of local authorities, we expect to obtain these certificates by the end of 2016.	Our PRC legal advisors are of the views that, there is no material legal impediment for us to obtain such certificates, and we will have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of such buildings in accordance with applicable PRC laws and regulations once we have obtained the relevant building ownership certificates.
2	We had not obtained the building ownership certificates for certain newly purchased buildings.	Five buildings with a gross floor area of approximately 6,394.7 square meters and representing 0.2% of the gross floor area of the buildings that we owned. We purchased these properties for commercial operation and residential purposes.	We were in the process of applying for the relevant building ownership certificates. Subject to the reviewing procedures of local authorities, we expect to obtain these certificates by the end of 2017.	Our PRC legal advisors have confirmed that there is no material legal impediment for us to obtain such ownership certificates.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
3	Although we have obtained the relevant land use right certificates, the relevant construction land use permits, construction project planning permits, and construction permits for the construction of certain buildings used for manufacturing and operational purposes, we were undergoing the completion acceptance procedures for such buildings.	22 buildings with a gross floor area of approximately 350,811.5 square meters and representing 12.4% of the gross floor area of the buildings that we owned. We intended to use such buildings for manufacturing and operational purposes.	We will process the completion acceptance procedures subject to the progress of the relevant projects. We expect to obtain the building ownership certificates for such buildings within one year after the completion of relevant completion acceptance procedures.	Our PRC legal advisors are of the view that, after we complete the relevant completion acceptance procedures and submit the application for building ownership certificates in accordance with applicable PRC laws and regulations and the requirements of relevant authorities, there will be no material legal impediment for us to obtain the building ownership certificates for such buildings.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
4	We had not completed the ownership transfer procedures for certain buildings primarily used for residential, rental and administrative purposes. However, as these buildings with defective titles are legacy issues and the timing for submitting our ownership transfer applications depends on the satisfaction of various procedural requirements, we are unable to ascertain when such applications can be duly made and completed.	39 buildings with a gross floor area of approximately 13,555.9 square meters and representing 0.5% of the gross floor area of buildings that we owned. We acquired the ownership of such buildings as a result of the mergers, spin-offs, restructurings or liquidations of the previous owners, and we primarily used such buildings for residential, rental and administrative purposes.	We are preparing relevant ownership transfer registration materials required by local authorities. Subject to the approval procedures of the local authorities, we expect to obtain the building ownership certificates within one year after all ownership transfer registration materials are prepared.	Our PRC legal advisors are of the views that, as the previous owners of such buildings had obtained the building ownership certificates, once we submit the ownership transfer applications to the relevant authorities in accordance with applicable PRC laws, regulations and requirements of relevant authorities, there will not be any material legal impediment to the transfer of the ownership of such buildings to us. In addition, our PRC legal advisors are of the view that, although we may not have the right to transfer, lease, and mortgage or otherwise dispose of such buildings in accordance with applicable PRC laws and regulations, the probability of a third party bringing a claim against us in relation to the ownership of such buildings is low, primarily because (i) the building ownership certificate holders have ceased to exist and/or (ii) we currently hold the original building ownership certificates of such buildings. As such, our PRC legal advisors are of the view that the inconsistency between the identity of the certificate holders and the actual holders will not materially and adversely impact our ability to occupy and use such buildings.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
5	We had not obtained the building ownership certificates of a certain number of buildings due to a combination of reasons, including (i) our lack of proper land use right certificates, (ii) the temporary nature of the building, and (iii) the inconsistency with the relevant zoning plans. Some of these defects are legacy issues resulted from our past acquisitions. As a result, we did not obtain the planning or construction permits for most of these buildings. We may face the risks of (i) rectifying the violations to the zoning plan or relevant regulations and paying a fine in the amount of 5% to 10% of the construction cost of the buildings; and (ii) if such rectification is not feasible, demolishing the buildings or turning over the building or associated rental income, as well as paying a fine of up to 10% of the construction cost of the buildings.	96 buildings with a gross floor area of approximately 229,964.6 square meters and representing 8.1% of the gross floor area of the buildings that we owned. Among these 96 buildings, 41 buildings with a gross floor area of approximately 168,007.7 square meters and representing 5.9% of the gross floor area of the buildings we owned were primarily used for manufacturing or warehousing purposes. The remaining 55 buildings, with a gross floor area of approximately 61,957.0 square meters and representing 2.2% of the gross floor area of the buildings we owned, were primarily used for other purposes such as residential, administrative, rental or other auxiliary purposes.	We regularly maintain the temporary buildings and the safety conditions of these buildings are sound. We are actively exploring potential rectifying measures. We expect to continue to use such buildings, primarily because the risk of us being ordered to pay a fine or demolish the building is relatively low, and we have not received any government notice, warning or penalty nor had we experienced any material ownership dispute on such buildings.	Our PRC legal advisors are of the view that we do not have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of such 96 buildings in accordance with applicable PRC laws and regulations. We believe the foregoing property defects will not adversely and materially affect our business and results of operations given that (i) the gross floor area of the buildings that were used for manufacturing and operational purposes only accounted for 5.9% of the gross floor area of the buildings we owned, which we consider as immaterial; and (ii) in the unlikely event that we have to pay a fine or relocate the buildings, the maximum amount of penalty and the potential impact of relocation for these 96 buildings are not material to us.

Leased Buildings

As of June 30, 2016, we leased 640 buildings in China with a gross floor area of approximately 546,993.0 square meters, representing 4.5% of the total gross floor and site area of the properties that we owned or leased.

Among such 640 buildings that we leased, our landlords of 511 buildings have obtained the relevant building ownership certificates, rental registration certificates or other documentary evidence in respect of the right to dispose of such leased buildings, with a gross floor area of approximately 399,729.5 square meters, representing 73.1% of the gross floor area of the buildings that we leased. Our PRC legal advisors are of the view that the landlords of these 511 leased buildings are the owners or persons who are authorized to lease or sublease the respective buildings. The landlords have obtained the valid titles to the respective leased buildings and the lease agreements are legally binding and effective.

Our landlords of the remaining 129 leased properties have not provided the relevant building ownership certificates or any documentary evidence in respect of the right to dispose of such leasehold buildings, with a gross floor area of approximately 147,263.5 square meters, representing 26.9% of the gross floor area of the buildings that we leased. The table below sets forth our leased buildings with defective titles during the Track Record Period and as of June 30, 2016:

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
1	Our landlords have not provided the relevant building ownership certificates or any documentary evidence in respect of the right to dispose of some leasehold buildings primarily used for pharmaceutical distribution and retail, chain pharmacies or other commercial and operational purposes.	114 buildings, with a gross floor area of approximately 117,255.7 square meters and representing 21.4% of the gross floor area of the buildings that we leased, were leased by our PRC subsidiaries for pharmaceutical distribution and retail, chain pharmacies or other commercial and operational purposes.	We may claim the landlords to be liable for the breach of leasing agreements if we are unable to use such buildings. In addition, since such buildings are mainly used by our pharmaceutical commercial chain or logistics companies, and are located at the downtown areas with abundant rental resources, we believe we can find alternative leased buildings in a short period of time should any contingency emerge to render us unable to use such buildings.	Our PRC legal advisors are of the view that our landlords' failure to provide relevant building ownership certificates or any documentary evidence in respect of the right to dispose of such leasehold buildings will not materially and adversely impact our business. Their views are based on the following: (a) we are entitled to request our landlords to lower our rents or to refuse to pay the rents if we are not able to use or benefit from such leasehold buildings as a result of the claims brought by bona fide third parties against us; (b) there has not been any controversy or dispute against us in relation to such buildings that may have a material adverse effect on our business; (c) such buildings are mostly leased stores located at downtown areas, and we believe we can easily find alternative buildings at similar costs if we are not able to use such buildings or have to relocate our businesses in case of any dispute on the lease agreements; and (d) the gross floor area of such buildings only accounted for an immaterial proportion of gross floor area of the buildings we leased and owned.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
2	Our landlords have not provided the relevant building ownership certificates or any documentary evidence in respect of the right to dispose of certain leasehold buildings primarily used for our manufacturing facilities.	Three buildings, with a gross floor area of approximately 25,666.1 square meters and representing 4.7% of the gross floor area of the buildings that we leased, were primarily used for our manufacturing facilities.	We intend to terminate the relevant lease agreements early by the end of 2016. We had moved our operations to new buildings.	Our PRC legal advisors are of the view that our landlords' failure to provide relevant building ownership certificates or any documentary evidence in respect of the right to dispose of such leasehold buildings will not materially and adversely impact our business. Their views are based on the following: (a) we are entitled to request our landlords to lower our rents or to refuse to pay the rents if we are not able to use or benefit from such leasehold buildings as a result of the claims brought by bona fide third parties against us; (b) there has not been any controversy or dispute against us in relation to such buildings that may have a material adverse effect on our business; and (c) the gross floor area of such buildings only accounted for an immaterial proportion of gross floor area of the buildings we leased and owned.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
3	Our landlords have not provided the relevant building ownership certificates or any documentary evidence in respect of the right to dispose of certain leasehold buildings primarily used for administrative, residential or commercial purposes.	12 buildings, with a gross floor area of approximately 4,341.8 square meters and representing 0.8% of the gross floor area of the buildings that we leased, were primarily used for administrative, residential or commercial purposes.	We are discussing with relevant authorities to explore potential rectifying measures. Such buildings are mostly used for non-operational purposes such as office, commercial or residential purposes, and will not adversely and materially affect our business and results of operations. We can also find alternative leased buildings in a short period of time.	Our PRC legal advisors are of the view that our landlords' failure to provide relevant building ownership certificates or any documentary evidence in respect of the right to dispose of such leasehold buildings will not materially and adversely impact our business. Their views are based on the following: (a) we are entitled to request our landlords to lower our rents or to refuse to pay the rents if we are not able to use or benefit from such leasehold buildings as a result of the claims brought by bona fide third parties against us; (b) there has not been any controversy or dispute against us in relation to such buildings that may have a material adverse effect on our business; and (c) the gross floor area of such buildings only accounted for an immaterial proportion of gross floor area of the buildings we leased and owned.

We believe there is no material difference in rental we would have to pay if the leased buildings did not have title defects.

Owned Land

As of June 30, 2016, we owned 340 parcels of land with a total site area of approximately 7,233,370.6 square meters in China, representing 59.6% of the total gross floor and site area of the properties that we owned or leased.

Among all 340 parcels of land that we owned, we have obtained the valid land use rights for 298 parcels of land, with a total site area of approximately 5,980,356.1 square meters through transferring and circulation, representing 82.7% of the total site area of the land that we owned.

We have not completed the transfer procedures or obtained the valid land use rights for 42 parcels of land, with a total site area of approximately 1,253,014.5 square meters through transferring and circulation, representing 17.3% of the total site area of the land that we owned. The table below sets forth our owned land with defective titles during the Track Record Period and as of June 30, 2016:

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
1	We have obtained the relevant land use right certificates for several parcels of appropriated land, but did not use such land for designated purposes in accordance with applicable PRC laws and regulations. Therefore, we still need to process relevant state-owned land transfer procedures for such parcels of land.	29 parcels of land, with a total site area of approximately 1,114,913.3 square meters and representing 15.4% of the total site area of the land we owned. Among such 29 parcels of land, we used 16 parcels with a total site area of approximately 174,544.0 square meters and representing 2.4% of the total site area of the land that we owned for research and development, manufacturing, warehousing and commercial purposes. Meanwhile, we used the remaining 13 parcels with a total site area of approximately 940,369.3 square meters and representing 13.0% of the total site area of the land that we owned for residential, dining and other non-operational purposes.	We have obtained the land use right certificates for such appropriated land, and are not required by local authorities to complete the transferring procedures. Therefore, we expect to continue to use such land.	Our PRC legal advisors are of the view that, our use of such land will not materially and adversely impact our business, primarily because: (a) we have obtained the land use right certificates for such appropriated land, and (b) the total site area of the land among such land that were used for manufacturing and operational purposes only accounted for an immaterial proportion of the total site area of the land we owned.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
2	We have not completed the land use right transfer procedures for certain parcels of our owned land. The registered holders of such five parcels of the land were still the previous owners.	Five parcels of land with a total site area of approximately 45,192.5 square meters and representing 0.6% of the total site area of the land we owned. We acquired such land as a result of the mergers, spin-offs, restructurings or liquidations of the previous owners. We primarily used such land for rental purposes.	We are preparing relevant ownership transfer registration materials required by local authorities. Subject to the approval procedures of the local authorities, we expect to obtain the land ownership certificates within one year after all ownership transfer registration materials are fully prepared.	Our PRC legal advisors are of the view that, as the previous owners of such land have obtained the land use right certificates, if we submit the land use right transfer applications to relevant authorities in accordance with applicable PRC laws, regulations and requirements of relevant authorities, there will not be any material legal impediment for the land use right to be transferred to us. In addition, our PRC legal advisors are of the view that, although we may not have the right to assign, transfer, lease, and mortgage or otherwise dispose of such land in accordance with applicable PRC laws and regulations, the probability of a third party bringing a claim against us in relation to the land use right is low, primarily because: (a) the land use right certificate holders have ceased to exist and/or (b) we currently hold the original land use right certificates of such land. As such, our PRC legal advisors are of the view that the inconsistency between the identity of the certificate holders and the actual holders will not materially and adversely impact our ability to occupy and use such land.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
3	We have not obtained the valid land use rights for some parcels of our owned land. As these parcels of land are legacy issues and the timing for our application for relevant land use right certificates depends on the satisfaction of various procedural requirements, we are unable to ascertain when such land use right certificates can be obtained.	Eight parcels of land, with a total site area of approximately 92,908.7 square meters and representing 1.3% of the total site area of the land we owned. Among such eight parcels of land, four parcels with a total site area of approximately 65,422.3 square meters and representing 0.9% of the total site area of the land we owned were primarily used for manufacturing, warehousing, commercial and other operational purposes. The remaining four parcels with a total site area of approximately 27,486.4 square meters and representing 0.4% of the total site area of the land we owned were primarily used for residential and other non-operational purposes.	We are applying for the relevant land use right certificates for such parcels of land. However, because there are the legacy issues associated with the parcels and the duration of our application depends on our fulfillment of multiple requirements of relevant procedures, we are not able to estimate when we can obtain the relevant land use right certificates.	Our PRC legal advisors believe these eight parcels of land will not materially and adversely impact our business given that (a) the total site area of the land used for manufacturing only accounted for an immaterial proportion of total site area of the land we owned, and (b) four parcels of land were used for non-operational purposes.

Leased Land

As of June 30, 2016, we leased a total of 28 parcels of land in China with a total site area of approximately 1,516,072.3 square meters, representing 12.5% of the total gross floor and site area of the properties that we owned or leased.

Among our 28 parcels of leased land, our landlords of 13 parcels of land have obtained the legal and valid land use rights for such leased land, with a total site area of approximately 1,214,656.3 square meters, representing 80.1% of the total site area of the land we leased.

Among our 28 parcels of leased land, for the remaining 15 parcels of land, with a total site area of approximately 301,416.0 square meters, representing 19.9% of the total site area of the land we leased, our landlords cannot provide relevant land use right certificates, or we have not fully executed relevant legal procedures, or our leases of relevant land were still pending local authorities' approvals. The table below sets forth our leased land with defective titles during the Track Record Period and as of June 30, 2016:

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
1	We leased certain parcels of land for plantation of Chinese herbs. The use of such land was still pending local authorities' approvals.	Two parcels of land with a total site area of approximately 67,333.4 square meters and representing 4.4% of the total site area of the land we leased. We primarily used such land for plantation of Chinese herbs and expect to complete the harvest of relevant Chinese herbs before the termination of the lease agreement.	We expect to terminate the relevant lease agreements by the end of 2016 as we no longer need to occupy such parcels of land.	Our PRC legal advisors are of the view that our use of such land will not materially and adversely impact our business.
2	Our landlords cannot provide relevant state-owned land use right certificates for certain parcels of our leased land that were primarily used for manufacturing and operational purposes.	Three parcels of land with a total site area of approximately 130,073.5 square meters and representing 8.6% of the total site area of the land we leased. We primarily used such land for manufacturing and operational purposes.	We plan to terminate one lease by the end of 2016. Our PRC legal advisors are of the view that, the landlords will be liable for the breach of leasing agreements if we are unable to use such land. Currently, our use of such land has not been challenged by any third party. Under such circumstances, we expect to continue to lease such land. If our use of such land, on the other hand, is challenged by any third party, we believe we can find alternative land at similar rental price at nearby locations.	Our PRC legal advisors are of the view that such defective titles will not materially and adversely impact our business, given that (a) we plan to terminate one lease by the end of 2016 after the disposal of the facilities and equipment on the land, (b) we are entitled to request our landlords to lower the rents or refuse to pay the rents if we are not able to use or benefit from the leased land as a result of the claims brought by bona fide third parties against us, and (c) the total site areas of such land only accounted for an immaterial proportion of the total site area of the land we used.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
3	We still need to complete the relevant collective construction land lease approval procedures for some of our leased land in accordance with applicable PRC laws and regulations.	Four parcels of land, with a total site area of approximately 65,326.4 square meters and representing 4.3% of the total site areas of the land we leased. We primarily used such land for manufacturing and operational purposes.	We used three parcels of such land mainly for logistics and office purposes, and the use of such land with defective titles will not materially affect our business and results of operations. If we cannot use such three parcels of land due to the defective titles, we can relocate our facilities and operations to alternative land at a minimum cost at nearby locations. For the remaining one parcel of land, we used part of it for manufacturing purposes, and we are discussing with relevant authorities to explore potential rectifying measures.	Our PRC legal advisors are of the view that the buildings on the land may be confiscated and we may be fined by the local authorities at a rate of up to RMB30 per square meter. However, as the total site area of such land only amounted to an immaterial proportion of the land we use, our PRC legal advisors are thus of the view that such defects will not materially and adversely impact our business.

	Nature of the Title Defects	Details of the Properties with Defective Titles	Rectifying Measures/Contingency Plans	Our PRC Legal Advisors' Views
4	We used certain parcels of leased collective agricultural land for non-agricultural purposes.	Six parcels of land, with a total site area of approximately 38,682.8 square meters and representing 2.6% of the total site area of the land we leased. We primarily used four parcels for manufacturing and operational purposes and two parcels as parking lot or gardens.	As of the Latest Practicable Date, we were relocating the facilities and equipment on two parcels of land used for manufacturing and operational purposes to alternative land, and we expected to terminate the relevant leases after the relocation is completed in December, 2016.	According to applicable PRC laws and regulations, we may be required to demolish the buildings and other facilities on certain parcels of our land, to reinstate the original conditions of the land, and be fined by local authorities at a rate of up to RMB30 per square meter. Our PRC legal advisors are of the view that, such defective titles will not materially and adversely impact our overall operation, primarily because the total site area of such land only amounted to an immaterial proportion of the land we use, and we are relocating our facilities and equipment on two parcels of land to alternative land.

3.3% of our revenue in 2015 was attributable to the owned buildings and land with defective titles without rectification plans, and these buildings and land were primarily used for manufacturing warehousing, commercial and other operational purposes. Out of such properties, 2.8% of our revenue in 2015 was attributable to properties with defective titles which were mostly used as warehouses or auxiliary facilities that can be replaced with little or no impact on our revenue, whereas 0.5% of our revenue in 2015 was attributable to the remaining properties with defective titles that may have impact on our revenue during their replacement. We will continue cooperating with the authorities, rectifying the property defects and completing the relevant procedures in relation to property titles. See "— Owned Buildings," "— Leased Buildings," "— Owned Land" and "— Leased Land" for details of our current plans and measures. If any need for relocation materializes due to changes in governmental approval procedures and relevant laws, we will actively seek alternative properties with an aim to minimize any negative impacts to our business operations. Furthermore, we will continue to enhance our management of titles of properties we may acquire lease or in the future.

Properties in Hong Kong

As of June 30, 2016, in Hong Kong, we entered into 82 leases for all of our retail shops, with a gross floor area ranging from 256 square feet to 2,898 square feet, one lease for the offices of our corporate headquarters, with a gross floor area of approximately 5,375 square feet, and one lease for our warehouse, with a gross floor area of approximately 44,102.4 square feet. The respective lease terms are between approximately one year and four years. As of June 30, 2016, among the 84 leases, 23 leases will expire within a year, 31 leases will expire in one to two years, 26 leases will expire in two to three years, and four leases will expire in more than three years.

PERMITS, LICENSES AND APPROVALS

Our PRC legal advisors have confirmed that (i) we have obtained all material licenses, permits, approvals and certificates required for our business operations, (ii) such licenses, permits, approvals and certificates are valid and subsisting, and (iii) we have complied with all applicable laws and regulations during the Track Record Period in all material respects.

LEGAL PROCEEDINGS

From time to time, we have been, and may in the future be, involved in arbitration, litigation or regulatory proceedings relating to contract disputes, intellectual property rights disputes and other matters in the ordinary course of our business.

For example, in September 2016, we received a threat to initiate legal proceedings against us by a former shareholder (the "Claimant") of China WorldBest Group Co., Ltd. (中國華源集團有限公司) ("China WorldBest Group"). The threat relates to the restructuring of China WorldBest Group in 2006 (the "2006 Restructuring"), where China Resources Co., Limited (華潤股份有限公司) ("CRC") acquired 50% equity interests in Beijing Pharmaceutical from China WorldBest Life Industry Co., Ltd. (中國華源生命產業有限公司) ("China WorldBest Life"), a subsidiary of China WorldBest Group (the "2006 Beijing Pharmaceutical Transfer"). In 2010, CRC transferred its 50% equity interests in Beijing Pharmaceutical to us (the "2010 Beijing Pharmaceutical Transfer"). For details, see "History, Restructuring and Corporate Structure — History and Development." As advised by our PRC legal

advisors, should the Claimant proceed with the threatened legal proceedings, (i) it will not have any valid ground under the relevant PRC laws and regulations to claim against us as a defendant given that our Company was neither a shareholder of China WorldBest Group nor a party to any transfer or restructuring in relation to the 2006 Restructuring and/or the 2006 Beijing Pharmaceutical Transfer; and (ii) it will not have any valid ground under the relevant PRC laws and regulations to claim against Beijing Pharmaceutical, which was the subject company of the transfers under the 2006 Beijing Pharmaceutical Transfer and the 2010 Beijing Pharmaceutical Transfer, or CR Pharmaceutical Investment, the transferee under the 2010 Beijing Pharmaceutical Transfer, as both the 2006 Beijing Pharmaceutical Transfer and the 2010 Beijing Pharmaceutical Transfer had been duly completed with all the requisite shareholder and regulatory approvals obtained. As of the Latest Practicable Date, we had not been served with any writ or notice of action from the Claimant in relation to the threatened legal proceedings. Based on the foregoing and as advised by our PRC legal advisors, we are of the view that the threatened legal proceedings will not have any material adverse effect on the 50% equity interest in Beijing Pharmaceutical legally acquired and owned by CR Pharmaceutical Investment, and will not have any material adverse effect on our business, financial condition or results of operations. For risks related to potential legal proceedings, see "Risk Factors — Risks Relating to our Business and Industry — We may from time to time become party to litigation, other legal disputes and proceedings that may materially and adversely affect us."

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations.

REGULATORY INSPECTIONS

In 2013, the National Audit Office of the PRC (the "NAO") performed an audit on the financial management of China Resources Holdings, our controlling shareholder, for the year of 2012 (the "NAO Audit") and identified certain issues in relation to China Resources Holdings and its subsidiaries, including us. The NAO's audit report on China Resources Holdings (the "NAO Report") was made public in June 2014. Material findings in relation to us are set out as follows:

i. *Valuation in the Acquisition of 9.02% equity interests in CR Pharmaceutical Commercial*: the NAO found that our acquisition of the 9.02% equity interests in CR Pharmaceutical Commercial (known as Beijing Pharmaceutical Co., Ltd. prior to September 2012) in November 2012 was based on the valuation opinion provided by a financial advisor not duly qualified in the PRC, whose valuation of CR Pharmaceutical Commercial's net assets was 66.36% higher than the appraisal value by an appraiser qualified in the PRC;

ii. *CR Pharmaceutical Commercial's recordkeeping*: CR Pharmaceutical Commercial, our subsidiary, only kept meeting minutes instead of complete meeting records for certain important decisions, and its archival of meeting minutes did not strictly adhere to the continuous numbering management procedure; and

iii. *Acquisition and investment decisions*: From July 2010 to 2011, we entered into agreements for eight investments with an aggregate consideration of RMB2.98 billion in the absence of the formal approvals of the "transitional management committee" (過渡期管委會), a committee in charge of our restructuring with Beijing Pharmaceutical, and certain investments were priced above the relevant asset appraisal value. In reviewing certain investments, the transitional management committee failed to thoroughly analyze the different opinions of the relevant business departments.

As the NAO Audit was performed with respect to the financial management of China Resources Holdings for the year of 2012, all the material findings in relation to us identified in the NAO Report related to events that took place prior to the Track Record Period. China Resources Holdings subsequently submitted and published its rectification report in response to the NAO Audit in June 2014. We did not record any impairment in respect of the over-stated valuation related to the acquisition of the 9.02% equity interests in CR Pharmaceutical Commercial during 2012 as identified by the NAO, nor did such valuation have any material adverse effect on our financial position and results or operations during the Track Record Period and up to the Latest Practicable Date.

In July and August 2015, the Sixth Division of the Central Inspection Group (中央第六巡視組) of the CPC Central Committee performed an inspection on China Resources National Corporation ("CRNC," 中國華潤總公司), a state-owned enterprise incorporated in the PRC and the shareholder of China Resources Holdings, and identified a numbers of issues in relation to CRNC and its subsidiaries, including us. The major finding with respect to us concerns our mergers and acquisitions investment procedures. CRNC subsequently submitted and published its rectification report in response to the inspection by the Central Inspection Group in January 2016.

With respect to the findings of the NAO and the Central Inspection Group, we further improved our internal control system over mergers and acquisitions by implementing more rigorous investment management procedures. For example, all the major investment projects now require approval from our headquarters and must strictly follow a range of internal analysis and review procedures by the strategy department, the investment pre-screening committee, the internal meeting of senior management and the Board of Directors. The responsibilities of different aspects of investment are also duly allocated among different departments, including the strategy department and the finance department, as well as senior management. We also perform post-investment review to evaluate the performance of investment.

Our internal control consultant has reviewed our current investment management system and did not identify any material defects. Neither the NAO nor the Central Inspection Group raised any further material comments subsequent to the publication of the relevant rectification reports.

OVERVIEW

We have entered into transactions with certain entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon the Listing. Such transactions will continue after the Listing and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

Upon completion of the Global Offering, CRH (Pharmaceutical) will directly own approximately 54.00% of our share capital (assuming that the Over-allotment Option is not exercised). CRH (Pharmaceutical) is wholly-owned by China Resources Holdings, which is in turn indirectly wholly-owned by China Resources Co., Limited (華潤股份有限公司) ("CRC"). CRC is wholly-owned by China Resources National Corporation (中國華潤總公司). Therefore, CRH (Pharmaceutical), China Resources Holdings, CRC and China Resources National Corporation will be our connected persons upon the Listing, and their respective associates will also be our connected persons. Accordingly, the transactions set out below, which will continue after the Listing, will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Summary of our continuing connected transactions

Nature of transactions	Applicable Listing Rules	Waiver sought
Exempt continuing connected transactions		
• IP License Agreement	14A.76(1)	N/A
• Property Leasing Framework Agreement	14A.76(1)	N/A
• Construction, Decoration and Furniture Services Framework Agreement	14A.76(1)	N/A
• Hospital Sales Framework Agreement	14A.76(1)	N/A
• Products and Commodities Sales Framework Agreement	14A.76(1)	N/A
• Procurement of gas supplies	14A.97	N/A
Non-exempt continuing connected transactions		
• Procurement Framework Agreement	14A.76(2)	Announcement requirement
• Strategic Cooperation Agreements	14A.76(2)	Announcement requirement

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. De minimus transactions

The following transactions are entered into in the ordinary and usual course of our business and on normal commercial terms where each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, not exceed 0.1% on an annual basis. Under Rule 14A.76(1) of the Listing Rules, these transactions are exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. IP License Agreement

Parties: China Resources Holdings (as licensor); and

Our Company (as licensee).

Principal terms:

We have entered into an intellectual property license agreement with China Resources Holdings on September 14, 2016 (the "IP License Agreement"), pursuant to which China Resources Holdings has agreed to grant to our Group a non-exclusive license to use certain trademarks, trade names and logos on, among others, our products, packaging, publicity materials and transactional documentation, at an annual consideration being 0.0001% of our revenue in that year. The trademarks, trade names and logos under the IP License Agreement are detailed in Appendix IV — "Statutory and General Information — 2. Further Information about our Business — B. Our Intellectual Property Rights — Intellectual Property Rights under the IP License Agreement" in this prospectus. The IP License Agreement is valid until December 31, 2018.

Reasons for the transaction:

Our Group has been using the relevant trademarks, trade names and logos in the normal and ordinary course of our business. We will continue to use them after the Listing to maintain the consistency and continuity of the corporate image of our Group.

B. Property Leasing Framework Agreement

Parties: China Resources Holdings (as lessor); and

Our Company (as lessee).

Principal terms:

We have entered into a property leasing framework agreement with China Resources Holdings on September 14, 2016 (the "Property Leasing Framework Agreement"), pursuant to which our Group may lease premises, which mainly comprise retail stores, offices and warehouses, from China Resources Holdings and/or its associates according to our business needs.

The principal terms of the Property Leasing Framework Agreement include the following:

(a) The Property Leasing Framework Agreement will have a term commencing from the Listing Date until December 31, 2018, subject to renewal by mutual consent and negotiation between the parties;

(b) Relevant subsidiaries and/or associates of both parties will separately enter into specific agreements which will set out the specific terms and conditions, including the rents, other fees and payment method, in respect of the relevant leasing transaction in accordance with the principles set out in the Property Leasing Framework Agreement; and

(c) Pricing policy:

The rents and/or management fees charged shall be determined by arm's length negotiations between the relevant parties and by reference to the then prevailing market price of local properties with similar size and quality. To the extent that government-prescribed rate or price, such as government rents or rates, is applicable to any charges under the leasing arrangement, such charges shall be set at the applicable government-prescribed rate or price.

Reasons for the transaction:

When we lease premises in the ordinary and usual course of our business, we select premises and landlords based on our internal evaluation and selection procedures taking into account various factors including our business needs, the rentals charged and location of the premises. We select the most suitable landlord among the candidates which comprise both connected persons and Independent Third Parties. China Resources Holdings and/or its associates own significant property investments including commercial, retail and industrial premises in the PRC and Hong Kong. During the Track Record Period, we had from time to time leased premises from China Resources Holdings and/or its associates in the ordinary and usual course of our business. The leased premises were mainly used as retail store, office and/or warehouse in the PRC and Hong Kong. We entered into such arrangements with China Resources Holdings and/or its associates due to the suitability of the locations, prices and quality of the premises offered by them.

C. **Construction, Decoration and Furniture Services Framework Agreement**

Parties: China Resources Holdings (as supplier); and

Our Company (as purchaser).

Principal terms:

We have entered into a construction, decoration and furniture services framework agreement with China Resources Holdings on September 14, 2016 (the "Construction, Decoration and Furniture Services Framework Agreement"), pursuant to which our Group may procure construction and decoration services and purchase furniture from China Resources Holdings and/or its associates according to our business needs. Construction services provided by China Resources Holdings and its associates include building construction and mechanical and electrical engineering and installation. Decoration services provided by China Resources Holdings and its associates include interior design, decoration and furnishing of premises. Furniture services provided by China Resources Holdings and its associates include furniture manufacturing and sale.

The principal terms of the Construction, Decoration and Furniture Services Framework Agreement include the following:

(a) The Construction, Decoration and Furniture Services Framework Agreement will have a term commencing from the Listing Date until December 31, 2018, subject to renewal by mutual consent and negotiation between the parties;

(b) Relevant subsidiaries and/or associates of both parties will separately enter into specific agreements which will set out the specific terms and conditions, including the fees and payment method, in respect of the relevant transaction in accordance with the principles set out in the Construction, Decoration and Furniture Services Framework Agreement; and

(c) Pricing policy:

The prices for the construction, decoration and furniture services shall be determined based on arm's length negotiations and with reference to the market price and prices available from suppliers who are Independent Third Parties.

Reasons for the transaction:

When we procure construction, decoration and furniture services in the ordinary and usual course of our business, we select suppliers based on our internal evaluation and selection procedures taking into account various factors including our business needs, the service fees charged and quality of the services. We select the most suitable suppliers among the candidates which comprise both connected persons and Independent Third Parties. China Resources Holdings and/or its associates have expertise in property construction, decoration and furniture business. During the Track Record Period, we had

from time to time procured construction, decoration and furniture services from China Resources Holdings and/or its associates in the ordinary and usual course of our business. We entered into such arrangements with China Resources Holdings and/or its associates due to the competitiveness of the prices and quality of the services offered by them.

D. **Sales to Hospitals — Hospital Sales Framework Agreement**

Parties: China Resources Healthcare Group Limited ("CR Healthcare") (as purchaser); and

Our Company (as supplier).

CR Healthcare is a wholly-owned subsidiary of China Resources Holdings, our controlling shareholder. Accordingly, CR Healthcare is our connected person under the Listing Rules.

Principal terms:

We have entered into a hospital sales framework agreement with CR Healthcare on October 11, 2016 (the "Hospital Sales Framework Agreement"), pursuant to which our Group may from time to time supply medical and pharmaceutical products and consumables including prescription medicines and OTC drugs to the hospitals that are managed by CR Healthcare and/or its associates.

The principal terms of the Hospital Sales Framework Agreement include the following:

(a) The Hospital Sales Framework Agreement will have a term commencing from the Listing Date until December 31, 2018, subject to renewal by mutual consent and negotiation between the parties;

(b) The hospitals that are managed by CR Healthcare and/or its associates may place purchase orders with our Group for medical and pharmaceutical products and consumables from time to time, and we would fulfill the orders by selling the requested products or consumables to the hospitals at a price in accordance with the agreed pricing basis; and

(c) Pricing basis:

The price of the medical and pharmaceutical products and consumables supplied under the Hospital Sales Framework Agreement shall be determined in accordance with the applicable prescribed price or guided price of that product fixed by PRC regulators, if applicable. If there is no such prescribed price or guided price for the particular product, the price shall be determined based on the then prevailing market price and arm's length negotiation between the parties.

Reasons for the transaction:

CR Healthcare and/or its associates are engaged in hospital investment and operation management. It is necessary for the hospitals managed by CR Healthcare and/or its associates to procure suitable medical and pharmaceutical products and consumables in their ordinary and usual course of business.

Similar to Independent Third Parties of CR Healthcare and/or its associates, we are required to go through their selection and approval procedures as well as the commercial negotiation process before becoming their suppliers. Based on the business needs of the relevant hospitals and in light of the suitability of the medical and pharmaceutical products and consumables that we offer, we had from time to time been selected to provide medical and pharmaceutical products and consumables to the hospitals managed by CR Healthcare and/or its associates during the Track Record Period in our ordinary and usual course of business.

E. **Sales to Non-Hospital Entities — Products and Commodities Sales Framework Agreement**

Parties: China Resources Holdings (as purchaser); and

Our Company (as supplier).

Principal terms:

We have entered into a products and commodities sales framework agreement with China Resources Holdings on September 14, 2016 (the "Products and Commodities Sales Framework Agreement"), pursuant to which our Group may from time to time supply products and commodities, which mainly comprise pharmaceutical products, to China Resources Holdings and/or its subsidiaries that are not hospitals including, among others, supermarkets.

The principal terms of the Products and Commodities Sales Framework Agreement include the following:

(a) The Products and Commodities Sales Framework Agreement will have a term commencing from the Listing Date until December 31, 2018, subject to renewal by mutual consent and negotiation between the parties;

(b) Relevant subsidiaries of both parties will separately enter into specific agreements which will set out the specific terms and conditions of the transaction according to the principles provided in the Products and Commodities Sales Framework Agreement; and

(c) Pricing basis:

The price of the products or commodities sold by us under the Products and Commodities Sales Framework Agreement will be determined through arm's length negotiations by the parties with reference to the then prevailing market price for the products or commodities in concern and taking into account the quantity sold and other terms such as payment terms.

Reasons for the transaction:

We sell various products and commodities, including pharmaceutical products, in our ordinary and usual course of business. It is also in the ordinary and usual course of business of China Resources Holdings and/or its subsidiaries, which include companies that operate supermarkets, to procure products and commodities, including pharmaceutical products for the use of their business. Therefore, there is a need for China Resources Holdings and/or its subsidiaries to make such purchases from time to time.

Similar to Independent Third Parties of China Resources Holdings and/or its subsidiaries, we are required to go through their selection and approval procedures as well as the commercial negotiation process before becoming their suppliers. Based on their business needs and in light of the suitability of the products and commodities that we offer, we had from time to time been engaged by China Resources Holdings and/or its subsidiaries to provide products and commodities, including pharmaceutical products, to them during the Track Record Period in the ordinary and usual course of our business.

2. **Procurement of utilities**

We have from time to time procured gas supplies from China Resources Gas Group Limited (listed on the Hong Kong Stock Exchange; stock code: 1193) and/or its subsidiaries for our manufacturing process in our ordinary and usual course of business. China Resources Gas Group Limited is held as to approximately 63.95% by China Resources Holdings and will therefore be our connected person under the Listing Rules. It is expected that we will continue to procure gas supplies from China Resources Gas Group Limited and/or its subsidiaries after the Listing. Nonetheless, such procurement by us from China Resources Gas Group Limited and/or its subsidiaries would be fully exempted from compliance with the relevant requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.97 of the Listing Rules by virtue of being utilities procured from a connected person where the prices are published or publicly quoted and apply to other independent consumers.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

We have entered into the following transactions which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. **Procurement Framework Agreement**

Parties: China Resources Holdings (as supplier); and

Our Company (as purchaser).

Principal terms:

We have entered into a procurement framework agreement with China Resources Holdings on September 14, 2016 (the "Procurement Framework Agreement"), pursuant to which our Group may from time to time purchase from China Resources Holdings and its subsidiaries various types of supplies and products which include raw materials, ingredients, apparel and software products (but excluding our procurement of gas supplies from China Resources Gas Group Limited and/or its subsidiaries as referred to in the paragraph headed "— 2. Procurement of utilities"), as well as services which include logistics services (but excluding the services which are covered under the Property Leasing Framework Agreement and the Construction, Decoration and Furniture Services Framework Agreement) in support of our business.

The principal terms of the Procurement Framework Agreement include the following:

(a) The Procurement Framework Agreement will have a term commencing from the Listing Date until December 31, 2018, subject to renewal by mutual consent and negotiation between the parties;

(b) Relevant subsidiaries of both parties will separately enter into specific agreements which will set out the specific terms and conditions of the transaction according to the principles provided in the Procurement Framework Agreement; and

(c) Pricing basis:

If government-prescribed price is applicable to any particular supplies, products or services under the Procurement Framework Agreement, such supplies, products or services shall be supplied at the applicable government-prescribed price. If government-prescribed price is not available but a government-guided price standard is available, the price will fall within the range of the government-guided price. Where such price standard is not available, the price shall be determined through arm's length negotiations by the parties with reference to the then prevailing market price and taking into account the quantity and quality of the supplies, products and services as well as other terms such as payment terms.

Reasons for the transaction:

Our business covers development and manufacturing, distribution and retail sale of a broad range of pharmaceutical products and other products. We therefore need various raw materials and supplies as well as relevant services to support our business which, on the other hand, are supplied by China Resources Holdings and/or its subsidiaries in their ordinary and usual course of business.

When we procure such raw materials, supplies, products and services in our ordinary and usual course of business, we select suppliers and determine the relevant terms of the procurements through negotiations based on the categories and scales of the procurement. We select the most suitable one among the suppliers available for selection, which comprise connected persons and Independent Third Parties, taking into account their prices, quality of the supplies, payment terms, time required for provision of the supplies, products or services and other factors. We had selected China Resources Holdings and/or its subsidiaries as our suppliers during the Track Record Period in light of the suitability of the supplies, products or services they offered.

Historical amounts:

Set out below are the approximate historical amounts of the relevant procurement by our Group from China Resources Holdings and its subsidiaries for the supplies, products and services as contemplated under the Procurement Framework Agreement:

	For the year ended December 31,			For the six months ended June 30,
	2013	**2014**	**2015**	**2016**
		(HK$ in millions)		
Procurement of supplies and products	94.6	148.6	104.2	40.6
Procurement of services	9.1	10.8	11.9	6.7
Total	**103.7**	**159.4**	**116.1**	**47.3**

Annual caps and basis of caps:

The proposed annual caps for the transactions contemplated under the Procurement Framework Agreement for the three years ending December 31, 2018 are as follows:

	For the year ending December 31,		
	2016	**2017**	**2018**
	(HK$ in millions)		
Procurement of supplies and products	126.0	138.6	152.5
Procurement of services	13.1	14.4	15.9
Total	**139.1**	**153.0**	**168.4**

In determining the proposed annual caps for the transactions contemplated under the Procurement Framework Agreement, we have considered, among others, the following key factors:

(a) historical amounts of the procurement of supplies, products and services by our Group from China Resources Holdings and its subsidiaries. Considering, among other things, that our procurement of services from China Resources Holdings and its subsidiaries had continued to increase in each of the three years ended December 31, 2015 and, whilst our procurement of supplies and products from China Resources Holdings and its subsidiaries in the year ended December 31, 2015 had decreased from the year ended December 31, 2014 due to, among other things, the decrease in our purchase of pharmaceutical products such as healthcare medicines and cosmetic products from China Resources Holdings and its subsidiaries in that year owing to our business needs and preferences, it is expected that such purchase by us will return to an increasing trend in the three years ending December 31, 2018 particularly taking into account the various initiatives and reforms in the PRC that are aimed to promote the sustainable growth of the PRC pharmaceutical market and can benefit us;

(b) the expected increase in our demand for the relevant supplies, products and services as we expand our business, taking into account, among other things, our objective to further enhance our distribution capability which can lead to an increase in our purchase of pharmaceutical products and relevant services in general, and result in more opportunities for China Resources Holdings and its subsidiaries to provide supplies, products and services to us in the three years ending December 31, 2018. See "Business — Business Strategies — Further enhance our leadership as a comprehensive distribution solution provider through continued excellence and innovation" for details;

(c) our demand for the relevant supplies, products and services will depend on various factors including changes in the macro-economic environment and market condition. Taking into account the possible volatility and fluctuations involved, and in particular considering the significant increase in our procurement from China Resources Holdings and its subsidiaries in the year ended December 31, 2014 when compared to that of the year ended December 31, 2013, we consider that an adequate buffer should be included in the proposed annual caps. Otherwise, an annual cap that is too restrictive might hamper our ability to respond promptly to market needs and cause undue disruption to our operations;

(d) it is expected that our procurement from China Resources Holdings and its subsidiaries will increase in the second half of 2016 taking into account, among others, the market condition and availability of suitable supplies, products and services from China Resources Holdings and its subsidiaries; and

(e) the expected increase in the average market price of the supplies, products and services in the three years ending December 31, 2018.

We have from time to time procured gas supplies from China Resources Gas Group Limited (listed on the Hong Kong Stock Exchange; stock code: 1193) and/or its subsidiaries for our manufacturing process in our ordinary and usual course of business. See the paragraph headed "— 2. Procurement of utilities". Since such procurement by us from China Resources Gas Group Limited and/or its subsidiaries would be fully exempted from compliance with the relevant requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.97 of the Listing Rules by virtue of being utilities procured from a connected person where the prices are published or publicly quoted and apply to other independent consumers, the amounts we paid and are expected to pay for such procurement of gas supplies are not included in the historical amounts and annual caps set out above.

2. **Strategic Cooperation Agreements**

We have entered into a strategic cooperation agreement with China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行股份有限公司) ("CR Bank") on October 11, 2016 (the "CR Bank Strategic Cooperation Agreement"), pursuant to which our Group may use the deposit services and other financial services and products provided by CR Bank from time to time.

We have also entered into a strategic cooperation agreement with China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司) ("CR Trust") on October 11, 2016 (the "CR Trust Strategic Cooperation Agreement", together with the CR Bank Strategic Cooperation Agreement, the "Strategic Cooperation Agreements"), pursuant to which our Group may use the financial or trust services and products provided by CR Trust from time to time.

A. **CR Bank Strategic Cooperation Agreement**

Parties: CR Bank; and

Our Company.

CR Bank is a licensed bank regulated by the China Banking Regulatory Commission and headquartered in Zhuhai, the PRC. It has branches and sub-branches in different locations in the PRC where it operates and provides financial and commercial banking services. CR Bank is held as to approximately 75.33% by CRC, and will therefore be our connected person under the Listing Rules upon the Listing.

Principal terms:

The principal terms of the CR Bank Strategic Cooperation Agreement include the following:

(a) We may place deposits with CR Bank and use other financial services and products of CR Bank including (but not limited to) the provision of loans with collaterals, bill acceptance and discount services and other financial services and products as agreed by the parties. The services and products will be provided by CR Bank on normal commercial terms which

apply to its other independent customers. CR Bank and we will separately enter into specific contracts which will set out the specific terms and conditions of the individual transactions as contemplated under the CR Bank Strategic Cooperation Agreement;

(b) Based on the actual circumstances and commercial considerations, we may introduce the services and products offered by CR Bank to the members of our Group and our associated companies and, if and only if all other conditions are equal, we may give priority consideration in selecting the services and/or products of CR Bank;

(c) The CR Bank Strategic Cooperation Agreement will have a term commencing from the Listing Date until the date of the first annual general meeting of our Company after the Listing, subject to renewal by the parties; and

(d) Pricing basis:

- deposits placed with CR Bank will bear the same interest and will be on the same terms and conditions as would apply to a similar deposit made by other independent customers of CR Bank, which rate(s) are determined with reference to the rate(s) published by the PBOC or such other preferred rates in the market;

- loans and financing offered by CR Bank (if any) will bear interests or fees not higher than those offered by CR Bank to its other independent customers of the same type; and

- the prices for other financial services and products provided by CR Bank will be determined after arm's length negotiations between the parties and based on normal commercial terms and shall not be higher than the published rates of CR Bank that are applicable to its independent customers.

B. **CR Trust Strategic Cooperation Agreement**

Parties: CR Trust; and

Our Company.

CR Trust is an integrated financial service provider headquartered in Shenzhen, the PRC. It is authorized by the relevant regulatory body to operate and conduct business on a nationwide basis in the PRC. As of the Latest Practicable Date, CR Trust had a registered capital of approximately RMB6.0 billion. It is held as to 51% by CRC and the remaining 49% by the State-owned Assets Supervision and Administration Commission of Shenzhen. Therefore, CR Trust will be our connected person under the Listing Rules upon the Listing.

Principal terms:

The principal terms of the CR Trust Strategic Cooperation Agreement include the following:

(a) We may use the services and products provided by CR Trust including (but not limited to) asset management, custodian trust loan services and other financial or trust services and products. The services and products will be provided by CR Trust on normal commercial terms which apply to its other independent customers. CR Trust and us will separately enter into specific contracts which will set out the specific terms and conditions of the individual transactions as contemplated under the CR Trust Strategic Cooperation Agreement;

(b) Based on the actual circumstances and commercial considerations, we may introduce the services and products offered by CR Trust to the members of our Group and our associated companies and, if and only if all other conditions are equal, we may give priority consideration in selecting the services and/or products of CR Trust;

(c) The CR Trust Strategic Cooperation Agreement will have a term commencing from the Listing Date until the date of the first annual general meeting of our Company after the Listing, subject to renewal by the parties; and

(d) Pricing basis:

- loans and financing offered by CR Trust (if any) will bear interests or fees not higher than those offered by CR Trust to its other independent customers of the same type; and

- the prices for other financial or trust services and products provided by CR Trust will be determined after arm's length negotiations between the parties and based on normal commercial terms and shall not be higher than the published rates of CR Trust that are applicable to its independent customers.

C. **Reasons for the transactions**

When we procure banking and trust services and products, we select suppliers and determine the relevant terms of procurements through our internal selection and approval process and negotiations with the suppliers. We select the most suitable one among the suppliers available for selection comprising connected persons and Independent Third Parties.

We had from time to time used the services and/or products provided by CR Bank and CR Trust during the Track Record Period, taking into account our business needs and the prices and quality of their services and/or products. We have entered into the Strategic Cooperation Agreements as it is expected that we will continue to use the deposit and other financial services and/or products of CR Bank and CR Trust so as to benefit from greater flexibility in our cash management for generation of better return.

The Strategic Cooperation Agreements do not prevent our Group from using the depository services and other financial or trust services and products provided by other independent financial institutions or commercial banks. We have no obligation or responsibility to use the services and products provided by CR Bank and CR Trust (as the case may be) under the Strategic Cooperation Agreements. We retain the discretion to select our suppliers according to our business needs as well as the fees and quality of the services and products offered by the suppliers. Similarly, CR Bank and CR Trust (as the case may be) retain discretion on whether to accept deposits from or provide other financial or trust services and products to us.

D. **Historical amounts**

Set out below are the approximate historical amounts of the maximum daily deposit (inclusive of interests receivable) placed by our Group with CR Bank, during the three years ended December 31, 2015 and the six months ended June 30, 2016:

	For the year ended December 31,			For the six months ended June 30,
	2013	2014	2015	2016
	(RMB millions)			
Maximum daily deposit amount placed with CR Bank (inclusive of interests receivable)[(1)]	1,549	1,898	1,496	2,746

Note

(1) The above maximum daily amount is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amounts incurred on the days before.

During the Track Record Period, our Group had from time to time procured loan-related services from CR Bank and CR Trust. We were not required to provide any security for such loans. Provided that no security over the assets of our Group will be provided for the loans, such loan-related services provided by CR Bank and CR Trust will be fully exempted from compliance with the relevant requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. The interests and fees we paid and are expected to pay for such loan-related services are accordingly not included in the historical amounts set out above and the annual caps set out below.

Other than loan-related services, we had not used other services or products of CR Trust during the Track Record Period. However, as we have from time to time used the types of services and products that are customarily provided by CR Trust in its ordinary course of business, such as asset management services, and CR Trust has been active in providing such services and products, we expect that we may enter into such transactions with CR Trust after the Listing. Moreover, as stated below, since the financial services and/or products provided by CR Bank and CR Trust are similar in nature, the amounts of our transactions with CR Bank and CR Trust under the Strategic Cooperation Agreements will have to be aggregated in the calculation of the applicable percentage ratios under the Listing Rules.

E. **Annual caps and basis of caps**

The proposed maximum daily deposits (inclusive of interests receivable) which may be placed by our Group with CR Bank under the CR Bank Strategic Cooperation Framework Agreement for the year ending December 31, 2016 and the period from January 1, 2017 to the date of the first annual general meeting of our Company after the Listing are as follows:

	For the year ending December 31, 2016	For the period from January 1, 2017 to the date of the first annual general meeting of our Company after the Listing
	(RMB millions)	
Maximum daily deposit amount placed with CR Bank (inclusive of interests receivable)[1]	2,750	3,000

Note

(1) The above maximum daily amount is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amounts incurred on the days before.

In determining the proposed maximum daily deposit balance placed with CR Bank, we have considered, among others, the following key factors: (a) the historical maximum daily outstanding balances of the deposits which we placed with CR Bank during the Track Record Period; (b) the maximum daily outstanding balance of the deposits which we placed with CR Bank between January 1, 2016 and June 30, 2016 had increased to approximately RMB2,746 million, where such increase was primarily due to our placing of the proceeds from issuance of bonds. Since it is extremely difficult and impracticable to accurately estimate our fund raising activities and the amount of such incoming funds which will base on, among others, the changing market conditions and our changing business needs, the annual caps shall include an adequate buffer to account for such potential transactions and deposits; (c) the liquidity of our Group, including the cash and cash equivalents of our Group as of June 30, 2016 of approximately HK$10,494.6 million and our need for capital management, and (d) the anticipated growth in our business leading to an increase in our net cash inflow and part of the net cash inflow of our Group may be deposited with CR Bank.

As the financial services and/or products provided by CR Bank and CR Trust are similar in nature, such financial services and products provided by CR Bank and CR Trust under the CR Bank Strategic Cooperation Agreement and the CR Trust Strategic Cooperation Agreement shall be aggregated, and the aggregate annual caps shall be used for calculating the applicable percentage ratios under the Listing Rules.

It is expected that the aggregate annual amount of fees and commissions payable by our Group for the financial services and products provided by CR Bank and CR Trust for the term of the Strategic Cooperation Agreements will not exceed 0.1% of the applicable percentage ratios, and those arrangements will accordingly constitute *de minimis* transactions of our Company which are fully exempted from the annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

F. **Measures to safeguard the interests of our Shareholders**

To safeguard the interests of our Shareholders as whole, including the minority Shareholders, we have adopted internal approval and monitoring procedures relating to the transactions under the Strategic Cooperation Agreements from the Listing, which include the following:

- before we enter into any new deposit arrangements with CR Bank, we will obtain quotes from other independent financial institutions for similar deposit services for similar duration. Such quotes, together with the offer from CR Bank, will be reviewed and the offer from CR Bank has to pass our internal approval process before it can be accepted;

- CR Bank shall provide us with a daily report on each business day on the status of our Group's deposits with it to allow us to monitor and ensure that the aggregate daily deposit balance (including interests accrued thereon) would not exceed the caps;

- CR Bank and CR Trust shall set up and maintain, or procure the setting up and maintaining of, secured and stable on-line systems through which the relevant member of our Group which deposits money with them can view the balance of such deposits at any time on any day; and

- our independent non-executive Directors and auditors will conduct annual review of our transactions under the Strategic Cooperation Agreements (including the rates and fees charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed "— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules.

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this prospectus, our Directors consider that compliance with the announcement requirement would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement under the Listing Rules in respect of the above non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above are in our ordinary and usual course of business (save for any financial assistance under the Strategic Cooperation Agreements) and on normal commercial terms, and are fair and reasonable and in the interest of us and our Shareholders as a whole, and the proposed annual caps (where applicable) for those transactions are fair and reasonable and in the interest of us and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transactions as set out above are in the ordinary and usual course of business of the Company (save for any financial assistance under the Strategic Cooperation Agreements) and on normal commercial terms, and are fair and reasonable in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for those transactions (where applicable) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

OVERVIEW

Our Board consists of 12 Directors, comprising three executive Directors, five non-executive Directors and four independent non-executive Directors. The powers and duties of the Board include convening general meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Articles of Association.

The senior management of our Group includes those of our Company and the presidents of our major subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

The table below sets forth certain information of our Directors:

Name	Age	Position	Main duties	Date of joining our Group	Date of appointment as a Director	Relationship with other Directors and senior management
Mr. FU Yuning (傅育寧)	59	Chairman of the Board, non-executive Director	Participating in formulation of business plans, strategies and major decisions of our Group through the Board	December 31, 2014	December 31, 2014	None
Mr. WANG Chuncheng (王春城)	53	Executive Director, chief executive officer and president	Responsible for the overall management of our Group	December 31, 2014	December 31, 2014	None
Mr. SONG Qing (宋清).	51	Executive Director, president of CR Sanjiu	Responsible for the overall management of CR Sanjiu	November 27, 2008[1]	May 10, 2016	None
Mr. LI Guohui (李國輝)	45	Executive Director, chief financial officer and vice president	Responsible for the overall financial management of our Group	August 30, 2013	March 29, 2016	None
Mr. CHEN Rong (陳荣).	44	Non-executive Director	Participating in formulation of business plans, strategies and major decisions of our Group through the Board	May 10, 2016	May 10, 2016	None
Mr. YU Zhongliang (余忠良)	51	Non-executive Director	Same as above	June 20, 2016	June 20, 2016	None
Mr. WANG Chenyang (王晨陽)	46	Non-executive Director	Same as above	June 11, 2015	June 11, 2015	None

(1) CR Sanjiu became a subsidiary of our Group in November 27, 2008.

Name	Age	Position	Main duties	Date of joining our Group	Date of appointment as a Director	Relationship with other Directors and senior management
Ms. WANG Jing (王京)	45	Non-executive Director	Same as above	October 29, 2011	June 20, 2016	None
Mr. TSANG Hing Lun (曾慶麟)	67	Independent non-executive Director	Supervising and offering independent judgment to the Board and serving as chairman/members of certain committees of the Board	June 20, 2016	June 20, 2016	None
Mr. KWOK Kin Fun (郭鍵勳)	66	Independent non-executive Director	Same as above	June 20, 2016	June 20, 2016	None
Mr. FU Tingmei (傅廷美)	50	Independent non-executive Director	Same as above	June 20, 2016	June 20, 2016	None
Mr. ZHANG Kejian (張克堅)	60	Independent non-executive Director	Same as above	June 20, 2016	June 20, 2016	None

The table below sets forth certain information of our senior management:

Name	Age	Position	Main duties	Date of joining our Group	Date of appointment as a senior management	Relationship with other Directors and senior management
Mr. WANG Chuncheng (王春城)	53	Executive Director, chief executive officer and president	Responsible for the overall management of our Group	December 31, 2014	December 31, 2014	None
Mr. LI Xiangming (李向明)	51	Standing vice president and general manager of CR Pharmaceutical Commercial	Taking charge of our Group's daily corporate management, and being responsible for CR Pharmaceutical Commercial	October 25, 2010[2]	December 13, 2013	None
Mr. SONG Qing (宋清)	51	Executive Director, and president of CR Sanjiu	Responsible for the overall management of CR Sanjiu	November 27, 2008[1]	November 27, 2008[1]	None
Mr. LI Xin (李昕)	58	President of CR Double-Crane	Responsible for the overall management of CR Double-Crane	October 25, 2010[3]	October 25, 2010[3]	None
Mr. QIN Yufeng (秦玉峰)	58	President of Dong-E-E-Jiao	Responsible for the overall management of Dong-E-E-Jiao	August 1, 2008[4]	August 1, 2008[4]	None

(2) CR Pharmaceutical Commercial (formerly known as Beijing Pharmaceutical Co., Ltd. (北京醫藥股份有限公司)) became a subsidiary of our Group in October 25, 2010. Mr. LI Xiangming served as the general manager of Beijing Pharmaceutical Co., Ltd. at that time.

(3) CR Double-Crane became a subsidiary of our Group in October 25, 2010.

(4) Dong-E-E-Jiao became a subsidiary of our Group in August 1, 2008.

Name	Age	Position	Main duties	Date of joining our Group	Date of appointment as a senior management	Relationship with other Directors and senior management
Mr. WU Jun (吳峻) .	54	Senior vice president	Responsible for, among others, our Group's auditing and risk control	October 29, 2011	October 29, 2011	None
Mr. CHEN Hong (陳宏).	56	Senior vice president	Responsible for, among others, our Group's environmental health, production safety and quality control	October 25, 2010[5]	October 29, 2011	None
Mr. FENG Yi (馮毅).	54	Senior vice president	Responsible for corporate affairs management and human resource management of our Group	December 4, 2015	December 4, 2015	None
Mr. FANG Ming (方明).	57	Vice president	Responsible for, among others, our Group's strategic, investment and operational management	December 2, 2007	December 2, 2007	None
Mr. LI Guohui (李國輝)	45	Executive Director, chief financial officer and vice president	Responsible for the overall financial management of our Group	August 30, 2013	August 30, 2013	None
Mr. YIN Huijun (殷惠軍)	45	Vice president	Responsible for Research &Development (R&D) and R&D business development of our Group	August 11, 2014	August 11, 2014	None
Ms. GE Lu (葛路) . .	45	Chief information officer and vice president	Responsible for information-based management of our Group	October 25, 2010[6]	December 13, 2013	None
Ms. TANG Na (唐娜).	39	Chief legal advisor	Responsible for legal affairs management of our Group	January 4, 2013	March 4, 2014	None
Mr. JIN Song(靳松) .	40	Assistant president	Responsible for international cooperation of our Group	June 1, 2016	June 1, 2016	None

Directors

Chairman of the Board

Mr. FU Yuning (傅育寧), aged 59, was appointed as the chairman of the Board and a Director in December 2014 and designated as a non-executive Director in June 2016. Mr. Fu also serves as the chairman of China Resources Holdings, a member of the 12th session of the Chinese People's Political Consultative Conference, a member and vice chairman of APEC China Business Council, a member of the Economic Development Commission of the government of Hong Kong, the honorary chairman of the Hong Kong Chinese Enterprises Association and a member of the General Committee of the Hong Kong General Chamber of Commerce. Mr. Fu has nearly 30 years of experience in corporate

(5) Beijing Pharmaceutical became a subsidiary of our Group in October 25, 2010. Mr. CHEN Hong served as a deputy general manager of Beijing Pharmaceutical at that time.

(6) CR Pharmaceutical Commercial (formerly known as Beijing Pharmaceutical Co., Ltd.) became a subsidiary of our Group in October 25, 2010. Ms. GE Lu served as an assistant to general manager of Beijing Pharmaceutical Co., Ltd. at that time.

management. He served as a director of China Merchants Holdings (International) Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0144), from January 1999 to May 2014 and the chairman thereof from February 2000 to May 2014, an independent non-executive director of CapitaLand Limited (currently known as CapitaLand), a company listed on the Singapore Exchange Limited (stock code: C31), from July 2009 to April 2012, the chairman of China Merchants Group Limited from August 2010 to April 2014, the chairman of China Merchants Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600036) and the Hong Kong Stock Exchange (stock code: 03968), from October 2010 to July 2014 and an independent non-executive director of Li & Fung Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0494), from November 2011 to December 2014. Mr. Fu joined China Resources Holdings as the chairman of the board in April 2014. Mr. Fu obtained a doctorate degree from Brunel University in London, the United Kingdom in 1987.

Executive Directors

Mr. WANG Chuncheng (王春城), aged 53, was appointed as a Director in December 2014, designated as an executive Director in June 2016 and appointed as the chief executive officer and the president in June 2016. Mr. Wang also serves as an assistant general manager of China Resources Holdings, the chairman of CR Pharmaceutical Holdings, the chairman of CR Pharmaceutical Commercial, the chairman of CR Sanjiu, the chairman of CR Double-Crane, the chairman of Dong-E-E-Jiao, a vice chairman of Chinese Pharmaceutical Enterprises Association, and a director of the board of the International Federation of Pharmaceutical Wholesalers (IFPW). Mr. Wang has over 20 years of experience in corporate management. He served in the human resources department of China Resources Holdings from March 1990 to January 1995, and served as a deputy director of the department of human resources of the Ministry of Foreign Trade and Economic Cooperation (currently known as Ministry of Commerce) from January 1995 to June 1997, a deputy general manager and a general manager of the human resources department and an assistant general manager of China Resources National Corporation ("CRNC") from June 1997 to April 2001, a deputy general manager and the general manager of the standing board office of China Resources Holdings from September 2001 to November 2007, the chairman and general manager of Teck Soon Hong Limited from November 2007 to April 2009, and the chairman of China Resources Textiles Holdings Co., Ltd. (華潤紡織(集團)有限公司) from November 2009 to October 2014. Mr. Wang obtained a bachelor's degree in economics from Jilin Institute of Finance and Trade (currently known as Jilin University of Finance and Economics) in Changchun, the PRC in July 1986.

Mr. SONG Qing (宋清), aged 51, was appointed as a Director in May 2016 and designated as an executive Director in June 2016. Mr. Song also serves as a director and the president of CR Sanjiu. Mr. Song has over 20 years of experience in the pharmaceutical industry and corporate management. He served as an inspection pharmacist of quality inspection department, a pharmacist in charge, the workshop manager, a vice director and the director of production department, the director of the enterprise management department and an assistant to president of Shenzhen South Pharmaceutical Factory (the predecessor of CR Sanjiu) from October 1989 to October 1997, the general manager and chairman of Shanxi Sanjiu Tongda Pharmaceutical Company Limited (山西三九同達藥業有限公司) (currently known as Shanxi Tongda Pharmaceutical Company Limited (山西同達藥業有限公司)) from October 1997 to January 2003. Mr. Song served as an assistant to general manager, the director of technology center, the director of medical & pharmaceutical department of Sanjiu Enterprise from

January 2003 to July 2005. Mr. Song obtained his chief pharmacist title from the general logistics department of the People's Liberation Army in April 1996. Mr. Song obtained a bachelor's degree in Chinese medicine from Anhui University of Traditional Chinese Medicine in Hefei, the PRC in July 1985.

Mr. LI Guohui (李國輝), aged 45, was appointed as a Director in March 2016 and designated as an executive Director in June 2016. Mr. Li also serves as the chief financial officer and vice president of our Company, a director of CR Double-Crane, a director of Dong-E-E-Jiao and a supervisor of CR Sanjiu. Mr. Li has over ten years of experience in financial and business analysis and financial management. He served as an analyst in investment, merger and acquisition/finance in IMC Pan Asia Alliance Group from October 2005 to April 2006, and an analyst in investment and finance in IMC Development & Management Limited from April 2006 to September 2009. Mr. Li served in China Resources Holdings from September 2009 to August 2013, during which he served as the chief accounting officer of the finance department from September 2011. He obtained the qualification of financial analyst issued by CFA Institute in November 2008 and the qualification of certified accountant issued by the Institute of Certified Public Accountant of Singapore in July 2007. Mr. Li obtained a bachelor's degree in shipbuilding techniques and equipment from the Faculty of Naval Architecture and Ocean Engineering of Wuhan Institute of Water Transportation Engineering (currently known as Wuhan University of Technology) in Wuhan, the PRC in June 1993, a master's degree in business administration from Wuhan University in Wuhan, the PRC in June 2003 and a master's degree in financial management from Nanyang Technological University in Singapore in October 2005.

Non-executive Directors

Mr. CHEN Rong (陳荣), aged 44, was appointed as a Director in May 2016 and designated as a non-executive Director in June 2016. Mr. Chen also serves as the director of the finance department of China Resources Holdings, a non-executive director of China Resources Beer (Holdings) Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0291). Mr. Chen has over 10 years of experience in financial accounting and financial management. He served as an assistant chief financial officer of Walmart China Investment Limited from September 2002 to August 2004. Mr. Chen served as the head of tax management of the finance department of China Resources Holdings from September 2011 to August 2013. Mr. Chen served successively as a deputy general manager and the chief financial officer of China Resources Vanguard Co., Ltd. between September 2014 and January 2016. Mr. Chen obtained the qualification of accountant issued by the MOF in May 1998 and the qualification of non-practicing member issued by Chinese Institute of Certified Public Accountants in December 2009. Mr. Chen obtained MBA degree from Xi'an Jiaotong University in Xi'an, the PRC in December 2003.

Mr. YU Zhongliang (余忠良), aged 51, was appointed as a non-executive Director in June 2016. Mr. Yu also serves as a senior vice director of the strategic management department of China Resources Holdings. Mr. Yu has over 10 years of experience in investment, business analysis and strategic development. He joined China Resources Cement Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1313), in July 2003 as the manager of the investment

department. He served as the chief strategic development officer of China Resources Cement Holdings Limited from February 2008 to May 2012 and an executive director and a vice chairman of China Resources Cement Holdings Limited from May 2012 to January 2014. Mr. Yu obtained an MBA degree from York University in Toronto, Canada in June 2002.

Mr. WANG Chenyang (王晨陽), aged 46, was appointed as a Director in June 2015 and designated as a non-executive Director in June 2016. Mr. Wang also serves as a deputy general manager of the BSCOMC, and a director of Avic Aviation High-Technology Co., Ltd. (中航航空高科技股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600862). Mr. Wang has over 10 years of experience in management. He served as a cadre of publicity division for component department of the People's Government of Beijing Municipality (北京市人民政府組成部門宣傳處) from August 1992 to April 2000, a senior staff member and an associate consultant of the Division for Management of Officials of Publicity, Education, Political-Legal Affairs of the Organization Department of Beijing Municipal Committee of the Communist Party of China ("CPC") (中共北京市委組織部宣教政法幹部處) from April 2000 to August 2007, and a division-level cadre and deputy bureau-level cadre of the General Office of the People's Government of Beijing Municipality from August 2007 to November 2014. Mr. Wang obtained a bachelor's degree in Chinese language and literature from University of International Relations in Beijing, the PRC in July 1992 and a master of arts degree in journalism from Renmin University of China in Beijing, the PRC in July 2003.

Ms. WANG Jing (王京), aged 45, was appointed as a non-executive Director in June 2016. Ms. Wang also serves as a deputy general manager of the BSCOMC, a director of BOE Technology Group Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 000725 (A Share), 200725 (B Share)), and a non-executive director of BAIC Motor Corporation Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1958). Ms. Wang has over 10 years of experience in investment and management. She served as a staff member of the corporate securities department of Beijing Lightbus Corporation Limited (北京旅行車股份有限公司) from June 1992 to March 1993, an officer of the general office of Beijing Municipal Commission of Economic Restructuring (北京市經濟體制改革委員會) from March 1993 to March 1998, successively as an assistant to manager and a deputy manager of the financing department of the Hong Kong headquarters of Beijing Enterprises Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0392) from March 1998 to February 2003, a manager of the enterprise management department of Beijing Enterprise Holdings Investment Management Co., Ltd. (北京控股投資管理有限公司) from February 2003 to January 2004 and successively held various positions in Beijing Holdings Limited (京泰(實業)集團有限公司), including a deputy general manager of Beijing Holdings Investment Management Center (北京京泰投資管理中心), a manager of the enterprise operation and management department and an assistant to general manager, and the chairman and general manager of Beijing Inland Port International Logistics Co., Ltd. (陸港國際物流有限公司) from January 2004 to May 2009. Ms. Wang successively served as the general manager of the investment management department and the general manager of the investment management division No.1 of the BSCOMC from May 2009 to January 2014. Ms. Wang obtained the qualification of senior economist issued by Senior Professional Qualification Appraisal Board of Beijing (北京市高級專業技術資格評審委員會) in September 2005 and the qualification of corporate legal advisor issued by the MOHRSS, the SASAC and the Ministry of Justice in October 2008. Ms. Wang obtained a bachelor of economics degree in finance from the

department of finance of Beijing Institute of Finance and Trade (currently known as Capital University of Economics and Business) in Beijing, the PRC in July 1992, a master of law degree in economic law from Renmin University of China in Beijing, the PRC in July 1999 and a master's degree in business administration from Murdoch University in Perth, Australia in March 2000.

Independent Non-executive Directors

Mr. TSANG Hing Lun (曾慶麟), aged 67, was appointed as an independent non-executive Director in June 2016. Mr. Tsang also serves as an independent non-executive director and the chairman of the audit committee of China Shipping Container Lines Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 601866) and the Hong Kong Stock Exchange (stock code: 2866), an independent non-executive director and the chairman of the audit committee of Sino-Ocean Land Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3377), an independent non-executive director and the chairman of the audit committee of Sinotrans Shipping Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0368), an independent non-executive director and the chairman of the remuneration and nomination committee of Nexteer Automotive Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1316), a director of Global Management Limited, a member of the Hong Kong Independent Non-Executive Director Association, and a member of the International Private Board Hong Kong Branch (國際私董會香港分會). Mr. Tsang has over 30 years of experience in financial accounting, finance and corporate management. He worked in Hang Seng Bank Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0011) and the Over the Counter Bulletin Board (stock code: HSNGY), from 1973 to 1990, where he acted as an assistant general manager of the planning and development department in the last five years, the executive director of the Hong Kong Stock Exchange from January 1993 to October 1993 and a deputy general manager of Hong Kong Branch of China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (stock code: 601939) and the Hong Kong Stock Exchange (stock code: 0939), from December 1995 to April 1998. Mr. Tsang served as an independent non-executive director and the chairman of the audit committee of Beijing Media Corporation Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1000), from November 2004 to May 2013 and an independent non-executive director and the chairman of the audit committee of China Rongsheng Heavy Industries Group Holdings Limited (currently known as China Huarong Energy Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1101)) from October 2010 to May 2014. Mr. Tsang obtained the qualification of fellow of the Association of Certified Accountants issued by the Association of Certified Accountants in November 1982, the qualification of fellow of the Hong Kong Institute of Certified Public Accountants issued by the Hong Kong Institute of Certified Public Accountants in September 1989, the qualification of fellow member of Hong Kong Institute of Directors issued by Hong Kong Institute of Directors in July 2001, the qualification of PRC certified financial planner issued by Guangdong Occupational Skill Testing Authority in July 2006 and the qualification of internationally certified financial planner issued by the Institute of Financial Planners of Hong Kong in October 2007. Mr. Tsang obtained a bachelor's degree in business administration (first class honors) from the Chinese University of Hong Kong in Hong Kong in October 1973.

Mr. KWOK Kin Fun (郭鍵勳), aged 66, was appointed as an independent non-executive Director in June 2016. Mr. Kwok also serves as the global chairman of Social Commission of Rehabilitation International, the chairman of Incheon Strategy Group Committee of Asia and Pacific Disability Forum, a vice chairman of the Admissions, Budgets and Allocation Committee of The Community Chest of Hong Kong, a vice chairman of The Hong Kong Joint Council for People with Disabilities, a vice chairman of The Hong Kong Society for Rehabilitation, the chairman of Fu Hong Society in Hong Kong, a member of Ethics Research Committee of Hospital Authority Kowloon Central and Kowloon East Clusters, a member of Selection Committee of Riding For the Disabled Association, the chairman of Accessible IT Development Association Limited and a part-time senior research fellow of the City University of Hong Kong. Mr. Kwok has over 30 years of experience in the pharmaceutical industry and medical research of Hong Kong. He successively served as a senior lecturer, a principal lecturer, a university senior lecturer and an associate professor of the City University of Hong Kong from May 1985 to December 2009, a member of Hospital Governing Committee of Hong Kong Kowloon Hospital from June 1993 to March 2002, a member of Public Complaints Committee of Hong Kong Hospital Authority from March 1998 to November 2004, a member of Hospital Governing Committees of Hong Kong Eye Hospital and Hong Kong Kowloon Hospital from April 2002 to March 2010, and a senior research fellow of the City University of Hong Kong from April 2014 to March 2016. Mr. Kwok also served as a member of Equal Opportunities Commission of Hong Kong, a member of Women's Commission of the government of Hong Kong, a member of Community Investment and Inclusion Fund of the government of Hong Kong, and the chairman of Rehabilitation Advisory Committee of the government of Hong Kong. Mr. Kwok was appointed as a Justice of the Peace (JP) by the government of Hong Kong in July 1997 and received the Bronze Bauhinia Star awarded by the government of Hong Kong in July 2005, "Kazuo Itoga" Memorial Prize awarded by the government of Shiga Prefecture, Japan in September 2006, the Promoter title of "Asian and Pacific Decade of Persons with Disabilities, 2013-2022" awarded by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in September 2012. Mr. Kwok obtained a bachelor's degree in social science from the University of Hong Kong in Hong Kong in November 1972, a master's degree in social science from the Chinese University of Hong Kong in Hong Kong in December 1979 and a Ph.D. degree from the University of Nottingham in the United Kingdom in July 1992.

Mr. FU Tingmei (傅廷美), aged 50, was appointed as an independent non-executive Director in June 2016. Mr. Fu has over 20 years of experience in investment, finance, law and business management. From 1992 to 2003, he was involved in various corporate financing transactions at several investment banks in Hong Kong and served as a director, including a director of Peregrine Capital Limited and a managing director of BNP Paribas Peregrine Capital Limited. Mr. Fu currently serves as an independent non-executive director of CPMC Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0906), Beijing Enterprises Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0392), Guotai Junan International Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1788) and Postal Savings Bank of China Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 1658). Mr. Fu obtained a master's degree in law from London University in London, the United Kingdom in November 1989 and a Ph.D. degree in law from London University in March 1993.

Mr. ZHANG Kejian (張克堅), aged 60, was appointed as an independent non-executive Director in June 2016. Mr. Zhang also serves as a professor of School of Pharmaceutical Sciences of Sun Yat-sen University and the director (Pharmacy Administration) of The South China Center for Innovative Pharmaceuticals, an independent director of Yifan Xinfu Pharmaceutical Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 002019), and an independent director of CR Double-Crane. Mr. Zhang has over 20 years of experience in the pharmaceutical industry of PRC. He was employed as a researcher at the Institute of Medicine, Chinese Academy of Medical Sciences (中國醫學科學院藥物研究所) in May 1995, and successively served as a deputy director of Pharmaceutical Evaluation Center (藥品審評中心) and a deputy director of Medical Device Evaluation Center (醫療器械技術審評中心) under SFDA. Mr. Zhang was awarded a special government allowance by the State Council in October 2004. Mr. Zhang obtained the qualification of researcher issued by Chinese Academy of Medical Sciences and Peking Union Medical College in June 2001, and the qualification of independent director issued by Shanghai Stock Exchange in April 2014. Mr. Zhang received a bachelor of medicine degree in Japanese medicine from China Medical University in Shenyang, the PRC in December 1982, a master's degree in pathophysiology from China Medical University in Shenyang, the PRC in September 1985 and a doctor's degree in pharmacy from the School of Pharmaceutical Sciences of Chiba University in Chiba, Japan in March 1990.

Save as disclosed above, none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there was no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules. Save as those disclosed in the section headed "Relationship with China Resources Holdings" of this prospectus, none of our Directors have any interests in any businesses, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

Senior Management

For details of the biography of **Mr. WANG Chuncheng**, see "— Directors — Executive Directors" in this section.

Mr. LI Xiangming (李向明), aged 51, was appointed as a standing vice president of our Company in January 2016. Currently, Mr. Li also holds various positions in our Group, including the general manager of CR Pharmaceutical Commercial, the chairman of China Resources Henan Pharmaceutical Co., Ltd. (華潤河南醫藥有限公司), the chairman of China Resources Inner Mongolia Pharmaceutical Co., Ltd. (華潤內蒙古醫藥有限公司), the chairman of China Resources Hebei Pharmaceutical Co., Ltd. (華潤河北醫藥有限公司), the chairman of CR Suzhou Li'an, the chairman of CR Shanxi Pharmaceutical Co., Ltd. (華潤山西醫藥有限公司), the chairman of Huarun Xi'an Pharmaceutical Co., Ltd. (華潤西安醫藥有限公司), the chairman of CR Tianjin Pharmaceutical, the chairman of CR Shandong Pharmaceutical, the chairman of CR Guangdong Pharmaceutical, and the chairman of CR Fujian Pharmaceutical Co., Ltd. etc., a vice president of China Association of Pharmaceutical Commerce, a vice president of Beijing Logistics Association, a member of Beijing Pharmaceutical Association and a vice president of China National Narcotic Drugs Association. From

April 1997 to December 2000, Mr. Li successively acted as a deputy manager of the pharmaceutical department, an assistant to general manager and a deputy general manager of Beijing Pharmaceutical Economic and Technological Management Company (北京醫藥經濟技術經營公司). From December 2000 to April 2012, he successively acted as a deputy general manager, a standing deputy general manager and the general manager of Beijing Pharmaceutical Co., Ltd. (北京醫藥股份有限公司) (currently known as CR Pharmaceutical Commercial). He also served as the president of CR Pharmaceutical Commercial from April 2012 to November 2013. Mr. Li served as a senior vice president of our Company from December 2013 to December 2015. Mr. Li obtained his traditional Chinese pharmacist title from Beijing Science and Technology Cadre Bureau (北京市科技幹部局) in July 1991. Mr. Li received a qualification equivalent to a postgraduate degree in business management from Capital University of Economics and Business in Beijing, the PRC in February 2003 and an EMBA degree from University of International Business and Economics in Beijing, the PRC in December 2005.

For details of the biography of **Mr. SONG Qing**, see "— Directors — Executive Directors" in this section.

Mr. LI Xin (李昕), aged 58, was appointed as the president of Beijing Double-Crane Pharmaceutical Co., Ltd. (currently known as CR Double-Crane) in January 2005. Currently, Mr. Li also serves as a director of CR Double-Crane, an executive director of Beijing Double-Crane Pharmaceutical Business Co., Ltd. and the chairman of the board of directors of Beijing Double-Crane Pharmaceutical Marketing Co., Ltd.. Between August 1986 and December 2001, Mr. Li successively served as the deputy workshop director, the director of the external coordination division, the chief of the research institute and a deputy factory manager of Shenyang No.1 Pharmaceutical Factory (沈陽第一制藥廠) (currently known as Northeast Pharmaceutical Group Shenyang No.1 Pharmaceutical Co., Ltd.). Between January 2002 and October 2004, Mr. Li worked as a deputy general manager of Northeast Pharmaceutical Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000597). Mr. Li was a director of Beijing Pharmaceutical from December 2004 to April 2012 and a standing deputy general manager of Beijing Pharmaceutical from October 2004 to January 2005. Mr. Li was awarded a special government allowance by the State Council in October 2004 and was elected as the "Technology Innovator Award-Excellent Leader" by Beijing Enterprise Evaluation Association in November 2010. Mr. Li obtained the qualifications of professor-level and researcher-level senior engineer issued by the Personnel Department of Liaoning Province (遼寧省人事廳) in August 2002. Mr. Li obtained a bachelor of science degree in antibiotics production from Shenyang Pharmaceutical College (currently known as Shenyang Pharmaceutical University) in Shenyang, the PRC in July 1982.

Mr. QIN Yufeng (秦玉峰), aged 58, was appointed as the president of Dong-E-E-Jiao in September 2011. Mr. Qin also serves as a director of Dong-E-E-Jiao, an MBA practice tutor of Communication University of China and a guest professor of Nanjing University of Chinese Medicine. Mr. Qin served as several positions in Shandong Dong-E-E-Jiao Factory (currently known as Dong-E-E-Jiao) from October 1974 to April 1993, including a deputy director of the equipment power section, the director of the equipment division and an assistant to the factory manager, etc. Between May 1993 and September 2011, he was a vice president and a standing vice president of Shandong Dong-E-E-Jiao (currently known as Dong-E-E-Jiao). Mr. Qin has four national patents. Mr. Qin was awarded a special government allowance by the State Council in February 2013. He was awarded

"Model Worker in Shandong Province" (山東省勞模) by the People's Government of Shandong Province in April 1998, "Representative Inheritors of Dong'e Donkey-Hide Gelatin's Production Techniques, a National Intangible Cultural Heritage" (國家級非物質文化遺產東阿阿膠製作技藝代表性傳承人) by Ministry of Culture of the PRC in May 2009, three First Class Prize for Progress of Science and Technology of Shandong Province (三項山東省科技進步一等獎) by the People's Government of Shandong Province in January 2010, January 2011 and December 2011, respectively, "Top Ten Outstanding Engineers in Shandong Province" (山東省十大傑出工程師) jointly by Shandong Association for Science & Technology and other departments in September 2011, "National May Day Labor Medal" (全國五一勞動獎章) by All-China Federation of Trade Unions in April 2014, "National Outstanding Entrepreneur" by China Enterprise Confederation, China Enterprise Directors Association and China Enterprise Management Science Foundation in May 2014, "Governor Quality Award Individual Award" (省長質量獎個人獎) granted by the People's Government of Shandong Province in December 2014, and "2015 China Outstanding Quality People" title of National Quality Award Individual Award (全國質量獎個人獎"2015年中國傑出質量人") by China Association for Quality in 2015. Mr. Qin obtained the qualification of engineering technology application researcher issued by Senior Engineering Profession Qualification Evaluation Committee of Shandong Province (山東省工程技術職務高級評審委員會) in March 2011. Mr. Qin obtained an EMBA degree from China Europe International Business School in Shanghai, the PRC in August 2004.

Mr. WU Jun (吴峻), aged 54, was appointed as a senior vice president of our Company in December 2013. Mr. Wu also serves as a director of CR Sanjiu, a director of Dong-E-E-Jiao, a supervisor of CR Double-Crane, a vice president of China Nonprescription Medicines Association. Mr. Wu was a director and the general manager of China Resources Machinery & Miner (Group) Co., Ltd. (華潤機械五礦(集團)有限公司) from November 1999 to April 2002, a vice general manager in the enterprise development department of China Resources Holdings and concurrently a director and vice general manager of CR Investment & Development Company Limited (華潤投資開發有限公司) from April 2002 to October 2005, and a vice general manager in the audit department of China Resources Holdings from November 2005 to August 2011. Mr. Wu served as a vice president of our Company from October 2011 to December 2013. Mr. Wu obtained the qualification of senior engineer issued by Ministry of Foreign Trade and Economic Co-operation (對外經濟貿易部) in December 1996. Mr. Wu received a bachelor's degree in mechanical engineering in July 1983, and a master of engineering degree in mechanical manufacturing in June 1986, from Tianjin University in Tianjin, the PRC, and an MBA degree from University of San Francisco in San Francisco, the United States of America in August 1993.

Mr. CHEN Hong (陳宏), aged 56, was appointed as a senior vice president of our Company in December 2013. Mr. Chen was a deputy factory director of Beijing Second Pharmaceutical Factory (北京第二製藥廠), currently known as China Resources Saike Pharmaceutical Co., Ltd. from April 1990 to August 1999, a deputy factory director, a director, the vice general manager, the chairman of Beijing Second Pharmaceutical Co., Ltd., currently known as China Resources Saike Pharmaceutical Co., Ltd. from August 1999 to November 2011, and a vice general manager of Beijing Pharmaceutical from July 2008 to November 2011. Mr. Chen was our vice president from October 2011 to November 2013. Mr. Chen was awarded "Capital May Day Labor Medal" (首都五一勞動獎章) by the People's Government of Beijing Municipality in April 1987, "Model Workers in Beijing" title by Beijing People's Government in March 1989, "National May Day Labor Medal" (全國五一勞動獎章) by All-China Federation of Trade Unions in May 1990, "Outstanding Ideological and Political Workers

in National Pharmaceutical Industry" (全國醫藥行業優秀思想政治工作者) by China Research Association of Pharmaceutical Labour's Ideological and Political Work (中國醫藥職工思想政治工作研究會) in March 2001, and "Model Workers in Beijing" (北京市劳動模範) title by the People's Government of Beijing Municipality in April 2010. Mr. Chen obtained the qualification of assistant engineer issued by Beijing Municipal Bureau of Personnel in November 2000. Mr. Chen attended college class majoring in economic management in the Party School of Beijing Municipal Committee of the CPC (中共北京市市委黨校) between September 1994 and July 1997, and attended undergraduate class majoring in economic management in the Party School of Beijing Municipal Committee of the CPC (中共北京市市委黨校) between September 1997 and July 2000.

Mr. FENG Yi (馮毅), aged 54, was appointed as a senior vice president of our Company in December 2015. Mr. Feng also serves as a supervisor of Dong-E-E-Jiao. Mr. Feng acted successively as a deputy division researcher of the fifth division of the organization bureau, a deputy division chief of the second division of training center (in charge of work management), the division chief of the second division of training center of the organization department of the central committee of the CPC from September 1990 to March 2002. He acted as a deputy general manager of human resource department of China Resources Holdings from May 2002 to September 2005, and served as a deputy general manager of China Resources Snow Breweries (Panjin) Co., Ltd. (華潤雪花啤酒(盤錦)有限公司) from October 2005 to May 2008. Mr. Feng acted as a deputy general manager of China Resources Land (Beijing) Co., Ltd. (華潤置地(北京)股份有限公司) from May 2008 to December 2009. Mr. Feng served as the chief human resources officer of China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司) from December 2009 to June 2015, during which he concurrently acted as a vice president of the bank from October 2013 to November 2014 and a senior vice president of the bank from November 2014 to June 2015. Mr. Feng obtained a bachelor's degree of engineering science in metallurgical machinery from the department of mechanical engineering of Beijing Iron and Steel College (currently known as University of Science and Technology Beijing) in Beijing, the PRC in July 1984, and graduated as a part-time graduate student majoring in economic management and obtained a Party school diploma from the Graduate School of The Party School of the Central Committee of the CPC in Beijing, the PRC in July 2000, and obtained an EMBA degree from Peking University in Beijing, the PRC in June 2015.

Mr. FANG Ming (方明), aged 57, was appointed as a vice president of our Company in December 2007. Mr. Fang also serves as a supervisor of CR Double-Crane, a supervisor of CR Sanjiu and a supervisor of Dong-E-E-Jiao. Mr. Fang was an associate researcher at the Institute of Sociology of Chinese Academy of Social Sciences from August 1991 to January 1993. Mr. Fang joined China Resources Holdings in 1993, during which he once served as a senior manager of the research department. Mr. Fang successively served as a senior manager, an assistant general manager, a vice general manager of the enterprise development department of China Resources Holdings, a director and the vice general manager of China Resources Development & Investment Company Limited, the executive manager in charge of listing planning of CRNC, a member of the management board and the general manager of capital operation department of CRNC successively from August 2001 to April 2007. Mr. Fang obtained a bachelor's degree in political economics from Shandong University in Jinan, the PRC in July 1982, a master of law degree in sociology from Nankai University in Tianjin, the PRC in July 1984, and a doctor of law degree in applied sociology from the Graduate School of Chinese Academy of Social Sciences in Beijing, the PRC in July 1993.

For details of the biography of **Mr. LI Guohui**, see "— Directors — Executive Directors" in this section.

Mr. YIN Huijun (殷惠軍), aged 45, was appointed as a vice president of our Company in August 2014. Mr. Yin also serves as the chairman of Pharmaceutical R&D Center, a deputy secretary-general of Medical and Health sector of All-China Youth Federation (中華全國青聯醫藥衛生界別), a council member of China Association of Youth Science and Technology (中國青年科技協會), a standing member of Special Committee on Cardiovascular under Doctor Society of Integrative Medicine (中西醫結合醫師協會心血管專業委員會), a Ph.D. tutor of China Academy of Chinese Medical Sciences, and a graduate student tutor of Gansu University of Chinese Medicine. He served as the cardiovascular laboratory director of Xiyuan Hospital under China Academy of Chinese Medical Sciences (the former China Academy of Traditional Chinese Medicine) from September 2004 to December 2010, a standing director of Specialty Committee of Cardiovascular Diseases of World Federation of Chinese Medicine Societies from September 2010 to September 2014, a vice president of Affiliated Hospital of Gansu University of Chinese Medicine from December 2010 to November 2011, and served in Xiyuan Hospital under China Academy of Chinese Medical Sciences from November 2011 to June 2013. He served as the chief of international cooperation department of China Academy of Chinese Medical Sciences from June 2013 to May 2014. Mr. Yin was awarded the "Star of Science and Technology" by TCM Society in February 2011, the Second Class Prize for Progress of Science and Technology of Beijing (北京市科技進步二等獎) by the People's Government of Beijing Municipality in January 2014, "Flying Apsaras Scholar" guest professor employed by Gansu University of Chinese Medicine in December 2014 and the Second Class Prize for Progress of National Science and Technology (國家科技進步二等獎) by the State Council in December 2015. Mr. Yin obtained the qualification of researcher issued by China Academy of Chinese Medical Sciences in December 2006. Mr. Yin obtained a bachelor's degree in traditional Chinese medicine from Ningxia Medical College (currently known as Ningxia Medical University) in Yinchuan, the PRC in July 1994, a master's degree in basic theories of Heilongjiang College of Chinese Medicine (currently known as Chinese medicine from Heilongjiang University of Chinese Medicine (黑龍江中醫藥大學)) in Harbin, the PRC in July 1997, and a doctor's degree in Chinese internal medicine from the same university in July 2000. From September 2000 to August 2002, Mr. Yin conducted his postdoctoral research in Institute of Genetics and Developmental Biology, Chinese Academy of Sciences in Beijing, the PRC.

Ms. GE Lu (葛路), aged 45, was appointed as a vice president of our Company in December 2013, and the chief information officer of our Company in December 2015. Ms. Ge also serves as a the chief information officer and a vice president of CR Pharmaceutical Commercial, and a vice director of Special Committee on Medical Information of China Association of Pharmaceutical Commerce. She served as a vice director and the director of Computer Center of Beijing Pharmaceutical Economy & Technology Operation Company (北京市醫藥經濟技術經營公司) successively from January 1998 to December 2000, the director of computer center of Beijing Pharmaceutical Economy & Technology Operation Company and an assistant to general manager of Beijing Pharmaceutical Co., Ltd. successively from December 2000 to March 2012. Ms. Ge was a vice president of CR Pharmaceutical Commercial from March 2012 to November 2013. Ms. Ge obtained the qualification of senior engineer issued by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in November 2003. Ms. Ge obtained a bachelor of engineering degree in software from Beijing Jiaotong University (the former Northern Jiaotong University) in Beijing, the PRC in July 1993, and an MBA degree from Tsinghua University in Beijing, the PRC in January 2009.

Ms. TANG Na (唐娜), aged 39, was appointed as the chief legal advisor of our Company in March 2014. Ms. Tang served as a lawyer, a partner of Concord & Partners from September 2004 to December 2012, and a director of legal affairs of CR Pharmaceutical Commercial from January 2013 to January 2014. Ms. Tang obtained the qualification of PRC lawyer issued by the review committee of lawyer qualification under the Ministry of Justice (司法部律師資格審查委員會) in March 2000, and the corporate counsel qualification issued by the MOHRSS, the SASAC and the Ministry of Justice in April 2014. Ms. Tang obtained a bachelor of law degree from China University of Political Science and Law in Beijing, the PRC in July 1999, and attended postgraduate courses majoring in urban economics in the School of Economics at Renmin University of China in Beijing, the PRC from June 2009 to June 2011.

Mr. JIN Song (靳松), aged 40, was appointed as an assistant president of our Company in June 2016. Mr. Jin successively served as a staff member, a principal staff member, a senior staff member, a deputy division-level consultant and a division-level consultant at the SFDA (currently known as the CFDA) from August 1999 to May 2016. Mr. Jin obtained a bachelor of engineering degree in pharmaceutical preparations from the School of Pharmacy of China Pharmaceutical University in Nanjing, the PRC in July 1998, and obtained a master's degree in international cooperation policy from the public health management department of Ritsumeikan University in Kyoto, Japan in September 2010.

Save as disclosed herein, none of the senior management of our Company held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

COMPANY SECRETARIES

Mr. LO Chi Lik Peter (羅志力), aged 67, was appointed as our company secretary in May 2016. Mr. Lo graduated from the University of Hong Kong and obtained the qualification of a solicitor in Hong Kong in 1976 and has been in continuous practice as a solicitor since then. Mr. Lo is currently a partner of Messrs. Woo, Kwan, Lee & Lo. Mr. Lo also serves as the company secretary of China Resources Land Limited (listed on Hong Kong Stock Exchange, stock code: 1109) and China Resources Cement Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 1313).

BOARD COMMITTEES

We have established the following committees under the Board: Audit Committee, Nomination Committee, Remuneration Committee, Corporate Governance Committee and Executive Committee. The committees operate in accordance with terms of reference established by the Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The Audit Committee consists of two non-executive Directors, being Mr. CHEN Rong and Ms. WANG Jing, and four independent non-executive Directors, being Mr. TSANG Hing Lun, Mr. KWOK Kin Fun, Mr. FU Tingmei and Mr. ZHANG Kejian. The chairman of

the Audit Committee is Mr. TSANG Hing Lun, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process, risk management and internal control systems, and to nominate and monitor external auditors.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The Nomination Committee consists of one non-executive Director, being Mr. FU Yuning, one executive Director, being Mr. WANG Chuncheng, and four independent non-executive Directors, being Mr. TSANG Hing Lun, Mr. KWOK Kin Fun, Mr. FU Tingmei and Mr. ZHANG Kejian. The chairman of the Nomination Committee is Mr. FU Yuning. The primary duty of the Nomination Committee is to make recommendations to our Board on the appointment and removal of Directors of our Company.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with paragraphs B1 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The Remuneration Committee consists of one executive Director, being Mr. LI Guohui, one non-executive Director, being Mr. CHEN Rong and four independent non-executive Directors, being Mr. TSANG Hing Lun, Mr. KWOK Kin Fun, Mr. FU Tingmei and Mr. ZHANG Kejian. The chairman of the Remuneration Committee is Mr. KWOK Kin Fun. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of our Directors and senior management, and evaluate and make recommendations on employee benefit arrangements.

Corporate Governance Committee

We have established the Corporate Governance Committee with written terms of reference. The Corporate Governance Committee consists of two executive Directors, being Mr. WANG Chuncheng and Mr. LI Guohui, and four independent non-executive Directors, being Mr. TSANG Hing Lun, Mr. KWOK Kin Fun, Mr. FU Tingmei and Mr. ZHANG Kejian. The chairman of the Corporate Governance Committee is Mr. FU Tingmei. The primary duties of the Corporate Governance Committee are to develop and review the corporate governance policies and practices of our Company, including but not limited to, the training and continuous professional development of Directors and senior management as well as the legal and regulatory requirements on corporate governance and compliance.

Executive Committee

We have established the Executive Committee with written terms of reference. The Executive Committee consists of three executive Directors, being Mr. WANG Chuncheng, Mr. SONG Qing and Mr. LI Guohui. The chairman of the Executive Committee is Mr. WANG Chuncheng. The primary duties of the Executive Committee are to monitor the execution of our Company's strategic plans and the operation of all business units, appoint and remove the operating management, and review and approve specific business authorized by the Board.

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We offer our executive Directors and senior management members, who are also our Company's employees, various compensation in the form of fees, salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Independent non-executive Directors receive compensation with reference with their respective positions and duties, including being a member or the chairman of Board committees.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, the total remuneration (including fees, salaries, retirement benefit scheme contributions and other benefits) we paid to our Directors amounted to approximately HK$4.51 million, HK$6.16 million, HK$7.67 million and HK$1.47 million, respectively.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, the total remuneration (including fees, salaries, retirement benefit scheme contributions and other benefits) we paid to the five highest paid individuals amounted to approximately HK$14.94 million, HK$14.64 million, HK$18.01 million and HK$7.99 million, respectively.

Pursuant to the arrangement still in force as of the date of this prospectus, an estimated aggregate amount of approximately HK$13.00 million will be paid and granted to the Directors as remuneration for the financial year ending December 31, 2016.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as 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. None of our Directors waived any emoluments during the Track Record Period.

Saved as disclosed above, no other payments have been paid or are payable for 2013, 2014 and 2015 and the six months ended June 30, 2016 by us or any of our subsidiaries to our Directors.

SHARE SCHEME

We provide our management and employees with various benefits and are concerned to protect their welfare. With the aim of rewarding and incentivizing our Directors, senior management members and other key employees, we are currently considering that, subject to (among others) the obtaining of approval of the SASAC, our Board and the Shareholders, we may implement a share option scheme or another form of incentive scheme after the Listing which would provide our Directors, senior management members, key employees and other eligible persons as determined by our Directors from time to time with the option or right to acquire an interest in our Company through, for example, shareholding.

It is expected that such share option scheme or incentive scheme (if implemented) will serve to recognize and reward the contribution of our management and employees, and to facilitate an alignment of interests which can contribute to the overall development of our Company.

As of the Latest Practicable Date, the SASAC, our Board and the Shareholders had not approved any such share option scheme or incentive scheme. There is no certainty as to whether and when such scheme will be approved and/or adopted. Should we adopt any relevant share option scheme or incentive scheme after the Listing, we will endeavor to devise the terms of the scheme in line with the above principles and objectives, and we will comply with the applicable requirements under the Listing Rules including the requirements in Chapter 17 of the Listing Rules regarding the obtaining of Shareholders' approval. Further announcement(s) will be made by our Company as and when appropriate.

COMPLIANCE ADVISOR

We have appointed China International Capital Corporation Hong Kong Securities Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business, developments or results deviated from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report with respect to our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

OVERVIEW

As of the Latest Practicable Date, China Resources Holdings, our controlling shareholder, held through CRH (Pharmaceutical) 72.00% of our share capital. Immediately following completion of the Global Offering, China Resources Holdings will own approximately 54.00% of the share capital of our Company (assuming the Over-allotment Option is not exercised), or approximately 52.05% of the share capital of our Company (assuming the Over-allotment Option is exercised in full). China Resources Holdings will remain as our controlling shareholder after the Listing.

OUR RELATIONSHIP WITH CHINA RESOURCES HOLDINGS

Our Principal Business

Our main business includes pharmaceutical manufacturing, distribution and retail.

Principal Business of China Resources Holdings

China Resources Holdings is a major PRC state-owned conglomerate based in Hong Kong. Its core businesses include consumer products (including retail, beer, food and beverages), power, real estate, cement, gas, pharmaceuticals and finance. China Resources Holdings is indirectly wholly owned by China Resources National Corporation, which is a state-owned enterprise. China Resources Holdings is the only platform for China Resources National Corporation to carry out its pharmaceutical related business. Five of the members of China Resources Holdings, namely China Resources Cement Holdings Limited (stock code: 1313), China Resources Beer (Holdings) Company Limited (stock code: 0291), China Resources Power Holdings Company Limited (stock code: 0836), China Resources Land Limited (stock code: 1109) and China Resources Gas Group Limited (stock code: 1193) are listed on the Hong Kong Stock Exchange.

The table below sets forth the business scope of China Resources Holdings' listed subsidiaries ("**China Resources Holdings Listed Subsidiaries**") and its shareholding interest in each of these companies:

Name	Business Scope	Shareholding Interest of China Resources Holdings as of the Latest Practicable Date
China Resources Cement Holdings Limited	the production, sale and distribution of clinker, cement and concrete products	73.45%
China Resources Beer (Holdings) Company Limited	the manufacturing, sale and distribution of beer products	51.91%
China Resources Power Holdings Company Limited	investment, development, operation and management of power plants	62.98%
China Resources Land Limited	property investment, development and management	61.27%

Name	Business Scope	Shareholding Interest of China Resources Holdings as of the Latest Practicable Date
China Resources Gas Group Limited . .	distribution of natural gas and petroleum gas, operation of compressed natural gas filling stations and distribution of bottled liquefied petroleum gas	63.95%

As of the Latest Practicable Date, China Resources Holdings held, through its subsidiaries, interest in J1.com. China Resources Holdings engages in pharmaceutical retail business through J1.com as disclosed below (the "Retained Business").

J1.com

As of the Latest Practicable Date, China Resources Holdings controlled 80% interest in J1.com. J1.com is an E-commerce platform engaging in pharmaceutical products sales through both retail stores and an online platform. As of June 30, 2016, J1.com had total assets of approximately RMB154.5 million. The total revenue of J1.com for the year ended December 31, 2015 and the six months ended June 30, 2016 were approximately RMB353.3 million and RMB149 million, respectively, and it recorded losses of approximately RMB146.1 million and RMB64.7 million, respectively, for the same periods. We confirm that there is no overlap between the board and senior management of J1.com and our Company.

We believe that there is no substantive competition between the business of J1.com and our pharmaceutical distribution/retail business for the following reasons:

- **Different client bases and nature of the industry.** Our business model and that of J1.com are different. Most of our clients in our pharmaceutical distribution business are corporate clients such as hospitals, other medical institutions and other distributors (see "Business — Pharmaceutical Distribution" for details); on the other hand, J1.com mainly focuses on individual customers with online purchase habits. Given such differences, there is no direct competition between J1.com and our pharmaceutical distribution business. For our pharmaceutical retail business, while there are some general types of products which both J1.com and we sell to end-customers, such as prescription medicines, OTC medicines and medical devices, taking into account the wide range of pharmaceutical products covered by our pharmaceutical retail business and, in particular, the fact that the products sold by our pharmaceutical retail business are often common products which are also sold by other participants in the sizable pharmaceutical retail market, it is considered that any potential competition between J1.com and our pharmaceutical retail business is of no difference to any competition between an Independent Third Party and us in the market.

- **Different sales channels.** The pharmaceutical products of our Group are mainly distributed through wholesale distributors and offline retail stores, whilst the sales model of J1.com is "B-to-C Model," namely sale of the pharmaceuticals directly through J1.com, which serves as a platform, to its customers. J1.com is not approved by relevant authorities to sell pharmaceuticals to distributors.

- **Different models and locations.** The main strategy of J1.com is to develop online retail sales of pharmaceuticals. Revenue generated from J1.com's online sales business accounted for approximately 82%, 91%, 90% and 87% of its total revenue for the three years ended December 31, 2015 and the six months ended June 30, 2016, respectively. The revenue generated from J1.com products sold through retail stores only represented an insignificant portion of its total revenue. In addition, the retail stores of J1.com are located mainly in Shanghai, whereas our Group has a broad presence across the PRC.

For reasons stated above, we believe that there is no substantive competition between the online business of J1.com and our pharmaceutical distribution/retail business.

No Competition with China Resources Holdings under Rule 8.10 of the Listing Rules

Except as disclosed above, China Resources Holdings does not hold 10% or more equity interest in any other company which is principally engaged in the pharmaceutical manufacturing and sales business. On the basis of the above, our Directors are of the view that China Resources Holdings, a controlling shareholder of our Company, is not interested in a business, apart from our Company's business and as disclosed in this prospectus, which competes or is likely to compete, either directly or indirectly, with our Company's business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

COMPETING INTEREST OF DIRECTORS

Our Directors have confirmed that they are not interested in any business, which competes or is likely to compete, either directly or indirectly, with our Company's business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

Non-competition Agreement with the Controlling Shareholder

We have entered into the Non-competition Agreement with China Resources Holdings on September 14, 2016, pursuant to which China Resources Holdings agreed that, except for the Retained Business, it will not engage in, participate in or assist others to engage or participate in any business that competes or is likely to compete, directly or indirectly, with our business within the PRC (the "**Competing Business**"), and will procure its subsidiaries (as defined in the Non-competition Agreement, excluding our Group and our subsidiaries, as well as China Resources Holdings Listed Subsidiaries and their subsidiaries) not to engage in any business that competes or is likely to compete, directly or indirectly, with the Competing Businesses.

The controlling shareholder has also undertaken in the Non-competition Agreement that, during the term of such agreement, it will not, and will procure its subsidiaries (excluding our Group and our subsidiaries, as well as the China Resources Holdings Listed Subsidiaries and their subsidiaries) not to:

- directly or indirectly engage in or participate in, or assist others to engage in or participate in, any Competing Businesses in any form (including, but not limited to, investment, mergers and acquisitions, joint operations, joint venture, cooperation agreement, partnership, contractor agreement, lease or purchase of shares of listed companies) within the PRC; or

- assist any entity other than our Group or its affiliates to engage in any Competing Businesses within the PRC; or

- engage in any Competing Businesses (directly or indirectly) in any manner.

The non-competition undertaking set forth above does not apply to the following circumstances:

- China Resources Holdings having interests in any member of our Group;

- China Resources Holdings having interests in a company other than our Group, provided that:

  (i) any Competing Businesses conducted or engaged in by such company (and assets relating thereto) account for less than 10% of our Group's consolidated revenues and consolidated assets as shown in our Group's latest audited financial statements;

  (ii) the total interest held by China Resources Holdings and its subsidiaries shall not amount to more than 20% of the total issued share capital of that company. In addition, that company shall at all times have at least one shareholder whose shareholding is higher than the shareholding owned by China Resources Holdings and its subsidiaries in aggregate; and

  (iii) China Resources Holdings and its subsidiaries are not entitled to appoint a majority of the directors of that company.

New Business Opportunities

Pursuant to the Non-competition Agreement, China Resources Holdings has undertaken that, during the term of the Non-competition Agreement, if China Resources Holdings or its subsidiaries (for the purpose of the Non-competition Agreement, excluding our Group and our subsidiaries, as well as China Resources Holdings Listed Subsidiaries and their subsidiaries) become aware of any new business opportunity (which is not a Retained Business) which is or is likely to be the Competing Businesses (the "**New Business Opportunity**"), China Resources Holdings shall immediately notify our Company in writing and provide all relevant information of the New Business Opportunity (the "**Offer Notice**") and use its best efforts to procure the New Business Opportunity be made available

to our Company or our subsidiaries on terms and conditions fair and reasonable to us. Our Company shall promptly (in any case no later than 30 Business Days from receipt of the Offer Notice) notify China Resources Holdings in the event that our Company decides not to take up the New Business Opportunity. The controlling shareholder can then decide whether to take up such New Business Opportunity if our Company decides not to or fails to reply within the requisite timeframe.

Right of First Offer

Pursuant to the Non-competition Agreement, China Resources Holdings has undertaken that, during the term of the Non-competition Agreement, if China Resources Holdings intends to transfer, sell, lease, license or otherwise dispose of any of the Competing Businesses (including Retained Business), to any third parties, China Resources Holdings shall immediately notify our Company in writing of its intention (the "Selling Notice") and procure all necessary information to facilitate an investment decision be made available to our Company.

Our Company will decide whether or not to acquire such Competing Businesses, and shall notify China Resources Holdings in writing within 30 Business Days from the date of the Selling Notice whether we wish to acquire the relevant Competing Businesses.

If we decide not to or fail to reply within the requisite timeframe, China Resources Holdings may transfer, sell, lend or license the relevant Competing Businesses to any third parties on terms no more favorable than those stated in the Selling Notice.

Further Undertakings

Pursuant to the Non-competition Agreement, China Resources Holdings has further irrevocably represented, undertaken and warranted, among other things, that:

- it shall, upon request of our independent non-executive Directors, provide our independent non-executive Directors with all information necessary for their annual review or any review made in accordance with the request of relevant regulatory authorities of compliance with and implementation of the Non-competition Agreement;

- it agrees that our Company will disclose the review made by our independent non-executive Directors (as the case may be) on compliance with and implementation of the Non-competition Agreement in our annual reports, interim reports, announcements or circulars;

- it shall not disclose any trade secrets of our Group to any person or use any of such trade secrets for advancing its business without our written consent; and

- it shall conduct appropriate conflict search against customers before entering into any agreement in respect of a Competing Business, and it shall not enter into any sales contract or concession agreement with our existing customers in respect of a Competing Business for the purpose of excluding our Company.

Termination

The Non-competition Agreement shall continue to be effective until the earlier of the occurrence of the following situations:

- the date on which China Resources Holdings and its subsidiaries, in aggregate, directly or indirectly hold less than 30% of the share capital of our Company, or cease to have control over the Board, resulting in China Resources Holdings ceasing to be a "controlling shareholder" as defined under the Listing Rules; or

- the date on which the Shares cease to be listed on the Hong Kong Stock Exchange, except when trading in the Shares is temporarily suspended for any reason.

INDEPENDENCE FROM CHINA RESOURCES HOLDINGS

Taking into consideration the following factors, our Directors believe that we can conduct our business independently from China Resources Holdings and its associates after the Global Offering.

Operational Independence

We operate our businesses independently from China Resources Holdings. We have obtained relevant qualifications and licenses, independent operating premises, domain names and electronic information systems needed for our businesses.

We have our own organizational structure with self-governing departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted a set of corporate governance manuals, including the terms of reference for general meetings and terms of reference for Board meetings, both of which are based on relevant laws, rules and regulations.

We have entered into certain continuing connected transactions with China Resources Holdings in relation to services provided to or by China Resources Holdings and/or its associates. Such services are not provided to or by China Resources Holdings and/or its associates on an exclusive basis and may be offered to or by Independent Third Parties on similar terms. See the section "Connected Transactions" for details.

Based on the above, our Directors are of the view that our Company operates independently from China Resources Holdings.

Financial Independence

We have established our own finance department with a team of independent financial staff who are responsible for our financial management, accounting, reporting, funding and internal control functions independently from China Resources Holdings. As of August 31, 2016, we had an aggregate amount of approximately HK$284.3 million payable to the subsidiaries of China Resources Holdings, which arose from the business conducted between us and the subsidiaries of China Resources Holdings such as rental payment and office facilities charges. None of the above would affect the financial independence of our Company given our robust financial position.

We can make financial decisions independently, and China Resources Holdings does not interfere with our use of funds. We have also established an independent audit system, a standardized accounting system and a comprehensive financial management system. In addition, we maintain and manage bank accounts independently and China Resources Holdings does not share any bank accounts with us. We have made independent tax registration in accordance with applicable laws and paid tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with China Resources Holdings or other enterprises under its control.

Based on the above, our Directors are of the view that our Company is financially independent from China Resources Holdings.

Management Independence

Currently, four of the 12 members of our Board also hold positions in China Resources Holdings. The following table sets forth the positions held by our Board in China Resources Holdings:

Name	Major position held in our Company	Major position held in China Resources Holdings
Fu Yuning	Chairman of the Board, non-executive Director	Chairman of the board of directors
Chen Rong	Non-executive Director	Chief officer of finance department
Yu Zhongliang	Non-executive Director	Senior vice director of strategic management department
Wang Chuncheng	Executive Director, chief executive officer and president	Assistant general manager

Mr. Fu Yuning, Mr. Chen Rong and Mr. Yu Zhongliang are our non-executive Directors and do not participate in our daily business operations and management. As members of the Board, Mr. Fu Yuning, Mr. Chen Rong and Mr. Yu Zhongliang participate in the formulation of business plans, strategies and major decisions of our Group.

As an assistant general manager of China Resources Holdings, Mr. Wang Chuncheng does not participate in the daily business operations and management of China Resources Holdings, and is mainly responsible for the matters related to the management of our Company. Therefore, Mr. Wang does not expect that his position with China Resources Holdings will take up a substantial amount of his time. He will be able to devote sufficient time to the management of our Company.

Save as disclosed above, as of the Latest Practicable Date, none of our Directors or senior management held any position in China Resources Holdings.

We believe our Directors and senior management can independently perform their duties in our Company and we can operate independently from China Resources Holdings due to the following reasons:

(a) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interest, including, but not limited to: (i) if the relevant proposal causes conflicts of interest between us and China Resources Holdings, the Director(s) associated with China Resources Holdings should abstain from voting and should not be included in the quorum of the meeting of the Board, and the remaining Directors have sufficient relevant knowledge and experience to make decisions for us; and (ii) when connected transaction(s) are considered, independent non-executive Directors of our Company shall give their independent opinions to the Board and/or our Shareholders on such connected transaction(s) pursuant to the Listing Rules;

(b) we have four independent non-executive Directors (representing one-third of the Board members) to balance the numbers of interested Director(s) and independent non-executive Directors for the protection of the interests of our Group and the Shareholders as a whole; and

(c) our Directors are well aware of their fiduciary duties which, among other things, require them to act in the best interests of our Group and the Shareholders as a whole.

On the basis of the above, and taking into consideration the fact that there is no substantive competition between us and China Resources Holdings and its associates as defined under Rule 8.10 of the Listing Rules, the Directors are of the view that our management is independent from China Resources Holdings.

Non-Competition Undertaking given by China Resources Holdings to CR Sanjiu

Pursuant to a non-competition undertaking provided by China Resources Holdings to CR Sanjiu, China Resources Holdings undertook that China Resources Holdings and its controlled entities will not directly engage in any business which competes with any business of CR Sanjiu through legal procedures. China Resources Holdings also undertook to further indemnify CR Sanjiu for any losses caused by its non-compliance with the above undertaking.

So far as our Directors are aware, immediately after completion of the Global Offering, the following persons will have an interest or a short position in our Shares or the underlying shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		Shares held as of the date of this prospectus[Note 1]		Shares held immediately after completion of the Global Offering[Note 1] (assuming the Over-allotment Option is not exercised)		Shares held immediately after completion of the Global Offering[Note 1] (assuming the Over-allotment Option is exercised in full)	
Shareholder	**Nature of interest**	**Number**	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**
China Resources National Corporation (中國華潤總公司)[2]	Interest in controlled corporation	3,333,185,612 (L)	72%	3,333,185,612 (L)	54.00%	3,333,185,612 (L)	52.05%
China Resources Co., Limited (華潤股份有限公司)[2]	Interest in controlled corporation	3,333,185,612 (L)	72%	3,333,185,612 (L)	54.00%	3,333,185,612 (L)	52.05%
CRC Bluesky Limited[2]	Interest in controlled corporation	3,333,185,612 (L)	72%	3,333,185,612 (L)	54.00%	3,333,185,612 (L)	52.05%
China Resources Holdings[2]	Interest in controlled corporation	3,333,185,612 (L)	72%	3,333,185,612 (L)	54.00%	3,333,185,612 (L)	52.05%
CRH (Pharmaceutical)[2]	Beneficial owner	3,333,185,612 (L)	72%	3,333,185,612 (L)	54.00%	3,333,185,612 (L)	52.05%
BSCOMC[3, 4]	Interest in controlled corporations	1,296,238,849 (L)	28%	1,296,238,849 (L)	21.00%	1,296,238,849 (L)	20.24%
Beijing Pharmaceutical Holdings[4]	Interest in controlled corporation	1,094,800,000 (L)	23.65%	1,094,800,000 (L)	17.74%	1,094,800,000 (L)	17.10%
Beijing Pharmaceutical Investment[4]	Beneficial owner	1,094,800,000 (L)	23.65%	1,094,800,000 (L)	17.74%	1,094,800,000 (L)	17.10%

(1) The letter (L) denotes the person's long interest in our Shares.

(2) As of the Latest Practicable Date, CRH (Pharmaceutical) directly held 3,333,185,612 Shares in our Company. CRH (Pharmaceutical) is a wholly-owned subsidiary of China Resources Holdings. China Resources Holdings is a beneficially wholly-owned subsidiary of CRC Bluesky Limited, which is in turn wholly-owned by China Resources Co., Limited. China Resources Co., Limited is an ultimately beneficially wholly-owned subsidiary of China Resources National Corporation. By virtue of the SFO, each of China Resources National Corporation, China Resources Co., Limited , CRC Bluesky Limited and China Resources Holdings is deemed to have an interest in the Shares held by CRH (Pharmaceutical).

(3) By virtue of the SFO, BSCOMC is deemed to have an interest in the 201,438,849 Shares (representing approximately 4.35% of the total number of Shares of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)) held by BEID Fund, an exempted limited partnership registered in the Cayman Islands, by reason of a series of funds and corporate structures each of which, individually, is interested in less than 5% in the voting Shares of our Company.

(4) As of the Latest Practicable Date, Beijing Pharmaceutical Investment directly held 1,094,800,000 Shares in our Company. Beijing Pharmaceutical Investment is a wholly-owned subsidiary of Beijing Pharmaceutical Holdings, which is in turn wholly owned by BSCOMC. By virtue of the SFO, each of BSCOMC and Beijing Pharmaceutical Holdings is deemed to have an interest in the Shares held by Beijing Pharmaceutical Investment.

Save as disclosed above, our Directors are not aware of any other person who will, immediately after completion of the Global Offering, have an interest or a short position in our Shares or the underlying shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The number of Shares of our Company as of the date of this prospectus and immediately after completion of the Global Offering is as follows:

	Number of Shares
Number of Shares:	
Ordinary Shares as of the date of this prospectus	4,629,424,461
Shares to be issued:	
Ordinary Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	1,543,141,500
Shares on completion of the Global Offering (assuming the Over-allotment Option is not exercised)	6,172,565,961
Shares to be issued:	
Ordinary Shares to be issued on exercise of the Over-allotment Option in full	231,471,000
Shares on completion of the Global Offering (assuming the Over-allotment Option is exercised in full)	6,404,036,961

The table above assumes the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (a) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (b) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

Other than the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any Share issue plan other than the Global Offering.

We have given certain undertakings in respect of the issue of our Shares and other securities. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering."

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company 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 MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — The Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with a total number of Shares not exceeding:

(a) 20% of the total number of Shares of our Company immediately after completion of the Global Offering; and

(b) the total number of Shares of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed "— General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(i) at the conclusion of our next annual general meetings; 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 Appendix IV — "Statutory and General Information — 1. Further Information about Our Company — D. Written Resolutions Passed by Our Shareholders."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — The Global Offering", our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares (Shares which may be listed on the Hong Kong Stock Exchange or on any other stock exchange which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose) of an aggregate number of not more than 10% of the total number of our Shares issue immediately after completion of the Global Offering.

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other Hong Kong stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. For a summary of the relevant Listing Rules, see Appendix IV — "Statutory and General Information — 1. Further Information about Our Company — E. Repurchase of Our Shares."

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 Appendix IV — "Statutory and General Information — 1. Further Information about Our Company — D. Written Resolutions Passed by Our Shareholders."

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Ordinance and the Articles of Association, our Company may from time to time by ordinary Shareholders' resolution (i) increase its capital; (ii) consolidate and divide Shares; (iii) divide its Shares into classes; (iv) subdivide its Shares; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by Shareholders' special resolution. For more details, see Appendix III — "Summary of the Articles of Association — Changes in Capital."

Further, all or any of the special rights (unless otherwise provided by the terms of issue) attached to our Shares or any class of Shares may be varied or abrogated either with the consent in writing of the holders of not less than 75% of the total voting rights of the holders of the Shares or Shares of that class, or with the sanction of a special resolution passed at a general meeting of the holders of the Shares or at a separate general meeting of the holders of the Shares of that class. For more details, see Appendix III — "Summary of the Articles of Association — Modification of Rights."

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following investors (the "Cornerstone Investors", and each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price for certain number of our Offer Shares (the "Cornerstone Placing").

Assuming an Offer Price of HK$8.45 per Share, (being the low end of the Offer Price range), the total number of Shares to be subscribed for by the Cornerstone Investors would be approximately 840,862,000, representing approximately (i) 54.49% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) 13.62% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 764,007,500, representing approximately (i) 49.51% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) 12.38% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), the total number of Shares subscribed by the Cornerstone Investors would be approximately 700,026,000, representing approximately (i) 45.36% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) 11.34% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to their 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 upon completion of the Global Offering and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and independent of other Cornerstone Investors (save as disclosed below), not our connected person and not an existing shareholder or close associates of our Group.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around October 27, 2016.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors:

		Based on the Offer Price of HK$8.45 (being the low end of the Offer Price range)			
Cornerstone Investors	**Investment amount of the Cornerstone Investors**	**Approximate percentage of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)**	**Approximate percentage of the International Offer Shares initially offered under the International Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the International Offer Shares initially offered under the International Offering (assuming that the Over-allotment Option is exercised in full)**
Hengjian International Investment Holding (Hong Kong) Limited	US$340.0 million	5.06%	4.87%	21.29%	18.38%
China Life					
China Life Insurance Company Limited	US$100.0 million	1.49%	1.43%	6.26%	5.41%
China Life Insurance (Group) Company	US$50.0 million	0.74%	0.72%	3.13%	2.70%
China Life Franklin Asset Management Co., Limited	US$50.0 million	0.74%	0.72%	3.13%	2.70%
Fujifilm Corporation	HK$820.0 million	1.57%	1.52%	6.62%	5.72%
Nordea Investment Management AB	HK$700.0 million	1.34%	1.29%	5.65%	4.88%
London International Trading (Asia) Limited	US$50.0 million	0.74%	0.72%	3.13%	2.70%
China Chengtong Holdings Group Limited	US$50.0 million	0.74%	0.72%	3.13%	2.70%
Anbang Investment Holdings Co. Limited	US$50.0 million	0.74%	0.72%	3.13%	2.70%
High Action Limited	HK$234.0 million	0.45%	0.43%	1.89%	1.63%

We set out below a brief description of our Cornerstone Investors.

Hengjian International

Hengjian International Investment Holding (Hong Kong) Limited ("Hengjian International") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount of US$340.0 million at the Offer Price.

Assuming an Offer Price of HK$8.45 per Share (being the low end of the Offer Price range), Hengjian International will subscribe for approximately 312,055,500 Offer Shares at the Offer Price, representing (i) approximately 5.06% of the Shares in issue immediately following the completion of the Global Offering and approximately 21.29% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 4.87% of the Shares in issue immediately following the completion of the Global Offering and approximately 18.38% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), Hengjian International will subscribe for approximately 283,534,000 Offer Shares at the Offer Price, representing (i) approximately 4.59% of the Shares in issue immediately following the completion of the Global Offering and approximately 19.34% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 4.43% of the Shares in issue immediately following the completion of the Global Offering and approximately 16.70% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), Hengjian International will subscribe for approximately 259,790,000 Offer Shares at the Offer Price, representing (i) approximately 4.21% of the Shares in issue immediately following the completion of the Global Offering and approximately 17.72% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 4.06% of the Shares in issue immediately following the completion of the Global Offering and approximately 15.30% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Hengjian International is incorporated in Hong Kong and is principally engaged in investment holding. It is wholly owned by Guangdong Hengjian Investment Holding Co., Ltd ("GD Hengjian"), and serves as GD Hengjian's only overseas investment vehicle. GD Hengjian is established in the PRC, funded and established by the State-owned Assets Supervision and Administration Commission of Guangdong Province, and is the only provincial level state-owned capital management enterprise with the support of the People's Government of Guangdong Province. GD Hengjian undertakes four pivotal roles including financing, investing, state-owned asset management, and capital management on behalf of People's Government of Guangdong Province.

China Life

China Life Insurance Company Limited ("China Life Insurance"), China Life Insurance (Group) Company ("China Life Group") and China Life Franklin Asset Management Co., Limited ("China Life Franklin") (together "China Life") have, in their respective capacity as an investor, agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount of US$100.0 million, US$50.0 million and US$50.0 million at the Offer Price, respectively.

Assuming an Offer Price of HK$8.45 per Share (being the low end of the Offer Price range), China Life Insurance, China Life Group and China Life Franklin will, in aggregate, subscribe for approximately 183,562,000 Offer Shares at the Offer Price, representing (i) approximately 2.97% of the Shares in issue immediately following the completion of the Global Offering and approximately 12.52% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 2.87% of the Shares in issue immediately following the completion of the Global Offering and approximately 10.81% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), China Life Insurance, China Life Group and China Life Franklin will, in aggregate, subscribe for approximately 166,784,000 Offer Shares at the Offer Price, representing (i) approximately 2.70% of the Shares in issue immediately following the completion of the Global Offering and approximately 11.38% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 2.60% of the Shares in issue immediately following the completion of the Global Offering and approximately 9.83% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), China Life Insurance, China Life Group and China Life Franklin will, in aggregate, subscribe for approximately 152,816,500 Offer Shares at the Offer Price, representing (i) approximately 2.48% of the Shares in issue immediately following the completion of the Global Offering and approximately 10.42% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 2.39% of the Shares in issue immediately following the completion of the Global Offering and approximately 9.00% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

China Life Insurance is established in the PRC, the shares of which are listed on the Hong Kong Stock Exchange with stock code of 2628. It is the largest life insurance company in the PRC. It has its headquarters in Beijing and a registered capital of RMB28,265 million.

China Life Group is established in the PRC. China Life Group and its subsidiaries constitute the largest business insurance group in the PRC and are one of the largest institutional investors in the PRC capital markets.

China Life Franklin is incorporated in Hong Kong and is a joint venture between China Life Asset Management Company Limited, China Life Insurance (Overseas) Company Limited and Franklin Templeton Investments. China Life Franklin is licensed to carry on Type 9 (asset management) and Type 4 (advising on securities) regulated activities under the SFO in Hong Kong.

Fujifilm

Fujifilm Corporation ("Fujifilm") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount of HK$820.0 million at the Offer Price.

Assuming an Offer Price of HK$8.45 per Share (being the low end of the Offer Price range), Fujifilm will subscribe for approximately 97,041,000 Offer Shares at the Offer Price, representing (i) approximately 1.57% of the Shares in issue immediately following the completion of the Global Offering and approximately 6.62% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 1.52% of the Shares in issue immediately following the completion of the Global Offering and approximately 5.72% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), Fujifilm will subscribe for approximately 88,172,000 Offer Shares at the Offer Price, representing (i) approximately 1.43% of the Shares in issue immediately following the completion of the Global Offering and approximately 6.01% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 1.38% of the Shares in issue immediately following the completion of the Global Offering and approximately 5.19% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), Fujifilm will subscribe for approximately 80,788,000 Offer Shares at the Offer Price, representing (i) approximately 1.31% of the Shares in issue immediately following the completion of the Global Offering and approximately 5.51% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 1.26% of the Shares in issue immediately following the completion of the Global Offering and approximately 4.76% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Fujifilm is a corporation incorporated under the laws of Japan whose businesses include the development, production, sales, and service of its products in the imaging solutions business, such as color films, digital cameras, photofinishing equipment and color paper, chemicals and services for photofinishing, and those in the information solutions business, such as equipment and materials for medical diagnostics and life science, graphic arts, flat panel display materials, recording media, optical devices, electronic materials and inkjet materials. It is a wholly-owned subsidiary of FUJIFILM Holdings Corporation, which is a company listed on the Tokyo Stock Exchange with stock code 4901.

Nordea Investment

Nordea Investment Management AB ("Nordea Investment") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount of HK$700.0 million at the Offer Price.

Assuming an Offer Price of HK$8.45 per Share (being the low end of the Offer Price range), Nordea Investment will subscribe for approximately 82,840,000 Offer Shares at the Offer Price, representing (i) approximately 1.34% of the Shares in issue immediately following the completion of the Global Offering and approximately 5.65% of the International Offer Shares initially offered under

the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 1.29% of the Shares in issue immediately following the completion of the Global Offering and approximately 4.88% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), Nordea Investment will subscribe for approximately 75,268,500 Offer Shares at the Offer Price, representing (i) approximately 1.22% of the Shares in issue immediately following the completion of the Global Offering and approximately 5.13% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 1.18% of the Shares in issue immediately following the completion of the Global Offering and approximately 4.43% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), Nordea Investment will subscribe for approximately 68,965,500 Offer Shares at the Offer Price, representing (i) approximately 1.12% of the Shares in issue immediately following the completion of the Global Offering and approximately 4.70% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 1.08% of the Shares in issue immediately following the completion of the Global Offering and approximately 4.06% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Nordea Investment is incorporated in Sweden. It is one of the largest asset managers in Europe and had EUR189 billion under management as of December 31, 2015. In its management of the funds, Nordea Investment works to deliver superior financial performance to the funds' investors.

London International Trading

London International Trading (Asia) Limited ("London International Trading") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount of the Hong Kong dollars equivalent of US$50.0 million (calculated at the exchange rate published on http://markets.ft.com/data/archive by The Financial Times after the close of business on the business day immediately prior to the Price Determination date) at the Offer Price.

Assuming an Offer Price of HK$8.45 per Share (being the low end of the Offer Price range), London International Trading will subscribe for approximately 45,890,500 Offer Shares at the Offer Price, representing (i) approximately 0.74% of the Shares in issue immediately following the completion of the Global Offering and approximately 3.13% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.72% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.70% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), London International Trading will subscribe for approximately 41,696,000 Offer Shares at the Offer Price, representing (i) approximately 0.68% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.84% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.65% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.46% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), London International Trading will subscribe for approximately 38,204,000 Offer Shares at the Offer Price, representing (i) approximately 0.62% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.61% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.60% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.25% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

London International Trading is a Hong Kong incorporated company, and a wholly owned subsidiary of Reckitt Benckiser Group plc ("Reckitt Benckiser"). It is a regional group holding company, whose focus is on health related activities in China. Reckitt Benckiser (LSE: RB), headquartered in Slough, United Kingdom, is a world leading consumer health and hygiene company. It has operations in over 60 countries and sales in most countries across the globe. Reckitt Benckiser entered into a non-binding memorandum of understanding with us on October 8, 2016 in relation to a potential strategic cooperation with respect to certain designated OTC, medical devices and healthcare products in the PRC market. See "Summary — Recent Developments" for further details.

China Chengtong

China Chengtong Holdings Group Limited ("China Chengtong") has agreed to subscribe for, by itself or through its wholly-owned subsidiary, such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount of US$50.0 million at the Offer Price.

Assuming an Offer Price of HK$8.45 per Share (being the low end of the Offer Price range), China Chengtong will subscribe for approximately 45,890,500 Offer Shares at the Offer Price, representing (i) approximately 0.74% of the Shares in issue immediately following the completion of the Global Offering and approximately 3.13% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.72% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.70% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), China Chengtong will subscribe for approximately 41,696,000 Offer Shares at the Offer Price, representing (i) approximately 0.68% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.84% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.65% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.46% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), China Chengtong will subscribe for approximately 38,204,000 Offer Shares at the Offer Price, representing (i) approximately 0.62% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.61% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.60% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.25% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

China Chengtong is a large enterprise group under the supervision of the SASAC with total assets of approximately RMB100 billion, and belongs to the first batch of standard board-of-directors enterprises in the transformation of central enterprises authenticated by SASAC. It serves as a significant operating platform, contributing to structural and distributional adjustments and strategic recombination of central enterprises. China Chengtong has been recognized as a state-owned capital operating company pilot (國有資本運營公司試點企業) in 2016. The main businesses of China Chengtong are equity management, assets management, financial service, investment, and setting up private equity funds. The businesses of the group's subsidiaries also cover integrated logistic service, commodity trade, production and exploitation of forestry-pulp papers, wholesale market, tourism, cultural and packaging industries.

China Chengtong owns more than a hundred subsidiaries in China, which include: (i) three companies listed on the Shanghai Stock Exchange, namely CMST Development Co., Ltd. (stock code: 600787), Guangdong Guanhao High-Tech Co., Ltd. (stock code: 600433) and Yueyang Forest & Paper Co., Ltd. (stock code: 600963); (ii) one company listed on the Main Board of the Hong Kong Stock Exchange, namely China Chengtong Development Group Co., Ltd. (stock code: 00217); and (iii) two companies listed on the Shenzhen Stock Exchange, namely Foshan Huaxin Packaging Co., Ltd. (stock code: 200986) and MCC Meili Paper Industry Co., Ltd. (stock code: 000815).

Anbang Investment

Anbang Investment Holdings Co. Limited ("Anbang Investment") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount of US$50.0 million at the Offer Price.

Assuming an Offer Price of HK$8.45 per Share (being the low end of the Offer Price range), Anbang Investment will subscribe for approximately 45,890,500 Offer Shares at the Offer Price, representing (i) approximately 0.74% of the Shares in issue immediately following the completion of the Global Offering and approximately 3.13% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.72% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.70% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), Anbang Investment will subscribe for approximately 41,696,000 Offer Shares at the Offer Price, representing (i) approximately 0.68% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.84% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.65% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.46% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), Anbang Investment will subscribe for approximately 38,204,000 Offer Shares at the Offer Price, representing (i) approximately 0.62% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.61% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.60% of the Shares in issue immediately following the completion of the Global Offering and approximately 2.25% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Anbang Investment is incorporated in Hong Kong. Anbang Investment is principally engaged in investment business and is indirectly wholly-owned by Anbang Life Insurance Co., Ltd. ("Anbang Life"). Anbang Life's holding company is Anbang Insurance Group Co., Ltd. ("Anbang Insurance"). Anbang Insurance is one of the largest insurance groups in China. Anbang Insurance's scope of businesses covers life insurance, property insurance and casualty insurance, health insurance, pension insurance, banking and asset management.

High Action

High Action Limited ("High Action") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount of HK$234.0 million at the Offer Price.

Assuming an Offer Price of HK$8.45 per Share (being the low end of the Offer Price range), High Action will subscribe for approximately 27,692,000 Offer Shares at the Offer Price, representing (i) approximately 0.45% of the Shares in issue immediately following the completion of the Global Offering and approximately 1.89% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.43% of the Shares in issue immediately following the completion of the Global Offering and approximately 1.63% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$9.30 per Share (being the mid-point of the Offer Price range), High Action will subscribe for approximately 25,161,000 Offer Shares at the Offer Price, representing (i) approximately 0.41% of the Shares in issue immediately following the completion of the Global Offering and approximately 1.72% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.39% of the Shares in issue immediately following the completion of the Global Offering and approximately 1.48% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.15 per Share (being the high end of the Offer Price range), High Action will subscribe for approximately 23,054,000 Offer Shares at the Offer Price, representing (i) approximately 0.37% of the Shares in issue immediately following the completion of the Global Offering and approximately 1.57% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is not exercised; or (ii) approximately 0.36% of the Shares in issue immediately following the completion of the Global Offering and approximately 1.36% of the International Offer Shares initially offered under the International Offering, both assuming that the Over-allotment Option is exercised in full.

High Action is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Lau Luen Hung, Thomas ("Mr. Lau"). High Action is principally engaged in the business of investments.

Mr. Lau is the chairman, chief executive officer and executive director of Lifestyle China Group Limited (2136.HK) and the chairman and non-executive director of Lifestyle International Holdings Limited (1212.HK), both companies are listed on the Hong Kong Stock Exchange since July 2016 and April 2004 respectively. Mr. Lau is also a member of the Chinese People's Political Consultative Conference Shanghai Committee and a member of the Board of Directors of the Shanghai Jiao Tong University.

CONDITIONS PRECEDENT

The subscription by each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional by no later than the time and date as specified in those underwriting agreements (in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties) and not having been terminated;

(ii) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and that such approval or permission has not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange; and

(iii) the respective representations, warranties, undertakings and acknowledgements of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are and will be accurate and true in all material respects and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each Cornerstone Investor has agreed that without the prior written consent of our Company and the Underwriters' Representatives (as defined in the relevant cornerstone investment agreement), it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares purchased by it pursuant to the relevant cornerstone investment agreement and any shares or other securities of our Company which are derived therefrom (the "Relevant Shares").

Certain Cornerstone Investors, namely Fujifilm, London International Trading, Anbang Investment and High Action, may transfer the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor and/or pledge or charge of the Relevant Shares in favour of an authorized institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) in Hong Kong or any of its affiliates for a bona fide commercial loan (and any enforcement in connection with such pledge or charge), provided that such wholly-owned subsidiary or such institution or its affiliate (as the case may be) undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of the Relevant Shares imposed on such Cornerstone Investor.

You should read the following discussion and analysis of our financial condition and in conjunction with our consolidated financial information included in Appendix I — "Accountants' Report" to this prospectus, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are a leading integrated pharmaceutical company in China, engaging in the research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and healthcare products. We derive our revenue primarily from three main business segments: (i) pharmaceutical manufacturing; (ii) pharmaceutical distribution; and (iii) pharmaceutical retail. We also derive a small portion of our revenue from certain other businesses, such as manufacturing and sales of medical devices and rental income from investment properties.

Our total revenue increased from HK$116,950.7 million in 2013 to HK$135,749.2 million in 2014, and further to HK$146,568.1 million in 2015. During the same periods, our profit for the year was HK$5,454.6 million, HK$5,491.9 million and HK$6,082.2 million, respectively. In the six months ended June 30, 2015 and 2016, our total revenue was HK$71,262.9 million and HK$75,615.5 million, respectively, and our profit for the period was HK$3,861.6 million and HK$3,180.5 million, respectively.

BASIS OF PRESENTATION

On May 10, 2007, our Company was incorporated in Hong Kong with limited liability and was wholly owned by CRH (Pharmaceutical). In 2007, we acquired New Sanjiu Holdings Co., Ltd., while we also acquired a 56.62% interest in CR Dong-E, thereby controlling a 23.14% interest in Dong-E-E-Jiao, and, as of the Latest Practicable Date, we controlled 27.80% interest in Dong-E-E-Jiao. From 2011 to 2012, upon the acquisition of Beijing Pharmaceutical, we completed the combination of CR Double-Crane, CR Zizhu, CR Pharmaceutical Commercial and Pharmaceutical R&D Center, which became our subsidiaries. In January 2016, to further strengthen our pharmaceutical retail network in China and Hong Kong, we acquired CR Pharmaceutical Retail Group, which wholly owns CR Care, whose assets and liabilities, income and expenses have been consolidated in our financial statements using the principles of merger accounting under common control during the Track Record Period.

In addition, we completed a number of strategic acquisitions of pharmaceutical businesses during the Track Record Period, including, among others, the acquisitions of CR Nantong Pharmaceutical in January 2013, Guilin CR Tianhe in February 2013, CR Hunan Ruige Pharmaceutical in March 2013, Zhejiang Zhongyi in August 2015 and Jinan Limin in November 2015. As we were not under common control with these acquired businesses prior to the acquisitions, these acquisitions were accounted for using the principles of acquisition accounting under HKFRS, and we commenced consolidating the acquired businesses' results of operations and cash flows from the respective acquisition dates. See "History, Restructuring and Corporate Structure — History and Development."

Our financial statements have been prepared in accordance with HKFRS and include applicable disclosure requirements of the Listing Rules and the Companies Ordinance. We prepared our financial statements on a historical cost basis, except for investment properties and certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Our financial statements are presented in Hong Kong dollars, while our functional currency is Renminbi. The consolidated financial information incorporates the financial statements of our Company and entities controlled by us. When necessary, we made adjustments to the financial statements of our subsidiaries to bring their accounting policies in line with our accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We believe that the most significant factors that have affected, or are expected to affect, our results of operations and financial condition include, among others:

The Development of the PRC Healthcare Industry

Our business expansion and revenue growth have been and will continue to be affected by the development of the healthcare industry in China.

In 2015, total healthcare expenditure in China reached RMB3,926.8 billion and is expected to grow at a CAGR of 9.5% from 2015 to RMB6,188.9 billion in 2020, according to Frost & Sullivan. The size of the PRC pharmaceutical manufacturing market reached RMB1,220.7 billion in 2015 and is projected to reach RMB1,791.9 billion in 2020, representing a CAGR of 8.0% between 2015 and 2020, according to Frost & Sullivan. The robust growth of the PRC pharmaceutical market is driven by a multitude of favorable fundamental factors, including increasing disposable income, rising health awareness, aging population, increasing life expectancy and epidemiological change, favorable government policy support and increasing coverage of social medical insurance.

Along with the rapid growth of healthcare expenditures, the evolution of the pharmaceutical market in China is also characterized by a number of important trends, including the increasing degree of market consolidation, growing market share of patented drugs, rise of the biopharmaceutical sector and continuous healthcare reforms aimed at improving quality, affordability and accessibility of healthcare services and pharmaceutical products. Our success depends on our ability to accurately identify and anticipate these trends as well as to adapt our business to such market environment.

With a leading business covering all major stages of the pharmaceutical value chain in the PRC healthcare industry, we believe we are well positioned to benefit from the robust growth in the overall PRC market and have the competitive strengths, resources and expertise to take advantage of the evolving market dynamics. However, the continued growth of the PRC healthcare industry and our ability to benefit from market growth are subject to a number of risks and uncertainties. See "Risk Factors — Risks Relating to Our Business and Industry — Our growth relies in part on the continuing expansion and reforms of the PRC healthcare industry, the anticipated growth of which may not be timely achieved, or at all."

Regulations in Our Industry and Our Ability to Adapt to Evolving Regulatory Environment

The pharmaceutical industry in China is subject to extensive government regulation and supervision. The current regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing and certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs, quality control, pricing of pharmaceutical products and environmental protection. Policies and regulations promulgated by the PRC government and other competent authorities may significantly affect various dimensions of our operations, products and services. As such, our ability to adapt to an evolving regulatory environment will affect our results of operations.

For example, we sell a substantial portion of our pharmaceutical products to hospitals and other medical institutions that are required to implement a centralized tender process. Such hospitals or medical institutions will assess, among other things, the quality and price of the products and reputation of the manufacturer as well as the breadth of the pharmaceutical product offerings and scale of the distributors. The implementation of a centralized tender process has both positive and negative impacts on a pharmaceutical company like us. On the one hand, large PRC pharmaceutical enterprises, including ourselves, with relatively large production scales and nationwide distribution networks are expected to benefit from this centralized tender procurement regime through their ability to efficiently distribute their pharmaceutical products. However, we may still fail to win any tenders in such centralized tender processes due to various factors, which in turn could limit our revenue growth. See "Risk Factors — Risks Relating to Our Business and Industry — We sell a number of our pharmaceutical products through a centralized tender process, and the pricing of our pharmaceutical products may be adversely affected by market competition."

As another example, as of June 30, 2016, 289 of our products were included in the National Medical Insurance Drugs Catalog. In the six months ended June 30, 2016, sales of our pharmaceutical products included in the National Medical Insurance Drugs Catalog accounted for 62.8% of our pharmaceutical manufacturing business segment revenue. Patients purchasing pharmaceutical products that are included in the Medical Insurance Drugs Catalogs are entitled to reimbursement of all or a portion of their purchase costs from the social medical fund, which makes these pharmaceutical products generally more attractive than non-reimbursable products in the market. However, the pharmaceutical products included in the Medical Insurance Drugs Catalogs are subject to government price controls (before June 2015) or a market-based tender process, either of which could negatively affect our product pricing. To mitigate the negative impact of such price controls on our results of operations, we seek to optimize our product mix, explore products in new areas and focus on developing our signature products, while also optimizing cost structure.

The PRC government has also adopted measures aimed at raising the operating standards of pharmaceutical manufacturing and distribution companies in China in order to ensure a stable supply of safe and effective medicines. For example, in March 2016, the General Office of the State Council issued the Opinion on Carrying out the Quality and Efficacy Consistency Evaluation of Generic Drugs (國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見), which requires pharmaceutical manufacturers to evaluate the quality and efficacy of certain generic drugs by 2018. In April 2016, the PRC government also announced a pilot program in certain provinces that implemented a "two-invoice system" (兩票制) which only allows a single-level of distributors for the sale of pharmaceutical products from the manufacturers to the hospitals and is expected to benefit our pharmaceutical distribution business which derives a majority of its segment revenue from sales to hospitals and other medical institutions. We expect that the implementation of these measures for the manufacturing and distribution of pharmaceutical products will also affect market competition and drive industry consolidation.

Business Combination and Integration

Our results of operations have been and will continue to be affected by our ability to successfully identify, execute and integrate mergers and acquisitions.

Historically, business combinations and integrations have significantly contributed to our growth. The successful integration of Beijing Pharmaceutical has strengthened our leading position in the PRC pharmaceutical industry. In addition, we obtained ownership of various drug products, including well-known "Tianhe"-branded orthopedics medicines, upon the acquisition of Guilin CR Tianhe in 2013, and quality oral antibiotics, upon the acquisition of Zhejiang Zhongyi in 2015, which also facilitated our brand extension and supplemented our pipeline as part of the strategic plan. In 2015, we acquired Jinan Limin to strengthen our cardiovascular product portfolio. Furthermore, we continually pursued selective acquisition opportunities of leading regional distributors to improve and expand our distribution network and thus enhance our leadership and market share nationally. For example, in 2013, we acquired CR Hunan Ruige Pharmaceutical to expand our pharmaceutical distribution network and enhance our access to end-customers in Hunan Province, complementing our existing local footprints to strengthen our regional competitiveness. In 2013, we also acquired CR Nantong Pharmaceutical to enhance our market share in the Nantong market, which was complementary to our local subsidiary, CR Suzhou Li'an, to enable further expansion of our regional sales scale and enhancement of our leadership and market share nationally.

We believe the fragmented PRC pharmaceutical market will continue to undergo industry consolidation, driven largely by the PRC government's initiative to optimize the structure of the industry and further healthcare reforms. As part of our overall growth strategy, we plan to continue to seek suitable targets for acquisitions. In particular, we aim to expand our product portfolio through selective strategic acquisitions in the biopharmaceutical sector and other high-growth therapeutic areas. We also plan to make selective acquisitions in the pharmaceutical distribution sector to further improve the coverage of our distribution network, promote synergies among our pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail businesses, as well as to diversify our product portfolio.

As an industry leader with a proven track record in business acquisition and integration, we are confident of our resources and experience to identify suitable acquisition targets, execute business combinations and implement post-merger integrations to realize expected synergies. However, our ability to benefit from business acquisition and integration is subject to a number of risks and uncertainties. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to completely and successfully carry out our expansion plans, and we may fail to realize the anticipated benefits of acquisitions that we have made or intend to make."

Product Portfolio and Our Ability to Optimize Product Mix

Our results of operations are affected by the product mix in our pharmaceutical manufacturing business. As of June 30, 2016, we manufactured and marketed a diversified product portfolio encompassing 505 pharmaceutical products, including 294 chemical drugs, 160 Chinese medicines and nine biopharmaceutical products, of which 302 were prescription drugs.

The gross margin and market demand for each product we manufacture vary significantly as a result of our diversified product portfolio. We continuously evaluate the product portfolio to allocate our resources towards products with promising market outlook and high profitability.

Our future results of operations will also depend on our ability to research, develop and commercialize new products, which typically command higher selling prices and profit margins. As of June 30, 2016, we had 33 drug candidates pending approval for production, 25 drug candidates in various stages of clinical trials and ten drug candidates pending approval to enter clinical trials. We believe the continuous development of new products will stimulate the sustainable and organic growth of our business.

Distribution and Retail Network

The scale, breadth and depth of our distribution and retail network directly impact our ability to grow. As of June 30, 2016, through our 109 subsidiaries and 114 logistic centers and warehouses located strategically across 19 provinces, we distribute over 30,000 pharmaceutical products to approximately 1,165 Class III hospitals, 3,034 Class II hospitals and 37,424 primary medical institutions in China. The vast scale and geographic diversity of our distribution network allow us to effectively provide high-quality pharmaceutical supply chain services to our customers, which in turn enables us to enhance customer relationships and bargaining powers. We also have 722 retail pharmacies covering 16 PRC provinces and Hong Kong, among which we operate our retail pharmacies under national or regional premium brand names, such as "CR Care (華潤堂)," "Yibaoquanxin (醫保全新)," "Li'an chain (禮安連鎖)," and "Tung Tak Tong (同德堂)." We believe the extensive presence of our retail stores strengthens our brand image and recognition, which will allow us to further expand the pharmaceutical retail business. However, our ability to utilize our distribution and retail network is subject to a number of risks and uncertainties. See "Risk Factors — Risks Relating to Our Business and Industry — Our pharmaceutical distribution and pharmaceutical retail businesses are subject to a variety of risks, which may have a material and adverse effect on our business, financial condition and results of operations."

Revenue from our direct sales to hospitals and other medical institutions, which is typically of a higher margin, represents a substantial portion of our pharmaceutical distribution revenue. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, revenue from direct sales to hospitals and other medical institutions accounted for 60.9%, 60.7%, 61.1%, 59.2% and 60.9%, respectively, of the external sales of our pharmaceutical distribution segment. We intend to continue to strengthen our relationship with hospitals to further increase our direct sales and improve our profitability.

As e-commerce continues to bring significant changes to consumers' lifestyle and consumption behaviors, we are strategically building our presence in e-commerce channels to capitalize on such emerging opportunities. We have achieved initial success in our pilot "business-to-business" program in Henan province through the launch of CR Pharma e-Store, which recorded gross merchandise volume of approximately RMB3.6 billion in the first year of operation in 2015. We believe that the development of e-commerce business will contribute to our sales growth and profitability.

Fluctuations of Major Cost and Expenses

The following major components of our cost of sales and operating expenses affect our results of operations:

The cost of raw materials for our pharmaceutical manufacturing business

Our profitability in the pharmaceutical manufacturing business is affected by our ability to procure principal raw materials at commercially reasonable prices, while the cost of purchasing raw materials is the largest component of our cost of sales in our pharmaceutical manufacturing business. The cost of raw materials amounted to HK$3,655.8 million, HK$4,140.7 million, HK$4,121.0 million, HK$2,021.0 million and HK$2,233.8 million respectively, representing 38.7%, 44.7%, 40.8%, 41.7% and 43.4% of total cost of sales for our pharmaceutical manufacturing business in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively. Generally, the price of raw materials for this segment was stable throughout the Track Record Period. However, the prices of certain raw materials used in the manufacturing of "E-Jiao" increased significantly over the past few years and are expected to continue to rise. To control our procurement cost, we have adopted various measures to mitigate the fluctuations of raw materials costs, including centralized purchasing to increase our bargaining powers with suppliers, more efficient inventory management to adjust the frequency and quantity of procurement based on market conditions, as well as the establishment of long-term strategic cooperative relationships with key suppliers. For those Chinese medicine products that are not subject to government price controls, we are generally able to pass on the increase in prices of raw materials to customers. We have also adopted internal procurement policies and procedures for raw material procurement and developed coordinated efforts for the purchase of pharmaceutical goods by our distribution subsidiaries. Furthermore, we manufacture active pharmaceutical ingredients for a number of our chemical drugs, which are raw materials for certain of our pharmaceutical products.

The cost of purchasing pharmaceutical products for our pharmaceutical distribution and pharmaceutical retail businesses

Our profitability in the pharmaceutical distribution and pharmaceutical retail businesses is affected by the cost of purchasing pharmaceutical products. The aggregate costs of purchasing pharmaceutical products for our pharmaceutical distribution and pharmaceutical retail businesses amounted to HK$85,014.0 million, HK$102,887.0 million, HK$113,410.5 million, HK$58,260.9 million and HK$62,286.3 million, respectively, representing 96.2%, 95.5%, 96.3%, 97.4% and 97.5% of total cost of sales for our pharmaceutical distribution and pharmaceutical retail businesses in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively, and such costs have a material effect on our profitability. Our products comprise a broad range of branded and generic prescription and OTC medicines and other personal care products. We use a variety of measures to control our cost of purchasing merchandise, including centralized purchases from suppliers and leveraging our nationwide distribution network.

Staff costs

We employ a large number of employees in both our pharmaceutical manufacturing and pharmaceutical distribution segments. Staff costs amounted to HK$5,560.1 million, HK$6,414.7 million, HK$6,481.9 million, HK$3,128.2 million and HK$3,168.9 million, respectively, representing 4.8%, 4.7%, 4.4%, 4.4% and 4.2% of our revenue in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively. As we continue to expand our business through organic growth and strategic acquisitions, our employee headcount is likely to continue to increase. We may also increase the compensation for our staff in order to attract and retain high-quality staff for our business operations. We believe that our investments in human resources will allow us to increase our revenue and enhance our overall productivity, which in turn would have a positive effect on our results of operations.

Our Ability to Realize Synergies

Our integrated business model with strategic presence in diversified areas enables significant synergies in a number of aspects. For example, collaboration between our pharmaceutical manufacturing business and our distribution business by leveraging the extensive distribution sales network could generate incremental sales. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, inter-segment sales of our pharmaceutical manufacturing business, which represents the sales from this segment to our pharmaceutical distribution business for resale, was HK$1,478.2 million, HK$2,253.2 million, HK$2,647.0 million, HK$1,231.8 million and HK$1,264.2 million, respectively, representing 6.6%, 10.3%, 10.9%, 10.4% and 10.3%, respectively, of our pharmaceutical manufacturing business segment revenue. Our pharmaceutical retail business facilitates the promotion and sale of our OTC products and nutritional and health products through its extensive retail pharmacy network. Our distribution and retail businesses also benefit our manufacturing business by advising on tender strategies in the centralized tender process and on the growth strategies of retail pharmacies and other outlets for OTC products and nutritional and health products. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, inter-segment revenue of our pharmaceutical distribution business, which mainly represents sales of pharmaceutical and other healthcare products by this segment to our pharmaceutical retail business for resale, was HK$905.2 million, HK$1,307.9

million, HK$1,965.5 million, HK$866.8 million and HK$984.8 million, respectively, representing 1.0%, 1.2%, 1.6%, 1.5% and 1.6%, respectively, of the segment revenue in the same periods. We expect this percentage to further increase with the integration of our business segments. See "Business — Competitive Strengths."

We have developed actionable strategies and road maps to harness synergies from our business model. See "Business — Business Strategies." Our ability to successfully execute such strategies will therefore impact our results of operations.

Effects of Currency Fluctuation on Translation

We conduct our businesses mainly in Renminbi, while our financial information is presented in Hong Kong dollars. In preparing our consolidated financial statements, the results of operations and financial condition of our operating subsidiaries, which are initially prepared in their functional currencies, predominantly in Renminbi, are translated into Hong Kong dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong dollar will result in changes in the value of our non-Hong Kong dollar denominated assets and liabilities, which will impact our "translation reserve" component in our other comprehensive income and, depending on the magnitude of these fluctuations, could obscure or even reverse the underlying trends that would have been apparent if our consolidated financial statements had been prepared on a constant currency basis.

The following table sets forth the exchange rates between the Hong Kong dollar and the Renminbi which we used to prepare our consolidated statements of financial position, together with the average daily rates we used to prepare our consolidated statements of profit or loss and other comprehensive income as of the dates or for the periods indicated:

	As of or for the year ended December 31,						As of or for the six months ended June 30,			
	2013		2014		2015		2015		2016	
	Closing	Average	Closing	Average	Closing	Average	Closing	Average	Closing	Average
Renminbi/ Hong Kong dollar	1.27189	1.25202	1.26764	1.26246	1.19363	1.24544	1.26805	1.26514	1.17004	1.18935

We cannot predict how the Renminbi will fluctuate against the Hong Kong dollar in the future, and currency translation or exchange differences may continue to impact our other comprehensive income. We cannot assure that significant appreciation or depreciation of the Renminbi against the Hong Kong dollar will not occur. See "Risk Factors — Risks Relating to Our Business and Industry — Our financial statements are subject to currency fluctuation on translation."

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Note 4 to Appendix I — "Accountants' Report" to this prospectus includes a summary of significant accounting policies used in the preparation of our consolidated financial statements. The determination of these accounting policies is fundamental to our financial

condition and results of operations, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. We believe the following represents our critical accounting judgments and estimates:

Control over Dong-E-E-Jiao

One of our subsidiaries, Dong-E-E-Jiao, is a publicly traded company listed on the Shenzhen Stock Exchange. As of June 30, 2016, we indirectly held 27.8% of the equity interests in Dong-E-E-Jiao. As of the same date, the remaining equity interests in Dong-E-E-Jiao were held by public shareholders that were unrelated to us, among which the largest shareholder held less than 5%. We had consolidated Dong-E-E-Jiao's results of operations into our consolidated financial statements during the Track Record Period and up to the Latest Practicable Date, because we had been the single largest shareholder of Dong-E-E-Jiao and were able to control the board of directors of Dong-E-E-Jiao.

Control over CR Double-Crane

One of our subsidiaries, CR Double-Crane, is a publicly traded company listed on the Shanghai Stock Exchange. As of December 31, 2014, we indirectly held 49.12% of the equity interests in CR Double-Crane through Beijing Pharmaceutical, and we acquired an additional 10.87% equity interest in CR Double-Crane and held, indirectly, 59.99% as of June 30, 2016. As of the same date, the remaining equity interests in CR Double-Crane were held by public shareholders that were unrelated to us, among which the largest shareholder held less than 2%. We had consolidated CR Double-Crane's results of operations into our consolidated financial statements during the Track Record Period and up to the Latest Practicable Date, because we had been the single largest shareholder of CR Double-Crane and were able to control the board of directors of CR Double-Crane.

Goodwill

Goodwill arose in the acquisition because the cost of the combination included the benefit of expected synergies, revenue growth, future market development, the assembled workforce and the control premium of the acquirees as the acquirees are engaged in pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail of pharmaceutical, healthcare and Chinese medicine products. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. For further details, see note 37 to our consolidated financial statements included in Appendix I — "Accountants' Report" to this prospectus.

The current level of goodwill has been allocated to individual cash generating units which are grouped into three categories: (i) distribution of pharmaceutical products; (ii) manufacturing of pharmaceutical products in China; and (iii) retail segment. The discount rates applied to cash generating units were (i) 7%-14%, 7%-13%, 8%-12% and 8%-12% per year for the distribution of our pharmaceutical products; (ii) 7%-15%, 11%-12%, 11%-12% and 11%-12% per year for the manufacturing of our pharmaceutical products and (iii) 7.9%, 11%, 11% and 11% per year for the retail of our pharmaceutical products as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. The wide range of discount rates used reflected the distinctive attributes of different companies we acquired, which resulted in differences in (i) the cost of equity, which is determined by benchmarking to comparable companies in the similar industry, if any, (ii) the risk premium, (iii) the cost of debts and (iv) other factors to be considered of each cash generating unit at the end of each reporting period. The growth rates for distribution of pharmaceutical products, manufacturing of pharmaceutical products and retail segments were based on the relevant industry growth forecasts of different companies and our Directors' expectations on the business plan and outlook for the acquired entities.

For the purpose of impairment testing, the recoverable amount of cash generating units has been determined based on a "value in use" calculation. The calculation uses cash flow projections based on financial budgets approved by our Directors covering a five-year period and a discount rate at the end of each reporting period. These cash generating units' cash flows beyond the five-year period are extrapolated using a steady growth rate at the end of each reporting period. Our Directors are of the view that no additional impairment loss of goodwill allocated to each cash generating unit is recognized as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively, except for the impairment loss of HK$60.1 million in relation to goodwill of a subsidiary in 2015. Save as disclosed above, our Directors consider the remaining goodwill to be fully recoverable at the end of the reporting period, based on the "value in use" calculation method.

After performing a sensitivity analysis based on a reasonable range, which is either a 0.5% to 3% increase in discount rates or a 2.0% to 3.5% decrease in growth rates (other variables remaining constant) applied in the cash flow projections, in determining the recoverable amount of the significant cash generating units during the Track Record Period, the goodwill is considered fully recoverable and there are no additional impairment losses to be recognized on the goodwill allocated to each cash generating unit in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

For further details in relation to goodwill, see note 20 to our consolidated financial statements included in Appendix I — "Accountants' Report" to this prospectus.

In addition, we also consider the following as our critical accounting judgments and estimates, the details of which are set out in note 5 to our consolidated financial statements included in Appendix I — "Accountants' Report" to this prospectus:

- estimated impairment of goodwill and intangible assets;
- estimation of useful lives of property, plant and equipment;
- estimated impairment of property, plant and equipment;
- allowance for doubtful debts;
- allowance for inventories; and

- income tax.

See note 3 to our consolidated financial statements included in Appendix I — "Accountants' Report" for recently issued accounting standards and interpretations of existing standards that are not yet effective and have not been adopted early by us. We are in the process of making an assessment of the impact of the new and revised HKFRS set forth in the note.

COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Revenue	116,950.7	135,749.2	146,568.1	71,262.9	75,615.5
Cost of sales	(96,801.6)	(114,259.2)	(123,369.2)	(59,786.3)	(63,862.4)
Gross profit	**20,149.1**	**21,490.0**	**23,198.9**	**11,476.6**	**11,753.1**
Other income	756.3	917.5	1,002.4	359.2	451.9
Other gains and losses	271.3	518.2	1,160.9	998.5	186.0
Selling and distribution expenses	(8,423.1)	(8,800.1)	(10,111.6)	(4,614.1)	(4,968.2)
Administrative expenses	(3,673.5)	(4,246.8)	(3,844.9)	(1,842.8)	(1,743.8)
Other expenses	(445.5)	(886.0)	(1,363.1)	(277.3)	(552.9)
Share of results of associates	54.9	64.6	58.2	20.1	31.8
Share of result of a joint venture	(5.9)	—	—	—	—
Listing expenses	—	—	—	—	(40.0)
Finance costs	(1,770.7)	(2,134.6)	(2,050.5)	(1,027.7)	(889.1)
Profit before tax	**6,912.9**	**6,922.8**	**8,050.3**	**5,092.5**	**4,228.8**
Income tax expense	(1,458.3)	(1,430.9)	(1,968.1)	(1,230.9)	(1,048.3)
Profit for the year or period	**5,454.6**	**5,491.9**	**6,082.2**	**3,861.6**	**3,180.5**
Attributable to:					
Owners of the Company	2,639.5	2,645.9	2,850.1	2,281.6	1,636.1
Non-controlling interests(1)	2,815.1	2,846.0	3,232.1	1,580.0	1,544.4

(1) Non-controlling interests include those in CR Sanjiu, Dong-E-E-Jiao, CR Double-Crane and other non-wholly-owned subsidiaries. For our shareholding interests and non-controlling interests in each of these subsidiaries, see note 36 in Appendix I — "Accountants' Report" to this prospectus.

Revenue

We derive our revenue primarily from three main business segments: (i) pharmaceutical manufacturing; (ii) pharmaceutical distribution; and (iii) pharmaceutical retail. We also derive a small portion of our revenue from certain other businesses, such as manufacturing and sales of medical devices and rental income from investment properties.

Our revenue from external sales represents total segment revenue after elimination of revenue from inter-segment sales. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our total revenue was HK$116,950.7 million, HK$135,749.2 million, HK$146,568.1 million, HK$71,262.9 million and HK$75,615.5 million, respectively. The following table sets forth our revenue by business segment for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2013			2014			2015			2015			2016		
	External sales	Inter-segment sales	Segment revenue	External sales	Inter-segment sales	Segment revenue	External sales	Inter-segment sales	Segment revenue	External sales	Inter-segment sales	Segment revenue	External sales	Inter-segment sales	Segment revenue
										(Unaudited)					
	(HK$ in millions)														
Segments:															
Pharmaceutical manufacturing	20,837.2	1,478.2	22,315.4	19,713.8	2,253.2	21,967.0	21,606.6	2,647.0	24,253.6	10,593.8	1,231.8	11,825.6	10,960.2	1,264.2	12,224.4
Pharmaceutical distribution	91,651.9	905.2	92,557.1	111,789.8	1,307.9	113,097.7	121,190.9	1,965.5	123,156.4	58,755.7	866.8	59,622.5	62,682.7	984.8	63,667.5
Pharmaceutical retail	2,600.6	—	2,600.6	3,040.3	—	3,040.3	3,651.2	—	3,651.2	1,840.9	—	1,840.9	1,921.5	—	1,921.5
Others	1,861.0	—	1,861.0	1,205.3	—	1,205.3	119.4	—	119.4	72.5	—	72.5	51.1	—	51.1
Elimination	—	(2,383.4)	(2,383.4)	—	(3,561.1)	(3,561.1)	—	(4,612.5)	(4,612.5)	—	(2,098.6)	(2,098.6)	—	(2,249.0)	(2,249.0)
Total	**116,950.7**	**—**	**116,950.7**	**135,749.2**	**—**	**135,749.2**	**146,568.1**	**—**	**146,568.1**	**71,262.9**	**—**	**71,262.9**	**75,615.5**	**—**	**75,615.5**

Pharmaceutical Manufacturing

Our pharmaceutical manufacturing business generates revenue primarily from our manufacturing and sales of an extensive range of pharmaceutical and other healthcare products, including chemical drugs, Chinese medicines, biopharmaceutical products, nutritional and health products and other products.

The following table sets forth a breakdown of our pharmaceutical manufacturing business segment revenue by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
							(Unaudited)			
	(HK$ in millions, except percentages)									
Chemical drugs	9,020.3	40.4%	9,144.2	41.6%	9,406.9	38.8%	4,790.2	40.5%	5,135.6	42.0%
Chinese medicines	10,105.2	45.3	10,908.6	49.7	12,336.5	50.9	5,855.9	49.5	6,042.7	49.4
Biopharmaceutical drugs	116.6	0.5	41.4	0.2	197.9	0.8	109.4	0.9	123.0	1.0
Nutritional and health products	303.1	1.4	374.6	1.7	382.5	1.6	171.5	1.5	162.9	1.3
Others[(1)]	2,770.2	12.4	1,498.2	6.8	1,929.8	7.9	898.6	7.6	760.2	6.3
Segment revenue	**22,315.4**	**100.0%**	**21,967.0**	**100.0%**	**24,253.6**	**100.0%**	**11,825.6**	**100.0%**	**12,224.4**	**100.0%**

(1) Revenue from sales of our other products include revenue from sales of Chinese herbs, pharmaceutical packages, rubber gloves and contraceptive products. In 2013 only, revenue from sales of our other products also included the revenue generated from Sanjiu Neurosurgical Hospital which has not been consolidated in our financial statements since 2014.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment revenue of our pharmaceutical manufacturing business was HK$22,315.4 million, HK$21,967.0 million, HK$24,253.6 million, HK$11,825.6 million and HK$12,224.4 million, respectively. The decrease in our segment revenue from 2013 to 2014 primarily reflected the combined effect of the decreased revenue from others in our pharmaceutical manufacturing business as we ceased to operate, or disposed of, certain businesses that were not aligned with our growth strategy. The revenue growth in 2015 and the first half of 2016 was primarily driven by an increase in sales from our chemical drugs, mainly attributable to our business acquisition of Jinan Limin and Zhejiang Zhongyi, and from Chinese medicines as a result of our effective marketing and promotional efforts.

Certain subsidiaries of our pharmaceutical manufacturing business, such as CR Sanjiu and CR Double-Crane, have occasionally recorded lower revenues in the summer. This seasonality is largely due to lower demand for certain of our pharmaceutical products during the summer months.

Chemical Drugs

Revenue from sales of our chemical drugs was HK$9,020.3 million, HK$9,144.2 million, HK$9,406.9 million, HK$4,790.2 million and HK$5,135.6 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 40.4%, 41.6%, 38.8%, 40.5% and 42.0%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. For

our major chemical drugs products, see "Business — Pharmaceutical Manufacturing — Product Portfolio." The increase in revenue from our chemical drug products during the Track Record Period mainly reflected the increased revenue generated from our major chemical drugs, principally driven by our acquisitions and continued market demand for chemical drugs.

Chinese Medicines

Revenue from sales of our Chinese medicines was HK$10,105.2 million, HK$10,908.6 million, HK$12,336.5 million, HK$5,855.9 million and HK$6,042.7 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 45.3%, 49.7%, 50.9%, 49.5% and 49.4%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. For our major Chinese medicines products, see "Business — Pharmaceutical Manufacturing — Product Portfolio." The increase in revenue from our Chinese medicines during the Track Record Period mainly reflected the increased revenue generated from our major Chinese medicines as a result of our effective marketing and promotional efforts and our ability to increase the selling price for certain products, such as E-Jiao products.

Biopharmaceutical Products

Our biopharmaceutical products include medicinal drugs manufactured using biotechnology means or biological processes. Revenue from our biopharmaceutical products was HK$116.6 million, HK$41.4 million, HK$197.9 million, HK$109.4 million and HK$123.0 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 0.5%, 0.2%, 0.8%, 0.9% and 1.0%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods.

The changes in our revenue from biopharmaceutical products in 2013, 2014 and 2015 were due to our changes of distribution models. We sold our biopharmaceutical products directly to customers in 2013 and 2015 while in 2014 we sold biopharmaceutical products through third-party distributors, under which we sold our products to distributors at a lower price compared to the direct sale model. The increase in our revenue in the first half of 2016 was primarily due to the sales growth of our biopharmaceutical products, in line with the expansion of overall biopharmaceutical market and our direct sales to hospitals and other medical institutions.

Nutritional and Health Products

Our nutritional and health products mainly consist of Taohuaji (桃花姬), which accounted for a substantial majority of our revenue from nutritional and health products. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our revenue from nutritional and health products was HK$303.1 million, HK$374.6 million, HK$382.5 million, HK$171.5 million and HK$162.9 million, respectively, representing 1.4%, 1.7%, 1.6%, 1.5% and 1.3%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. The increase in revenue from nutritional and health products from 2013 to 2015 was primarily due to the growing market demand for nutritional

and health products in China and the increased sales of Taohuaji (桃花姬). The slight revenue decrease in the first half of 2016 was mainly a result of currency translation effect due to significant depreciation of the Renminbi against the Hong Kong dollar, our reporting currency, during the second half of 2015 and the first half of 2016.

Others

Revenue from our other products includes revenue from sales of Chinese herbs, pharmaceutical packages, rubber gloves and contraceptive products. In 2013, revenue from our other products also included the revenue generated from Sanjiu Neurosurgical Hospital. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, revenue from our other products was HK$2,770.2 million, HK$1,498.2 million, HK$1,929.8 million, HK$898.6 million and HK$760.2 million, respectively, representing 12.4%, 6.8%, 7.9%, 7.6% and 6.3%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods.

Revenue from inter-segment sales of our pharmaceutical manufacturing business mainly represents inter-segment sales of products from our pharmaceutical manufacturing business to our pharmaceutical distribution business for resale. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, revenue from inter-segment sales accounted for 6.6%, 10.3%, 10.9%, 10.4% and 10.3% of our pharmaceutical manufacturing segment revenue in the same periods, respectively. The growing revenue from inter-segment sales was mainly driven by our effort to increase the synergies between our pharmaceutical manufacturing and pharmaceutical distribution businesses.

Pharmaceutical Distribution

Our pharmaceutical distribution business generates revenue primarily from distribution, warehousing and logistics of pharmaceutical products, and other value-added pharmaceutical supply chain services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment revenue of our pharmaceutical distribution business was HK$92,557.1 million, HK$113,097.7 million, HK$123,156.4 million, HK$59,622.5 million and HK$63,667.5 million, respectively. The revenue growth during these periods was primarily driven by the increased overall market demand for pharmaceutical products and the relatively stable growth of our direct sales to hospitals and other medical institutions.

The following table sets forth a breakdown of the segment revenue of our pharmaceutical distribution business by customer type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales	Amount	% of external sales
	(HK$ in millions, except percentages)									
External sales										
Hospitals and other medical institutions.	55,811.5	60.9%	67,828.3	60.7%	74,082.1	61.1%	34,764.0	59.2%	38,159.9	60.9%
Other distributors	32,501.5	35.5	39,945.8	35.7	43,008.3	35.5	21,141.0	35.9	21,174.2	33.8
Retail pharmacies and others	3,338.9	3.6	4,015.7	3.6	4,100.5	3.4	2,850.7	4.9	3,348.6	5.3
Total	**91,651.9**	**100.0**	**111,789.8**	**100.0**	**121,190.9**	**100.0**	**58,755.7**	**100.0**	**62,682.7**	**100.0**
Inter-segment sales	905.2	1.0	1,307.9	1.2	1,965.5	1.6	866.8	1.5	984.8	1.6
Segment revenue	92,557.1	101.0%	113,097.7	101.2%	123,156.4	101.6%	59,622.5	101.5%	63,667.5	101.6%

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, sales of pharmaceutical products, healthcare products and medical supplies to our hospitals and other medical institutions customers was HK$55,811.5 million, HK$67,828.3 million, HK$74,082.1 million, HK$34,764.0 million and HK$38,159.9 million, respectively, representing 60.9%, 60.7%, 61.1%, 59.2% and 60.9%, respectively, of our pharmaceutical distribution segment revenue during the same periods. As of June 30, 2016, we had approximately 44,986 hospitals and other medical institutions, 6,235 distributors and 722 retail pharmacies in our distribution network, mainly located in 19 PRC provinces. Going forward, we expect acquisitions of local or regional distributors in China to be an important driving force of the growth of our pharmaceutical distribution business.

Revenue from inter-segment sales of our pharmaceutical distribution business mainly represents sales of pharmaceutical and other healthcare products by this segment to our pharmaceutical retail business for resale. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, revenue from inter-segment sales of our pharmaceutical distribution business was HK$905.2 million, HK$1,307.9 million, HK$1,965.5 million, HK$866.8 million and HK$984.8 million, respectively, representing 1.0%, 1.2%, 1.6%, 1.5% and 1.6%, respectively of the segment revenue in the same periods. The growing revenue from inter-segment sales was mainly driven by our effort to increase the synergies between our pharmaceutical distribution and pharmaceutical retail businesses.

Pharmaceutical Retail

Our pharmaceutical retail business generates revenue primarily from our retail pharmacies in China and Hong Kong. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment revenue of our pharmaceutical retail business was HK$2,600.6 million, HK$3,040.3 million, HK$3,651.2 million, HK$1,840.9 million and HK$1,921.5 million, respectively. The revenue growth during these periods was primarily due to an increase in the number of our retail pharmacies and the expansion of our "Direct-to-Patient" services for high-value pharmaceutical products.

Others

Revenue from our other business operations in 2013 and 2014 consists mainly of manufacturing and sales of medical devices and rental income from investment properties, while revenue from our other business operations in 2015 and the first half of 2016 consists mainly of rental income from investment properties. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, the revenue of our other business operations was HK$1,861.0 million, HK$1,205.3 million, HK$119.4 million, HK$72.5 million and HK$51.1 million, respectively. The substantial decrease in revenue from this segment in 2015 was mainly due to the disposal of CR Wandong Medical Equipment and Shanghai Medical Instruments.

Cost of Sales, Gross Profit and Gross Margin

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our cost of sales was HK$96,801.6 million, HK$114,259.2 million, HK$123,369.2 million, HK$59,786.3 million and HK$63,862.4 million, respectively, and our gross profit was HK$20,149.1 million, HK$21,490.0 million, HK$23,198.9 million, HK$11,476.6 million and HK$11,753.1 million, respectively. Our gross margin, which equals gross profit divided by revenue, was 17.2%, 15.8%, 15.8%, 16.1% and 15.5%, respectively, in the same periods.

The following table sets forth a breakdown of our revenue, cost of sales, gross profit and gross margin by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
							(Unaudited)			
	(HK$ in millions, except percentages)									
Pharmaceutical manufacturing										
Segment revenue	22,315.4	100.0	21,967.0	100.0	24,253.6	100.0	11,825.6	100.0	12,224.4	100.0
Segment cost of sales	9,436.0	42.3	9,254.0	42.1	10,095.0	41.6	4,844.2	41.0	5,144.0	42.1
Segment gross profit	12,879.4	57.7	12,713.0	57.9	14,158.6	58.4	6,981.4	59.0	7,080.4	57.9
Pharmaceutical distribution										
Segment revenue	92,557.1	100.0	113,097.7	100.0	123,156.4	100.0	59,622.5	100.0	63,667.5	100.0
Segment cost of sales	86,423.9	93.4	105,372.9	93.2	114,874.7	93.3	55,557.9	93.2	59,414.7	93.3
Segment gross profit	6,133.2	6.6	7,724.8	6.8	8,281.7	6.7	4,064.6	6.8	4,252.8	6.7
Pharmaceutical retail										
Segment revenue	2,600.6	100.0	3,040.3	100.0	3,651.2	100.0	1,840.9	100.0	1,921.5	100.0
Segment cost of sales	1,957.4	75.3	2,319.7	76.3	2,951.0	80.8	1,446.0	78.6	1,535.2	79.9
Segment gross profit	643.2	24.7	720.6	23.7	700.2	19.2	394.9	21.4	386.3	20.1
Others										
Segment revenue	1,861.0	100.0	1,205.3	100.0	119.4	100.0	72.5	100.0	51.1	100.0
Segment cost of sales	1,367.7	73.5	873.7	72.5	61.0	51.1	36.8	50.7	17.5	34.2
Segment gross profit	493.3	26.5	331.6	27.5	58.4	48.9	35.7	49.3	33.6	65.8

Pharmaceutical Manufacturing

The principal components of cost of sales of our pharmaceutical manufacturing business consist of raw materials and consumables used, labor costs and depreciation costs. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, cost of sales in our pharmaceutical manufacturing segment was HK$9,436.0 million, HK$9,254.0 million, HK$10,095.0 million HK$4,844.2 million and HK$5,144.0 million, respectively. The changes in cost of sales in these periods generally corresponded to the changes in our pharmaceutical manufacturing segment revenue.

To minimize the impact of rising raw material prices, we have adopted measures to reduce our raw material procurement cost, such as centralizing our procurement platforms, adopting more efficient inventory management to adjust the frequency and quantity of procurement according to market prices and strengthening our long-term cooperative relationships with our key suppliers. We have also coordinated the purchase of merchandise by our distribution subsidiaries and performed periodic internal audits to monitor their purchases. See "Business — Pharmaceutical Manufacturing — Raw Material Procurement."

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment gross profit, which is equal to segment revenue less segment cost of sales, was HK$12,879.4 million, HK$12,713.0 million, HK$14,158.6 million, HK$6,981.4 million and HK$7,080.4 million, respectively. In 2013, 2014 and 2015, segment gross margin, which is equal to segment gross profit divided by segment revenue, remained stable at 57.7%, 57.9% and 58.4%, respectively. The decrease of our segment gross margin from 59.0% in the six months ended June 30, 2015 to 57.9% in the six months ended June 30, 2016 was mainly due to changes in product mix.

Pharmaceutical Distribution

The cost of sales of our pharmaceutical distribution business mainly represents cost of pharmaceutical and other healthcare products purchased by us for resale. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, cost of sales in our pharmaceutical distribution segment was HK$86,423.9 million, HK$105,372.9 million, HK$114,874.7 million, HK$55,557.9 million and HK$59,414.7 million, respectively. The increase in cost of sales during these periods was largely due to the growth of our pharmaceutical distribution business.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment gross profit, which is equal to segment revenue less segment cost of sales, was HK$6,133.2 million, HK$7,724.8 million, HK$8,281.7 million, HK$4,064.6 million and HK$4,252.8 million, respectively, and segment gross margin, which is equal to segment gross profit divided by segment revenue, remained relatively stable at 6.6%, 6.8%, 6.7%, 6.8% and 6.7%, respectively. During these periods, the gross margin of our pharmaceutical distribution business was primarily affected by a number of factors, such as product mix, customer mix and regulatory environment and competition.

Manufacturers offer different profit margins for distributing different products. To optimize our product mix, we evaluate our product mix from time to time to ensure that our resources are properly allocated in line with our business strategies. In addition, we enjoy higher gross margins for products sold directly to hospitals and other medical institutions than those sold to other distributors, retail pharmacies and other customers. We endeavor to further strengthen our capability to sell products directly to hospitals and other medical institutions and increase the revenue contribution from sales to such customers.

Pharmaceutical Retail

The cost of sales of our pharmaceutical retail business mainly consists of the cost of pharmaceutical and healthcare products purchased by us for resale. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment cost of sales in our pharmaceutical retail segment was HK$1,957.4 million, HK$2,319.7 million, HK$2,951.0 million, HK$1,446.0 million and HK$1,535.2 million, respectively. The change of segment cost of sales during these periods corresponded to the changes in our segment sales.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment gross profit, which is equal to segment revenue less segment cost of sales, was HK$643.2 million, HK$720.6 million, HK$700.2 million, HK$394.9 million and HK$386.3 million, respectively, and our segment gross margin, which is equal to segment gross profit divided by segment revenue, was 24.7%, 23.7%,

19.2%, 21.4% and 20.1%, respectively. The decrease of segment gross margin was primarily due to an expansion of our "Direct-to-Patient" services for high-value pharmaceutical products, which has a relatively low profit margin. We are implementing a number of strategies to improve profitability of our pharmaceutical retail business. For example, we plan to accelerate the integration of CR Care and Sanjiu retail chain stores with our existing retail pharmacies business, while further developing strategic cooperative relationships with international partners to jointly develop our pharmaceutical retail business.

Others

The cost of sales of our other business operations mainly consists of the manufacturing costs of medical devices and operating costs of our investment properties. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment cost of sales was HK$1,367.7 million, HK$873.7 million, HK$61.0 million, HK$36.8 million and HK$17.5 million, respectively.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, segment gross profit, which is equal to segment revenue less segment cost of sales, was HK$493.3 million, HK$331.6 million, HK$58.4 million, HK$35.7 million and HK$33.6 million, respectively, and our segment gross margin, which is equal to segment gross profit divided by segment revenue, was 26.5%, 27.5%, 48.9%, 49.3% and 65.8%, respectively.

Other Income

Our other income consists primarily of government grants, interest income and service income. Government grants mainly represent government awards relating to research and development projects and government compensation for relocation of certain of our manufacturing and operating premises. Interest income mainly represents the interest we earn from our cash deposits with banks and other financial institutions. Service income mainly represents income received for our provision of value-added services in our pharmaceutical distribution business. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our other income was HK$756.3 million, HK$917.5 million, HK$1,002.4 million, HK$359.2 million and HK$451.9 million, respectively.

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Government grants	253.7	292.1	255.5	45.4	85.1
Interest income	132.9	145.4	232.0	122.4	130.1
Service income	85.9	178.6	218.0	98.8	127.9
Write off of other payables	—	—	23.3	—	—
Sales of scrap materials	51.8	40.5	14.5	0.1	—
Others	232.0	260.9	259.1	92.5	108.8
Total	**756.3**	**917.5**	**1,002.4**	**359.2**	**451.9**

Other Gains and Losses

Our other gains and losses consist primarily of gain or loss on disposals of associates, subsidiaries, available-for-sale investments, assets classified as held for sale, prepaid lease payments and property, plant and equipment and impairment loss recognized on various assets.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, we recorded other gains and losses of HK$271.3 million, HK$518.2 million, HK$1,160.9 million, HK$998.5 million and HK$186.0 million, respectively. The following table sets forth the components of our other gains and losses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Gain on disposal of associates	28.6	—	41.7	—	—
Gain (loss) on disposal of available-for-sale investments	67.7	6.5	(15.8)	(12.5)	1.6
Gain on disposal of subsidiaries	5.8	5.7	32.0	3.7	28.7
Gain on disposal of subsidiaries classified as held for sale	—	—	840.6	840.6	49.3
Gain (loss) on disposal of property, plant and equipment	3.8	(14.9)	(7.6)	(7.1)	9.8
(Loss) gain on disposal of prepaid lease payments	(0.2)	(0.2)	148.5	148.5	—
Impairment loss recognized on property, plant and equipment	(13.2)	(16.7)	(21.5)	(15.8)	—
Impairment loss recognized on intangible assets	—	(1.7)	—	—	—
Impairment loss recognized on trade receivables, net	(38.2)	(45.0)	(54.8)	(27.9)	(59.1)
(Impairment loss) reversal of impairment recognized on other receivables, net	(14.7)	(16.5)	4.1	(1.7)	(16.6)
Impairment loss recognized on goodwill	—	—	(60.1)	—	—
Investment income on available-for-sale investments	130.2	289.1	189.7	99.3	69.0
Gain arising on change in fair value of investment properties	108.1	299.8	69.3	—	109.1
Others	(6.6)	12.1	(5.2)	(28.6)	(5.8)
	271.3	**518.2**	**1,160.9**	**998.5**	**186.0**

Most of our other gains or losses during the Track Record Period were not recurring in nature and reflected our decision to dispose of certain assets, or changes in our gains from wealth management products and investment properties.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of marketing expenses, staff costs, transportation expenses and travelling costs.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our selling and distribution expenses were HK$8,423.1 million, HK$8,800.1 million, HK$10,111.6 million, HK$4,614.1 million and HK$4,968.2 million, respectively. During the Track Record Period, our selling and distribution expenses increased in absolute terms with the growth of our business.

The following table sets forth the components of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Marketing expenses	3,600.1	3,667.4	4,805.0	2,055.6	2,441.9
Staff costs	2,083.0	2,426.7	2,709.6	1,352.0	1,389.2
Transportation expenses	1,094.4	827.0	834.3	389.6	361.3
Travelling costs	426.0	378.0	413.7	195.7	159.0
Rent, property management, water and electricity	206.8	349.0	397.8	203.8	216.0
Depreciation	81.9	120.0	137.5	63.0	90.7
Office supplies	162.2	268.0	239.3	113.8	103.5
Others	768.7	764.0	574.4	240.6	206.6
Total	**8,423.1**	**8,800.1**	**10,111.6**	**4,614.1**	**4,968.2**

Administrative Expenses

Administrative expenses primarily consist of staff costs, depreciation and amortization, rental and property management, professional fees, travelling and meeting expenses and office expenses. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our administrative expenses were HK$3,673.5 million, HK$4,246.8 million, HK$3,844.9 million, HK$1,842.8 million and HK$1,743.8 million, respectively. The decrease in 2015 was mainly due to decreases in staff costs and provision for retirement of employees, while the increase in 2014 mainly resulted from the increased staff costs and the recognition of provision for employee retirement benefits. The decrease in the first half of 2016 was primarily due to (i) our reduced corporate disposal and acquisition activities and the resulting decrease in our professional fees paid; and (ii) our effective implementation of cost control measures.

The following table sets forth the components of our administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Staff costs	1,661.0	1,948.3	1,890.7	892.7	894.7
Depreciation	206.5	229.6	247.2	111.1	129.2
Rental and property management	140.5	140.7	187.7	68.0	62.7
Amortization on intangible assets	191.3	202.8	168.0	84.6	93.4
Professional fees	163.2	147.0	131.7	117.7	51.7
Local taxes and stamp duties	148.6	171.2	226.3	93.2	87.8
Travelling and meeting expenses	225.0	243.8	227.9	105.0	92.7
Office expenses	376.6	353.4	307.8	140.0	124.3
Repairs and maintenance expenses	102.9	85.1	67.4	20.0	17.1
Provision for retirement of employees[(1)]	—	344.6[(1)]	—	—	—
Others	457.9	380.3	390.2	210.5	190.2
Total	**3,673.5**	**4,246.8**	**3,844.9**	**1,842.8**	**1,743.8**

(1) In 2014, we set aside additional provision for retirement of employees in relation to the restructuring of Beijing Pharmaceutical.

We expect our selling and distribution expenses and administrative expenses to increase in absolute terms going forward, as we continue to expand the scale of our business operations through both organic growth and acquisitions.

Other Expenses

Other expenses primarily consist of research and development expenses and foreign exchange gains or losses. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our other expenses were HK$445.5 million, HK$886.0 million, HK$1,363.1 million, HK$277.3 million and HK$552.9 million, respectively, and this increase mainly reflected our continued research and development efforts and the fluctuations in the exchange rates between the Renminbi and the Hong Kong dollar.

The following table sets forth the components of our other expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Research and development expenses	495.9	786.6	708.9	272.8	361.3
Exchange (gain) loss	(135.4)	26.4	570.0	(33.3)	156.2
Donation	26.7	28.3	16.8	11.4	4.7
Others	58.3	44.7	67.4	26.4	30.7
Total	**445.5**	**886.0**	**1,363.1**	**277.3**	**552.9**

As of June 30, 2016, the cumulative amount of research and development expenses directly incurred for our products under development was approximately HK$660.0 million, which did not include indirect expenses such as depreciation, operational expenses for our research and development platforms and management expenses or expenses related to the programs completed, suspended or terminated before June 30, 2016 or our product improvement programs. In addition, our direct research and development expenses to be incurred for the products under development in the second half of 2016 are expected to be approximately HK$320.0 million.

Share of Results of Associates and Share of Results of a Joint Venture

We account for an entity as our associate if we have significant influence but no control over such entity. We account for an entity as our joint venture if neither we nor our joint venture partner, pursuant to the relevant joint venture agreements, has unilateral control over the economic activities of such joint venture. Investments in associates and joint ventures are accounted for using the equity method of accounting. We recognize our share of results of associates and a joint venture in our income statement.

In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, we had share of results of associates of HK$54.9 million, HK$64.6 million, HK$58.2 million, HK$20.1 million and HK$31.8 million, respectively. We only had share of loss of a joint venture of HK$5.9 million in 2013. We expect our share of the results of our associates will not have a significant impact on our results of operations.

Finance Costs

The following table sets forth the components of our finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Interest on bank borrowings wholly repayable within five years	1,542.7	1,792.6	1,746.7	909.5	689.2
Interest on bonds payable	246.5	368.4	341.2	148.2	223.5
Interest on borrowings from intermediate holding company	15.8	3.4	4.0	2.2	—
Less: Interest capitalized in property, plant and equipment	(34.3)	(29.8)	(41.4)	(32.2)	(23.6)
	1,770.7	**2,134.6**	**2,050.5**	**1,027.7**	**889.1**

As a percentage of revenue, finance costs was 1.5%, 1.6%, 1.4%, 1.4% and 1.2% in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016. Our interest expenses on borrowings and bonds fluctuated during the Track Record Period due to changes in the average balance of our indebtedness, and the changes in prevailing market interest rates. See "— Indebtedness."

Income Tax Expense

Our Company is subject to income tax in Hong Kong and our PRC subsidiaries are subject to income tax in China. In 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, our income tax expense was HK$1,458.3 million, HK$1,430.9 million, HK$1,968.1 million, HK$1,230.9 million and HK$1,048.3 million, respectively.

Our profits in Hong Kong are taxed at 16.5% of the estimated assessable profits and profits from our PRC subsidiaries are taxed at 25.0%, except for the following subsidiaries which enjoyed preferential tax treatment as of June 30, 2016, mainly including:

- 28 of our subsidiaries that are qualified as "High and New Technology Enterprises" enjoyed preferential enterprise income tax rate of 15%. Under the EIT Law and the relevant regulations, the 15% preferential enterprise income tax rate is subject to review and approval by the tax authorities every three years;
- three of our PRC subsidiaries that are engaged in the encouraged business activities under the Development of Western Region Program are entitled to a preferential enterprise income tax rate of 15%;
- 12 of our PRC subsidiaries that are qualified as small meager-profit enterprises enjoyed a preferential enterprise income tax rate of 20%; and

- five of our PRC subsidiaries that are engaged in the encouraged business activities under the Income from Agriculture, Forestry, Animal Husbandry and Fishery Projects are exempted from PRC enterprise income tax.

In addition to applicable enterprise income tax rates, our effective enterprise income tax rates may also be affected by amounts relating to portions of income not subject to taxation and costs and expenses not deductible for taxation purposes, certain tax benefits on qualified research and development expenses and utilization of tax losses for which no deferred income tax assets were recognized. Our effective enterprise income tax rates in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016 were 21.1%, 20.7%, 24.4%, 24.2% and 24.8%, respectively. The significant increase in effective tax rate in 2015, as compared to 2014, was primarily due to our substantially increased gains from disposals of assets which were subject to the statutory PRC enterprise income tax of 25%. Our effective tax rate continued to increase in the first half of 2016 as certain of our corporate disposal activities in 2016 subjected us to additional income tax in the first half of 2016.

As of the Latest Practicable Date and during the Track Record Period, we fulfilled all our tax obligations and did not have any material unresolved tax disputes.

RESULTS OF OPERATIONS

The following discussion and analysis compare the major components of our operating results in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016.

Comparison of Six Months Ended June 30, 2016 and June 30, 2015

Revenue

Our revenue increased by 6.1% from HK$71,262.9 million in the six months ended June 30, 2015 to HK$75,615.5 million in the same period in 2016. This increase primarily reflects increases in revenue from our pharmaceutical manufacturing and distribution businesses.

Pharmaceutical Manufacturing

Segment revenue of our pharmaceutical manufacturing business increased slightly from HK$11,825.6 million in the six months ended June 30, 2015 to HK$12,224.4 million in the same period in 2016. This increase was mainly due to the sales growth of our chemical drugs and Chinese medicine products as a result of our efficient marketing and promotion measures and our acquisition of Jinan Limin and Zhejiang Zhongyi in the second half of 2015.

- *Chemical Drugs*

Revenue from our chemical drugs increased by 7.2% from HK$4,790.2 million in the six months ended June 30, 2015 to HK$5,135.6 million in the same period in 2016, mainly reflecting the increased sales revenue generated from our major chemical drugs, such as major anti-infective products,

principally the Azithromycin enteric-coated capsule (佳美舒), as a result of our acquisition of Zhejiang Zhongyi and increased market demand for our chemical drugs, such as Xintailin (新泰林) and Guanshuang (冠爽).

- *Chinese Medicine*

Revenue from sales of our Chinese medicine increased slightly from HK$5,855.9 million in the six months ended June 30, 2015 to HK$6,042.7 million in the same period in 2016. This increase mainly reflected the increase in the sales revenue from our major Chinese medicines, principally Compound E-Jiao syrup (複方阿膠漿), Chinese medicine formula granules (中藥配方顆粒) and Sanjiu Ganmaoling (感冒靈), primarily due to our effective marketing and promotional efforts.

- *Biopharmaceutical Products*

Revenue from our biopharmaceutical products increased by 12.4% from HK$109.4 million in the six months ended June 30, 2015 to HK$123.0 million in the same period in 2016. This increase was in line with the sales growth of our biopharmaceutical products and our direct sales to hospitals and other medical institutions.

- *Nutritional and Health Products*

Revenue from our nutritional and health products decreased by 5.0% from HK$171.5 million in the six months ended June 30, 2015 to HK$162.9 million in the same period in 2016. This decrease in revenue primarily reflected the depreciation of the Renminbi against the Hong Kong dollar, our reporting currency, during the period.

- *Others*

In the six months ended June 30, 2015 and 2016, revenue from our other products was HK$898.6 million and HK$760.2 million, respectively, representing 7.6% and 6.3%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. The decrease in the six months ended June 30, 2016 was mainly due to our decreased processing and sale of Chinese herbs, principally red ginseng and velvet antler, as a result of fluctuations in market prices of these products, as well as a decreased sale of our contraceptive products and rubber gloves.

Revenue from inter-segment sales of our pharmaceutical manufacturing business increased slightly from HK$1,231.8 million in the six months ended June 30, 2015 to HK$1,264.2 million in the same period in 2016. This increase reflected our increased cross-segment collaborations and synergies. As a result, external sales revenue of our pharmaceutical manufacturing business was HK$10,593.8 million and HK$10,960.2 million in the six months ended June 30, 2015 and 2016, respectively.

Pharmaceutical Distribution

Segment revenue of our pharmaceutical distribution business increased by 6.8% from HK$59,622.5 million in the six months ended June 30, 2015 to HK$63,667.5 million in the same period in 2016. This increase was primarily due to the growing pharmaceutical distribution market in China and our expanded distribution network as well as an increase in our direct sales to hospitals and other medical institutions. The revenue generated from our direct sales to hospitals and other medical institutions increased from HK$34,764.0 million in the six months ended June 30, 2015 to HK$38,159.9 million in the same period in 2016, primarily due to our effort to expand direct sales to hospitals and medical institutions, which is typically of a higher margin, as well as the implementation of the "two-invoice system" (兩票制) in 2016.

As of December 31, 2015 and June 30, 2016, we operated our pharmaceutical distribution business through 8,222 and 6,235 distributors, respectively, mainly reflecting a series of management and consolidation efforts we adopted on our acquired distribution businesses with respect to sales to distributor customers, the consolidation of our distributor customers, as well as the disposal of our equity interest in Anhui Huayuan Pharmaceutical Co. in February 2016, which further resulted in the decrease in the number of our distributors.

Revenue from inter-segment sales of our pharmaceutical distribution business increased by 13.6% from HK$866.8 million in the six months ended June 30, 2015 to HK$984.8 million in the same period in 2016. This increase was mainly due to our increased cross-segment collaborations and synergies. As a result, external sales revenue of our pharmaceutical distribution business was HK$58,755.7 million and HK$62,682.7 million in the six months ended June 30, 2015 and 2016, respectively.

Pharmaceutical Retail

Segment revenue of our pharmaceutical retail business increased slightly from HK$1,840.9 million in the six months ended June 30, 2015 to HK$1,921.5 million in the same period in 2016. This increase was mainly attributable to the continuous expansion of our "Direct-to-Patient" service for high-value pharmaceutical products and the expansion of our retail pharmacy network.

Others

Segment revenue of our other business operations decreased by 29.5% from HK$72.5 million in the six months ended June 30, 2015 to HK$51.1 million in the same period in 2016. This decrease in the first half of 2016 was attributable to the expiration of certain of our rental contracts and the resulting decrease in our rental income as well as the depreciation of the Renminbi against the Hong Kong dollar, our reporting currency, during the period.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 6.8% from HK$59,786.3 million in the six months ended June 30, 2015 to HK$63,862.4 million in the same period in 2016, corresponding to the increase in total revenue.

Our gross profit was HK$11,476.6 million and HK$11,753.1 million in the six months ended June 30, 2015 and 2016, respectively, and our gross margin was 16.1% and 15.5%, respectively, during the same periods. The decrease in our gross margin was primarily due to a combination of a decreased gross margin of our pharmaceutical manufacturing segment and a change in our product and revenue mix as our pharmaceutical distribution business grew faster relative to our pharmaceutical manufacturing business in the first six months of 2016.

Pharmaceutical Manufacturing

Cost of sales of our pharmaceutical manufacturing business increased by 6.2% from HK$4,844.2 million in the six months ended June 30, 2015 to HK$5,144.0 million in the same period in 2016, corresponding to the increase in segment revenue.

Segment gross profit of our pharmaceutical manufacturing business increased slightly from HK$6,981.4 million in the six months ended June 30, 2015 to HK$7,080.4 million in the same period in 2016, while segment gross margin decreased from 59.0% to 57.9% during the period.

The slight decrease in segment gross margin in the first half of 2016 mainly resulted from an increased sale of major cardiovascular system medicines and anti-infective products with relatively low margins.

Pharmaceutical Distribution

Cost of sales of our pharmaceutical distribution business increased by 6.9% from HK$55,557.9 million in the six months ended June 30, 2015 to HK$59,414.7 million in the same period in 2016, corresponding to the increase in segment revenue.

Segment gross profit of our pharmaceutical distribution business was HK$4,064.6 million and HK$4,252.8 million in the six months ended June 30, 2015 and 2016, respectively, while segment gross margin remained relatively stable at 6.8% and 6.7%, respectively, in the same periods.

Pharmaceutical Retail

Cost of sales of our pharmaceutical retail business increased by 6.2% from HK$1,446.0 million in the six months ended June 30, 2015 to HK$1,535.2 million in the same period in 2016, corresponding to the increased segment sales.

Segment gross profit of our pharmaceutical retail business was HK$394.9 million and HK$386.3 million in the six months ended June 30, 2015 and 2016, respectively, and segment gross margin decreased from 21.4% in the six months ended June 30, 2015 to 20.1% in the same period in 2016, primarily due to increasingly intense market competition and the expansion of our "Direct-to-Patient" services, which has a relatively low profit margin, for high-value pharmaceutical products.

Others

Cost of sales of our other business operations decreased by 52.4% from HK$36.8 million in the six months ended June 30, 2015 to HK$17.5 million in the same period in 2016, primarily due to a decrease in our property rental activities.

Segment gross profit of our other business operations was HK$35.7 million and HK$33.6 million in the six months ended June 30, 2015 and 2016, respectively, and segment gross margin increased from 49.3% in the six months ended June 30, 2015 to 65.8% in the same period in 2016. The increase in the segment gross margin in the first half of 2016 was mainly due to a decrease in our sales of medical equipment, which has a relatively low profit margin, as it was not aligned with our core business.

Other Income

Our other income increased by 25.8% from HK$359.2 million in the six months ended June 30, 2015 to HK$451.9 million in the same period in 2016, mainly due to (i) an increase in our government grants in relation to our research and development programs and contributions to local economy, and (ii) an increase in service income as a result of more logistics and value-added services rendered.

Other Gains and Losses

Our other gains and losses decreased by 81.4% from HK$998.5 million in the six months ended June 30, 2015 to HK$186.0 million in the six months ended June 30, 2016, mainly due to the one-off gains from disposal of subsidiaries classified as held for sale and prepaid lease payments in the six months ended June 30, 2015 which did not recur in the same period in 2016.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 7.7% from HK$4,614.1 million in the six months ended June 30, 2015 to HK$4,968.2 million in the same period in 2016, mainly due to an increase in marketing expenses by 18.8%, which reflected our efforts to reinforce our brand recognition in response to market competition. As a percentage of revenue, selling and distribution expenses remained stable at 6.5% and 6.6% during the periods, which was mainly due to our continued cost control measures.

Administrative Expenses

Our administrative expenses decreased by 5.4% from HK$1,842.8 million in the six months ended June 30, 2015 to HK$1,743.8 million in the same period in 2016, mainly due to our reduced corporate disposal and acquisition activities and the resulting decrease in our professional fees paid. As a percentage of revenue, administrative expenses decreased from 2.6% in the six months ended June 30, 2015 to 2.3% in the same period in 2016, mainly attributable to our continued cost control measures.

Other Expenses

Our other expenses increased significantly from HK$277.3 million in the six months ended June 30, 2015 to HK$552.9 million in the same period in 2016, mainly due to (i) our increased research and development efforts and the associated expenses, and (ii) foreign exchange losses as a result of the fluctuations in the exchange rates between the Renminbi and the Hong Kong dollar in the first half of 2016.

Share of Results of Associates

Our share of results of associates increased by 58.2% from HK$20.1 million in the six months ended June 30, 2015 to HK$31.8 million in the same period in 2016, mainly due to an increased contribution from our associate, Beijing Hanmi Pharmaceutical Co., Ltd. (北京韓美藥品有限公司).

Finance Costs

Our finance costs decreased by 13.5% from HK$1,027.7 million in the six months ended June 30, 2015 to HK$889.1 million in the same period in 2016, mainly due to our refinancing of certain bank borrowings by the issuance of short-term bonds with relatively lower interest rates and the decreasing market interest rates in China in the second half of 2015.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by 17.0% from HK$5,092.5 million in the six months ended June 30, 2015 to HK$4,228.8 million in the same period in 2016.

Income Tax Expense

Our income tax expense decreased by 14.8% from HK$1,230.9 million in the six months ended June 30, 2015 to HK$1,048.3 million in the same period in 2016, primarily attributable to our decreased taxable income. Our effective tax rate increased from 24.2% in the six months ended June 30, 2015 to 24.8% in the same period in 2016 as certain of our corporate disposal activities in 2016 subjected us to additional income tax in the first half of 2016.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 17.6% from HK$3,861.6 million in the six months ended June 30, 2015 to HK$3,180.5 million in the same period in 2016.

Comparison of Years Ended December 31, 2015 and December 31, 2014

Revenue

Our revenue increased by 8.0% from HK$135,749.2 million in 2014 to HK$146,568.1 million in 2015. This increase primarily reflected increases in revenue from the pharmaceutical distribution business and, to a lesser extent, our pharmaceutical manufacturing business and pharmaceutical retail business.

Pharmaceutical Manufacturing

Segment revenue of our pharmaceutical manufacturing business increased by 10.4% from HK$21,967.0 million in 2014 to HK$24,253.6 million in 2015. This increase was mainly due to the sales growth of our Chinese medicine products as a result of our efficient marketing and promotion measures.

- *Chemical Drugs*

Revenue from our chemical drugs increased by 2.9% from HK$9,144.2 million in 2014 to HK$9,406.9 million in 2015, mainly reflecting the increased sales revenue generated from our major chemical drugs, such as major anti-infective products, principally the Azithromycin enteric-coated capsule (佳美舒), and major cardiovascular system medicines, principally the Pitavastatin Calcium tablet (冠爽), as a result of our acquisition of Zhejiang Zhongyi and stable market demand for chemical drugs.

- *Chinese Medicine*

Revenue from sales of our Chinese medicine increased by 13.1% to HK$12,336.5 million in 2015 from HK$10,908.6 million in 2014. The increase in revenue from our Chinese medicine in 2015 mainly reflected the increase in the sales revenue from our major Chinese medicines, principally E-Jiao block (阿膠塊), Compound E-Jiao syrup (複方阿膠漿), Chinese medicine formula granules (中藥配方顆粒) and Sanjiu Ganmaoling (感冒靈), primarily due to our effective marketing and promotional efforts and our ability to increase the selling price for E-Jiao products to capitalize on the strong market demand.

- *Biopharmaceutical Products*

Revenue from our biopharmaceutical products increased by 378.0% from HK$41.4 million in 2014 to HK$197.9 million in 2015. The increase in 2015 was due to the change of the distribution model of our biopharmaceutical products to direct sales from sales through distributions, whereby we sold the products at a lower price.

- *Nutritional and Health Products*

Revenue from our nutritional and health products increased by 2.1% from HK$374.6 million in 2014 to HK$382.5 million in 2015. The increase in revenue from nutritional and health products during these periods was primarily due to the growing market demand for nutritional and health products in China and the increased sales of our major nutritional product, Taohuaji (桃花姬), which accounted for a substantial majority of our revenue from nutritional and health products.

- *Others*

In 2014 and 2015, revenue from our other products others was HK$1,498.2 million and HK$1,929.8 million, respectively, representing 6.8% and 7.9%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. The increase in revenue was mainly due to our increased processing and sale of red ginseng and velvet antler.

Revenue from inter-segment sales of our pharmaceutical manufacturing business increased by 17.5% from HK$2,253.2 million in 2014 to HK$2,647.0 million in 2015. This increase reflected our increased cross-segment collaborations. As a result, external sales revenue of our pharmaceutical manufacturing business was HK$19,713.8 million and HK$21,606.6 million in 2014 and 2015, respectively.

Pharmaceutical Distribution

Segment revenue of our pharmaceutical distribution business increased by 8.9% from HK$113,097.7 million in 2014 to HK$123,156.4 million in 2015. This growth was primarily due to the growing pharmaceutical distribution market in China and our expanded distribution network as well as an increase in our direct sales to hospitals and other medical institutions. The revenue generated from our direct sales to hospitals and other medical institutions increased by 9.2% from HK$67,828.3 million in 2014 to HK$74,082.1 million in 2015, due to our efforts to provide more value-added services, such as "Hospital Logistics Intelligence," to enhance customer loyalty for expanding our direct sales, which has a relatively higher gross margin.

In 2014 and 2015, we operated our pharmaceutical distribution business through 6,504 and 8,222 distributors, respectively, mainly reflecting the expansion of our distribution network.

Revenue from inter-segment sales of our pharmaceutical distribution business increased by 50.3% from HK$1,307.9 million in 2014 to HK$1,965.5 million in 2015. This increase was mainly due to our increased cross-segment collaborations between our pharmaceutical distribution and pharmaceutical retail segments. As a result, external sales revenue of our pharmaceutical distribution business was HK$111,789.8 million and HK$121,190.9 million in 2014 and 2015, respectively.

Pharmaceutical Retail

Segment revenue of our pharmaceutical retail business increased by 20.1% from HK$3,040.3 million in 2014 to HK$3,651.2 million in 2015. This increase was primarily due to an increase in the number of retail pharmacies established by our subsidiaries and the expansion of our "Direct-to-Patient" service for high-value pharmaceutical products.

Others

Segment revenue of our other business operations decreased by 90.1% from HK$1,205.3 million in 2014 to HK$119.4 million in 2015. The decrease in our segment revenue was mainly due to the disposal of our medical devices manufacturing business in 2015 which was not aligned with our core business.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 8.0% from HK$114,259.2 million in 2014 to HK$123,369.2 million in 2015, corresponding to the increase in total revenue.

Our gross profit was HK$21,490.0 million and HK$23,198.9 million in 2014 and 2015, respectively, and our gross margin was 15.8% for both periods.

Pharmaceutical Manufacturing

Cost of sales of our pharmaceutical manufacturing business increased by 9.1% from HK$9,254.0 million in 2014 to HK$10,095.0 million in 2015, corresponding to the increase in segment revenue.

Segment gross profit of our pharmaceutical manufacturing business increased by 11.4% to HK$14,158.6 million in 2015 from HK$12,713.0 million in 2014, while segment gross margin was relatively stable at 58.4% in 2015 and 57.9% in 2014, respectively, in the same periods.

Pharmaceutical Distribution

Cost of sales of our pharmaceutical distribution business increased by 9.0% from HK$105,372.9 million in 2014 to HK$114,874.7 million in 2015, corresponding to the increase in segment revenue.

Segment gross profit of our pharmaceutical distribution business was HK$7,724.8 million and HK$8,281.7 million in 2014 and 2015, respectively, while segment gross margin remained relatively stable at 6.8% and 6.7%, respectively, in the same periods.

Pharmaceutical Retail

Cost of sales of our pharmaceutical retail business increased from HK$2,319.7 million in 2014 to HK$2,951.0 million in 2015, corresponding to the increased sales of this segment.

Segment gross profit of our pharmaceutical retail business was HK$720.6 million and HK$700.2 million in 2014 and 2015, respectively, and segment gross margin decreased from 23.7% in 2014 to 19.2% in 2015, primarily due to increasingly intense market competition and the expansion of our "Direct-to-Patient" services for high-value pharmaceutical products in 2015, which has a relatively low profit margin.

Others

Cost of sales of our other business operations decreased from HK$873.7 million in 2014 to HK$61.0 million in 2015, primarily due to our disposal of the medical devices business.

Segment gross profit of other business operations was HK$331.6 million and HK$58.4 million in 2014 and 2015, respectively, and segment gross margin decreased from 27.5% in 2014 to 48.9% in 2015, due primarily to the disposal of our medical devices manufacturing business.

Other Income

Our other income increased by 9.3% from HK$917.5 million in 2014 to HK$1,002.4 million in 2015, mainly due to (i) an increase in our interest income as a result of our increased bank deposits, and (ii) an increase in service income as a result of an increase in our customer base and more logistics services rendered.

Other Gains and Losses

Our other gains and losses increased significantly from HK$518.2 million in 2014 to HK$1,160.9 million in 2015, mainly due to increases in gains on disposal of assets classified as held for sale as a result of our decision to dispose of certain assets, including CR Wandong Medical Equipment and Shanghai Medical Instruments, to optimize our assets portfolio. The increase was also partly due to gains on disposal of prepaid lease payments arising from our disposal of certain land use rights through Beijing Pharmaceutical in 2015.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 14.9% from HK$8,800.1 million in 2014 to HK$10,111.6 million in 2015, corresponding to the growth of our business in these periods, primarily due to (i) an increase in marketing expenses by 31.0%, which reflected our efforts to reinforce our brand recognition in response to market competition, and (ii) an increase in staff costs, as a result of an increase in the number of our sales and marketing employees and our increased salary paid to attract and retain talented employees. As a percentage of revenue, selling and distribution expenses increased slightly from 6.5% in 2014 to 6.9% in 2015, which was broadly in line with our enhanced sales and marketing activities.

Administrative Expenses

Our administrative expenses decreased by 9.5% from HK$4,246.8 million in 2014 to HK$3,844.9 million in 2015, primarily due to (i) a decrease in staff costs, as a result of the decreased number of our employees directly in connection with our administrative activities as a result of our effective cost control measures and (ii) no additional provision for retirement of employees. As a percentage of revenue, administrative expenses decreased from 3.1% in 2014 to 2.6% in 2015, mainly attributable to our increased operating efficiency and continued efforts to manage the costs, such as travelling and meeting expenses.

Other Expenses

Our other expenses increased by 53.8% from HK$886.0 million in 2014 to HK$1,363.1 million in 2015, mainly due to increase in exchange loss as a result of the fluctuations in the exchange rates between the Renminbi and the Hong Kong dollar.

Share of Results of Associates

Share of results of associates decreased by 9.9% from HK$64.6 million in 2014 to HK$58.2 million in 2015, mainly due to our disposal of two associates, namely Shanghai Thales Electron Tubes Co., Ltd. (上海泰雷茲電子管有限公司) and Shanghai Aloka Medical Equipment Co., Ltd. (上海阿洛卡醫用儀器有限公司).

Finance Costs

Our finance costs decreased slightly from HK$2,134.6 million in 2014 to HK$2,050.5 million in 2015, due to a combination of decreasing market interest rates in China, our repayment of borrowings and increased efficiency in our working capital management.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 16.3% from HK$6,922.8 million in 2014 to HK$8,050.3 million in 2015.

Income Tax Expense

Our income tax expense increased by 37.5% from HK$1,430.9 million in 2014 to HK$1,968.1 million in 2015, primarily attributable to increased taxable income. Our effective tax rate was 20.7% in 2014 and 24.4% in 2015, mainly due to our substantially increased gains from disposals of assets which were subject to the statutory PRC enterprise income tax of 25%. See "— Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income Tax Expense."

Profit for the Year

As a result of the foregoing, our profit for the year increased by 10.7% from HK$5,491.9 million in 2014 to HK$6,082.2 million in 2015.

Comparison of Years Ended December 31, 2014 and December 31, 2013

Revenue

Our revenue increased by 16.1% from HK$116,950.7 million in 2013 to HK$135,749.2 million in 2014, primarily due to the increased revenue contribution from our pharmaceutical distribution business.

Pharmaceutical Manufacturing

Segment revenue of our pharmaceutical manufacturing business decreased slightly from HK$22,315.4 million in 2013 to HK$21,967.0 million in 2014. This decrease was mainly due to the decreased revenue from others in our pharmaceutical manufacturing business as we ceased to operate or disposed of certain businesses that were not aligned with our growth strategy.

- *Chemical Drugs*

Revenue from our chemical drugs slightly increased from HK$9,020.3 million in 2013 to HK$9,144.2 million in 2014, representing 40.4% and 41.6%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods.

- *Chinese Medicines*

Revenue from sales of our Chinese medicines increased slightly from HK$10,105.2 million in 2013 to HK$10,908.6 million in 2014, representing 45.3% and 49.7%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. The increase in revenue from our Chinese medicines in 2014 was primarily due to an increase in the sales of our major Chinese medicines, principally E-Jiao block (阿膠塊), as a result of our ability to increase sales prices and the continued market demand for Chinese medicines.

- *Biopharmaceutical Products*

Revenue from our biopharmaceutical products deceased by 64.5% from HK$116.6 million in 2013 to HK$41.4 million in 2014. The decrease in 2014 was due to the change in the distribution model of our biopharmaceutical products from direct sales to sales to third-party distributors, through which we sold our products at a lower price compared to the previous direct sale model.

- *Nutritional and Health Products*

In 2013 and 2014, our revenue from nutritional and health products increased by 23.6% from HK$303.1 million in 2013 to HK$374.6 million in 2014. The increase in revenue from nutritional and health products during these periods was primarily due to the growing market demand for nutritional and health products in China and the increased sales of our major nutritional product, Taohuaji (桃花姬).

- *Others*

In 2013 and 2014, revenue from our other products was HK$2,770.2 million and HK$1,498.2 million, respectively, representing 12.4% and 6.8%, respectively, of our pharmaceutical manufacturing segment revenue in the same periods. The decrease was due to the designation of Sanjiu Neurosurgical Hospital as a non-profit medical institution in 2014 which prevented it from declaring any dividend to us and therefore we no longer controlled Sanjiu Neurosurgical Hospital under the relevant accounting requirements. Accordingly, the revenue of Sanjiu Neurosurgical Hospital was not consolidated into our financial statements.

Revenue from inter-segment sales of our pharmaceutical manufacturing business increased by 52.4% from HK$1,478.2 million in 2013 to HK$2,253.2 million in 2014. This increase reflected our increased cross-segment collaborations between our pharmaceutical manufacturing and pharmaceutical distribution businesses. As a result, external sales of our pharmaceutical manufacturing business was HK$20,837.2 million and HK$19,713.8 million in 2013 and 2014, respectively.

Pharmaceutical Distribution

Segment revenue of our pharmaceutical distribution business increased by 22.2% from HK$92,557.1 million in 2013 to HK$113,097.7 million in 2014. This growth was primarily driven by our increased sales to hospitals and other medical institutions as a result of our provision of value-added services, such as "Hospital Logistics Intelligence" and stable long-term relationships with hospitals, as well as our sales growth through acquisitions of regional distributors.

Revenue from inter-segment sales of our pharmaceutical distribution business increased by 44.5% from HK$905.2 million in 2013 to HK$1,307.9 million in 2014. This increase was mainly due to our increased cross-segment collaborations between our pharmaceutical distribution and pharmaceutical retail businesses. As a result, external sales of our pharmaceutical distribution business was HK$91,651.9 million and HK$111,789.8 million in 2013 and 2014, respectively.

Pharmaceutical Retail

Segment revenue of our pharmaceutical retail business increased by 16.9% from HK$2,600.6 million in 2013 to HK$3,040.3 million in 2014. This increase was primarily due to an increase in the number of our retail pharmacies, mainly as a result of the growth of CR Care's retail business in Hong Kong, establishment of new retail pharmacies, as well as the expansion of our "Direct-to-Patient" services.

Others

Segment revenue of our other business operations decreased by 35.2% from HK$1,861.0 million in 2013 to HK$1,205.3 million in 2014, primarily due to our disposals of businesses, including CR Wandong Medical Equipment and Shanghai Medical Instruments.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 18.0% from HK$96,801.6 million in 2013 to HK$114,259.2 million in 2014. This increase was generally in line with the growth of our revenue during the same periods.

Our gross profit was HK$20,149.1 million and HK$21,490.0 million in 2013 and 2014, respectively, and our gross margin was 17.2% and 15.8%, respectively, in the same periods. The decrease in gross profit margin was primarily due to the increased revenue contribution from our pharmaceutical distribution business which has a lower gross profit margin compared to our other two principal business segments.

Pharmaceutical Manufacturing

Cost of sales of our pharmaceutical manufacturing business decreased from HK$9,436.0 million in 2013 to HK$9,254.0 million in 2014, corresponding to the decrease in segment revenue.

Segment gross profit of our pharmaceutical manufacturing business was HK$12,879.4 million and HK$12,713.0 million in 2013 and 2014, respectively, and segment gross margin was relatively stable at 57.7% and 57.9%, respectively, in the same periods.

Pharmaceutical Distribution

Cost of sales of our pharmaceutical distribution business increased from HK$86,423.9 million in 2013 to HK$105,372.9 million in 2014, corresponding to our increased segment sales.

Segment gross profit of our pharmaceutical distribution business increased from HK$6,133.2 million in 2013 to HK$7,724.8 million in 2014, and segment gross margin remained relatively stable at 6.6% and 6.8%, respectively, in the same periods. The slight increase in our segment gross margin was due to the continued effort to optimize our product mix.

Pharmaceutical Retail

Cost of sales of our pharmaceutical retail business increased from HK$1,957.4 million in 2013 to HK$2,319.7 million in 2014, corresponding to the increased sales of this segment.

Segment gross profit of our pharmaceutical retail business was HK$643.2 million and HK$720.6 million in 2013 and 2014, respectively, and segment gross margin was 24.7% and 23.7%, respectively, in the same periods. The decrease in segment gross margin was mainly due to the rapid growth of our "Direct-to-Patient" services with a relatively lower gross margin, and the increasingly intense competition in the retail market.

Others

Cost of sales of our other business operations decreased from HK$1,367.7 million in 2013 to HK$873.7 million in 2014, corresponding to the decrease in revenue of our other business operations.

In 2013 and 2014, segment gross profit, which is equal to segment revenue less segment cost of sales, was HK$493.3 million and HK$331.6 million, respectively, and our segment gross margin, which is equal to segment gross profit divided by segment revenue, was 26.5% and 27.5%, respectively.

Other Income

Our other income increased by 21.3% from HK$756.3 million in 2013 to HK$917.5 million in 2014, mainly due to the increases in (i) service income as a result of an increase in customer base and value-added services rendered, and (ii) government grants received in relation to the research and development programs we commenced in 2014.

Other Gains and Losses

Our other gains and losses increased by 91.0% from HK$271.3 million in 2013 to HK$518.2 million in 2014, mainly due to an increase in our investment income from available-for-sale investments, principally short-term structured deposits, and increased gains from changes in fair value of investment properties reflecting a favorable real estate market in China.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 4.5% from HK$8,423.1 million in 2013 to HK$8,800.1 million in 2014, primarily due to (i) an increase in staff costs, due to increases in the number of our employees involved in the selling and distribution business, as a result of the growth of our business, and (ii) an increase in our rental expenses, property management costs and water and electricity and office supplies costs, reflecting the continued growth of our business. As a percentage of revenue, selling and distribution expenses decreased from 7.2% in 2013 to 6.5% in 2014, mainly reflecting our cost control efforts.

Administrative Expenses

Our administrative expenses increased by 15.6% from HK$3,673.5 million in 2013 to HK$4,246.8 million in 2014, primarily due to (i) increased staff costs, as a result of an increase in salary paid to our administrative and management staff to attract and retain talent, and (ii) additional provision made for employee retirement benefits relating to the restructuring of Beijing Pharmaceutical. As a percentage of revenue, administrative expenses remained stable at 3.1% in both 2013 and 2014.

Other Expenses

Our other expenses increased by 98.9% from HK$445.5 million in 2013 to HK$886.0 million in 2014, mainly attributable to (i) an increase in our research and development expenses, reflecting our continued efforts in the research and development of pharmaceutical products, and (ii) an increase in exchange losses due to exchange rate fluctuations between the Renminbi and the Hong Kong dollar.

Share of Results of Associates

Share of results of associates increased by 17.7% from HK$54.9 million in 2013 to HK$64.6 million in 2014, mainly reflecting the increased profits generated by our associates, principally Dong'e Ajiaoahua Medical Instrument Co., Ltd. (東阿阿膠阿華醫療器械有限公司) and Beijing Hanmi Pharmaceutical Co., Ltd. (北京韓美藥品有限公司).

Share of Results of a Joint Venture

Share of results of a joint venture was HK$5.9 million in 2013 while we did not have share of results of a joint venture in 2014 as we reclassified our only joint venture, Beijing Wandong Kuliaite Medical Product Co., Ltd. (北京萬東庫利艾特醫用製品有限公司), as assets held for sale.

Finance Costs

Our finance costs increased by 20.6% from HK$1,770.7 million in 2013 to HK$2,134.6 million in 2014, mainly due to our increased amount of borrowings principally to support the growth of our pharmaceutical distribution business.

Profit before Tax

As a result of the foregoing, our profit before tax was HK$6,912.9 million in 2013 and HK$6,922.8 million in 2014.

Income Tax Expense

Our income tax expense remained relatively stable at HK$1,458.3 million in 2013 and HK$1,430.9 million in 2014. Our effective tax rate slightly decreased from 21.1% in 2013 to 20.7% in 2014.

Profit for the Year

As a result of the foregoing, our profit for the year remained relatively stable at HK$5,454.6 million in 2013 compared to HK$5,491.9 million in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our liquidity requirements primarily relate to working capital needs, capital expenditures, debt repayment and business acquisitions. Our principal sources of liquidity are cash generated from our operations, bank borrowings and bond offerings.

Going forward, we expect these sources to continue to be our principal sources of liquidity. In the future, if our capital expenditures or other long-term commitments increase, or if we need significant financing for business acquisitions, we may decide to incur additional long-term indebtedness, depending on our financial condition at the time, taking into account net proceeds from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future, although there is no assurance that we will be able to access any financing on favorable terms or at all.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had cash and cash equivalents of HK$15,175.4 million, HK$13,735.9 million, HK$13,214.9 million and HK$10,494.6 million, respectively.

The following discussion of liquidity and capital resources principally focuses on our cash flows, working capital and indebtedness.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
			(HK$ in millions)		
Net cash from operating activities	4,102.2	4,186.7	5,988.8	505.3	611.6
Net cash from (used in) investing activities	(5,788.7)	(7,979.1)	(3,919.2)	1,911.2	(426.9)
Net cash from (used in) financing activities	4,008.6	3,090.3	(1,554.3)	(2,442.3)	(2,527.5)
Net increase/(decrease) in cash and cash equivalents	**2,322.1**	**(702.1)**	**515.3**	**(25.8)**	**(2,342.8)**
Cash and cash equivalents at the beginning of the year or period	12,693.6	15,175.4	13,735.9	13,735.9	13,214.9
Effect of foreign exchange rate changes	159.7	(737.4)	(1,036.3)	12.2	(377.5)
Cash and cash equivalents at the end of the year or period	**15,175.4**	**13,735.9**	**13,214.9**	**13,722.3**	**10,494.6**

Net Cash from Operating Activities

Our cash from operating activities consists primarily of payments from our sales of pharmaceutical products in our three principal business lines. Cash flow from operating activities reflects: (i) profit before tax adjusted for finance costs and non-cash and non-operating items, such as depreciation and amortization and impairment losses; (ii) the effects of movements in working capital, such as increases in trade and other receivables, trade and other payables and inventories; and (iii) other cash items such as income tax paid.

In the six months ended June 30, 2016, we had net cash from operating activities of HK$611.6 million, resulting from our profit before tax of HK$4,228.8 million and negative movements in working capital. Our negative movements in working capital primarily reflected an increase in trade and other receivables of HK$5,372.4 million, due mainly to an increase in sales of our pharmaceutical distribution business and our relatively slower recovery of receivables from hospitals in the first half of 2016. These cash outflows were partially offset by an increase in trade and other payables of HK$2,659.5 million due to the increased purchase of goods for our pharmaceutical distribution business and the increased purchase of donkey-hide in our pharmaceutical manufacturing segment.

In the six months ended June 30, 2015, we had net cash from operating activities of HK$505.3 million, resulting from our profit before tax of HK$5,092.5 million and negative movements in working capital. Our negative movements in working capital primarily reflected an increase in trade and other receivables of HK$8,056.3 million, due mainly to an increase in sales of our pharmaceutical distribution business and our relatively slower recovery of receivables from hospitals in the first half

of 2015. These cash outflows were partially offset by an increase in trade and other payables of HK$4,166.9 million due to the increased purchase of pharmaceutical products in our pharmaceutical distribution business as a result of the continued growth of this segment.

In 2015, we had net cash from operating activities of HK$5,988.8 million, resulting from our profit before tax of HK$8,050.3 million and negative movements in working capital. Our negative movements in working capital primarily reflected an increase in trade and other receivables of HK$6,218.8 million, due mainly to an increase in sales of our pharmaceutical distribution business as a result of the continued expansion of such segment. These cash outflows were partially offset by an increase in trade and other payables of HK$4,140.6 million, due to the increased purchase of pharmaceutical products for our pharmaceutical distribution business.

In 2014, we had net cash from operating activities of HK$4,186.7 million, resulting from our profit before tax of HK$6,922.8 million and negative movements in working capital. Our negative movements in working capital primarily reflected: (i) an increase in trade and other receivables of HK$7,431.7 million, due to an increase in sales of our pharmaceutical distribution business; and (ii) an increase in inventories of HK$3,783.5 million, due to an increase in our finished goods as a result of the continued growth of our pharmaceutical distribution and pharmaceutical manufacturing businesses. These cash outflows were partially offset by an increase in trade and other payables of HK$7,264.5 million, due to the increased purchase of pharmaceutical products for our pharmaceutical distribution business as a result of the continued expansion of such segment.

In 2013, we had net cash from operating activities of HK$4,102.2 million, resulting from our profit before tax of HK$6,912.9 million and negative movements in working capital. Our negative movements in working capital primarily reflected: (i) an increase in trade and other receivables of HK$7,851.8 million, due to an increase in the sales of our pharmaceutical distribution business; and (ii) an increase in inventories of HK$1,095.0 million, due to an increase in our finished goods as a result of the growth of our pharmaceutical distribution and pharmaceutical manufacturing businesses. These cash outflows were partially offset by an increase in trade and other payables of HK$5,067.4 million, due to the increased purchase of pharmaceutical products for our pharmaceutical distribution business as a result of the continued expansion of such segment.

Net Cash from (used in) Investing Activities

Net cash used in investing activities was HK$426.9 million in the six months ended June 30, 2016, which was mainly due to: (i) HK$10,645.6 million paid for the purchase of available-for-sale investments, principally structured deposits; (ii) HK$335.5 million paid for the acquisition of subsidiaries, principally in our pharmaceutical distribution business; and (iii) HK$665.2 million paid for the purchase and deposits of property, plant and equipment primarily to expand our manufacturing capabilities. These cash outflows were partially offset by the receipt of HK$11,375.2 million from our disposal of available-for-sale investments, mainly structured deposits.

Net cash from investing activities was HK$1,911.2 million in the six months ended June 30, 2015, which was mainly due to proceeds of HK$8,045.0 million in connection with the disposal of available-for-sale investments, principally structured deposits, and proceeds from disposal of assets

classified as held for sale of HK$1,721.3 million. These cash inflows were partially offset by: (i) HK$7,493.3 million paid for the purchase of available-for-sale investments, principally structured deposits; and (ii) HK$431.4 million paid for the purchase of property, plant and equipment primarily to expand our manufacturing capabilities.

Net cash used in investing activities was HK$3,919.2 million in 2015, which was mainly due to: (i) payment of HK$16,626.0 million in connection with the purchases of available-for-sale investments, principally structured deposits; (ii) consideration of HK$2,294.5 million paid for our acquisition of subsidiaries; (iii) payment of HK$1,246.3 million in connection with our purchases of property, plant and equipment; (iv) an increase in pledged bank deposits of HK$683.5 million associated with bills discounting; and (v) deposits of HK$576.9 million paid in connection with the acquisition of property, plant and equipment. These cash outflows were partially offset by: (i) proceeds of HK$15,480.3 million from our disposal of available-for-sale investments, principally structured deposits; and (ii) proceeds of HK$1,721.3 million from the disposal of subsidiaries classified as held for sale.

Net cash used in investing activities was HK$7,979.1 million in 2014, which was mainly due to: (i) payment of HK$15,058.3 million in connection with the purchases of available-for-sale investments, principally structured deposits; (ii) payment of HK$2,015.4 million in connection with the purchases of property, plant and equipment; (iii) payment of HK$1,011.3 million as consideration paid for the acquisition of subsidiaries; and (iv) an increase in pledged bank deposits of HK$833.9 million as associated with bills discounting. These cash outflows were partially offset by proceeds of HK$10,655.0 million from the disposal of available-for-sale investments, mainly structured deposits.

Net cash used in investing activities was HK$5,788.7 million in 2013, which was mainly due to: (i) payment of HK$4,321.4 million in connection with the purchases of available-for-sale investments; (ii) payment of HK$3,604.7 million as consideration paid for acquisition of subsidiaries; and (iii) payment of HK$2,264.1 million in connection with the purchases of property, plant and equipment. These cash outflows were partially offset by: (i) proceeds of HK$2,782.2 million from the disposal of available-for-sale investments; (ii) a decrease in loan receivables of HK$1,653.5 million as a result of the repayment of our entrusted loan by a third party; and (iii) a decrease in pledged bank deposits of HK$638.5 million associated with our bank borrowings.

Net Cash from (used in) Financing Activities

Net cash used in financing activities was HK$2,527.5 million in the six months ended June 30, 2016, mainly consisting of repayment of HK$18,355.6 million for bank borrowings, payment of consideration for acquisitions of additional interests in subsidiaries, principally Dong-E-E-Jiao, of HK$1,612.9 million and interests paid of HK$727.3 million, partially offset by proceeds of HK$18,649.4 million raised from bank borrowings and corporate bonds.

Net cash used in financing activities was HK$2,442.3 million in the six months ended June 30, 2015, mainly consisting of repayment of bank borrowings of HK$21,039.7 million and corporate bonds of HK$1,868.2 million, interests paid of HK$824.1 million and repayment of loans from intermediate holding company of HK$700.0 million, partially offset by proceeds of HK$21,692.4 million raised from bank borrowings.

Net cash used in financing activities was HK$1,554.3 million in 2015, mainly consisting of repayment of HK$42,346.3 million for bank borrowings, interest expenses of HK$1,963.4 million paid, repayment of HK$1,868.2 million for bonds payable and dividends totaling HK$951.5 million paid to non-controlling shareholders, partially offset by proceeds of HK$44,455.9 million raised from bank borrowings and proceeds of HK$2,491.4 million raised from the issuance of bonds payable.

Net cash from financing activities was HK$3,090.3 million in 2014, mainly consisting of repayment of HK$36,990.4 million for bank borrowings, interest expenses of HK$2,071.3 million paid, repayment of HK$1,262.5 million for bonds payable and dividends of HK$1,088.2 million paid to non-controlling shareholders, partially offset by proceeds of HK$42,541.2 million raised from bank borrowings and proceeds of HK$1,893.8 million raised from the issuance of bonds payable.

Net cash from financing activities was HK$4,008.6 million in 2013, mainly consisting of repayment of HK$25,041.9 million for bank borrowings, repayment of HK$2,708.2 million for loans from China Resources Holdings, our intermediate holding company, payment of HK$1,517.2 million in connection with the acquisitions of additional interests in subsidiaries, interest expenses of HK$1,852.2 million paid, and dividends totaling HK$886.7 million paid to non-controlling shareholders, partially offset by proceeds totaling HK$25,214.5 million raised from bank borrowings, proceeds of HK$5,282.0 million from the issuance of our new shares and proceeds of HK$3,686.2 million from the issuance of bonds payable.

Working Capital

Our Directors are of the opinion that, taking into account the estimated net proceeds from the Global Offering, the credit facilities presently available to us and cash flows generated from our operations, we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

We may, however, need additional cash resources in the future if we experience changed business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition or other similar action. If we ever determine that our cash requirements exceed our amounts of cash and cash equivalents on hand, we may seek to issue debt or equity securities or obtain credit facilities. Any issuance of equity securities could cause dilution for our shareholders. Any incurrence of indebtedness could increase our debt service obligations and may cause us to be subject to restrictive covenants. It is possible that, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all.

Net Current Assets

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had net current assets of HK$9,899.9 million, HK$18,804.7 million, HK$16,633.1 million and HK$16,796.5 million, respectively. The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2013	2014	2015	2016	2016
					(Unaudited)
			(HK$ in millions)		
Current Assets					
Inventories	12,198.1	15,711.5	15,252.0	16,206.1	17,445.7
Trade and other receivables	38,044.6	45,189.0	47,514.2	53,428.3	54,021.0
Prepaid lease payments	62.0	76.2	57.2	63.6	64.5
Available-for-sale investments	1,756.6	5,580.3	6,310.4	4,947.1	2,640.8
Amounts due from related parties	239.3	32.3	105.5	693.5	685.9
Taxation recoverable	14.4	13.3	20.6	6.5	1.0
Pledged bank deposits	1,307.4	1,655.1	2,241.3	2,166.8	2,213.0
Bank balances and cash	15,175.4	13,417.6	12,378.6	10,475.0	8,700.8
Assets classified as held for sale	—	2,601.9	4,977.1	—	—
Total Current Assets	68,797.8	84,277.2	88,856.9	87,986.9	85,772.7
Current Liabilities					
Trade and other payables	37,393.0	42,539.6	41,953.1	45,303.8	45,075.2
Amounts due to related parties	782.1	1,133.9	878.9	499.8	293.5
Taxation payable	561.2	415.1	656.0	422.2	221.5
Bank borrowings - due within one year	18,889.7	18,449.1	24,335.5	19,699.4	18,758.9
Bonds payable - due within one year	1,271.9	1,901.5	—	5,265.2	8,695.6
Liabilities directly associated with assets classified as held for sale	—	1,033.3	4,400.3	—	—
Total Current Liabilities	58,897.9	65,472.5	72,223.8	71,190.4	73,044.7
Net Current Assets	**9,899.9**	**18,804.7**	**16,633.1**	**16,796.5**	**12,728.0**

Our net current assets decreased from HK$16,796.5 million as of June 30, 2016 to HK$12,728.0 million as of August 31, 2016, primarily due to a decrease in our total current assets and an increase in our total current liabilities. The decrease in our total current assets was primarily due to a decrease in available-for-sale investments, as a result of our disposal of certain structured deposits upon maturity, and a decrease in bank balances and cash which were used to repay certain of our short-term bank borrowings. The increase in our total current liabilities was primarily due to an increase in our short-term bonds payable resulting from a reclassification of our RMB3.0 billion long-term bonds as current liabilities, partially offset by a decrease in our short-term bank borrowings repaid upon maturity.

Our net current assets slightly increased from HK$16,633.1 million as of December 31, 2015 to HK$16,796.5 million as of June 30, 2016, primarily driven by a slightly faster decrease in our total current liabilities compared to the decrease in our total current assets. The decrease in our total current liabilities was due primarily to the fact that we did not have any one-off liabilities directly associated with assets classified as held for sale as of June 30, 2016 and a decrease in our short-term bank borrowings, which was partially offset by an increase in our trade and other payables. The decrease in our total current assets was primarily due to (i) a decrease in our one-off assets classified as held for sale, (ii) a decrease in available-for-sale investments, as a result of our redemption of certain wealth management products upon maturity and (iii) a decrease in bank balances and cash, which were partially offset by (i) our increased inventories attributable to an increase in our finished goods for the continued growth of sales in our pharmaceutical distribution and pharmaceutical retail businesses as well as the increase in our inventory stock of raw materials, principally donkey-hide and (ii) our increased trade and other receivables as a result of the growth in our pharmaceutical distribution business and our relatively slower recovery of receivables from hospitals in the first half of 2016.

Our net current assets decreased from HK$18,804.7 million as of December 31, 2014 to HK$16,633.1 million as of December 31, 2015, primarily due to a faster increase in our total current liabilities compared to the increase in our total current assets. The increase in our total current liabilities was primarily due to an increase in our short-term bank borrowings, mainly reflecting our refinancing of long-term bank borrowings using short-term bank borrowings to reduce finance costs; while the increase in our total current assets was due primarily to our increased trade and other receivables, primarily reflecting the increase in sales from our pharmaceutical distribution business.

Our net current assets increased from HK$9,899.9 million as of December 31, 2013 to HK$18,804.7 million as of December 31, 2014, primarily due to a faster increase in our total current assets compared to an increase in our total current liabilities. The increase in our total current assets was due primarily to (i) our increased trade and other receivables, mainly reflecting the continued growth of our business, (ii) our increased inventories as a result of the continued expansion of our pharmaceutical distribution business and (iii) our increased available-for-sale investments, mainly attributable to our increased structured deposits as certain of our listed subsidiaries increased their purchase of cash management products to manage their liquidity. The increase in our total current liabilities was due primarily to our increased trade and other payables, principally reflecting the continued expansion of our pharmaceutical distribution business.

Inventories

As a pharmaceutical manufacturer and distributor, we need to maintain sufficient inventory levels to operate our pharmaceutical manufacturing and pharmaceutical distribution businesses successfully to meet our customer demand without excess inventory accumulation. See "Risk Factors — Risks Relating to Our Business and Industry — Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled customer orders, either of which could have a material and adverse effect on our business, financial condition, results of operations and prospects." Inventory levels in excess of customer demand may result in inventory write-downs, increase our inventory storage costs and adversely affect our liquidity.

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the condition and usefulness of the inventories. In cases where the net realizable value of inventories assessed is less than expected, a material recognition of allowance for inventories may arise, which would be recognized in profit or loss in the period in which such recognition takes place.

The carrying amounts of inventories, net of allowance for slow-moving and obsolete inventories, were HK$12,198.1 million, HK$15,711.5 million, HK$15,252.0 million and HK$16,206.1 million as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. As of August 31, 2016, HK$12,669.9 million, or 78.2%, of our inventories as of June 30, 2016 have been consumed or sold. The following table sets forth the components of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
Raw materials	1,210.5	970.5	1,244.9	1,750.4
Packaging materials	71.8	25.5	23.9	22.0
Work in progress	1,151.2	756.2	572.7	651.6
Finished goods	9,764.6	13,959.3	13,410.5	13,782.1
Total	**12,198.1**	**15,711.5**	**15,252.0**	**16,206.1**

Raw materials were mainly used in our pharmaceutical manufacturing segment, such as donkey-hide, cane sugar and red ginseng. Work in progress refers to our pharmaceutical products under production in our pharmaceutical manufacturing segment while packaging materials are mainly pharmaceutical packages. Finished goods mainly comprises finished pharmaceutical products in our pharmaceutical manufacturing business and pharmaceutical and healthcare products we purchased for sale in our pharmaceutical distribution and pharmaceutical retail businesses.

The aggregate carrying amounts of donkeys and Chinese herbs were HK$5.1 million, HK$26.6 million, HK$47.2 million and HK$52.3 million, respectively, which accounted for 0.005%, 0.022%, 0.037% and 0.042%, respectively, of our total assets as of December 31, 2013, 2014 and 2015 and June 30, 2016. In view of the insignificant carrying amounts of donkeys and Chinese herbs, they have been accounted for in the consolidated financial statements as inventories, which are stated at the lower of cost and net realizable value.

The increase in our inventories as of December 31, 2014 was mainly due to the increase in our finished goods as a result of the continued expansion of our pharmaceutical distribution business, partially offset by a decrease in raw materials due to our efforts to scale down the procurement of red ginseng in response to increased market price, and a decrease in work in progress. Our inventories remained relatively stable as of December 31, 2014 and 2015. Our raw materials as of December 31,

2015 increased as we intentionally increased the inventory stock of donkey-hide by the end of 2015 in anticipation of a price increase. The increase in our inventories as of June 30, 2016 was mainly due to an increase in our finished goods for the continued growth of sales in our pharmaceutical distribution and pharmaceutical retail businesses as well as the increases in our inventory stock of donkey-hide.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, our inventory turnover days during these periods were 43 days, 45 days, 46 days and 45 days, respectively. Such general increase in inventory turnover days from 2013 to 2015 was mainly due to the increase in our average inventories of finished goods which resulted from a growth of the PRC healthcare market and our response to an anticipated increase in sales.

The following table sets forth a breakdown of our inventory turnover days by business segment for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2013	2014	2015	2016
	(days)			
Segments:				
Pharmaceutical manufacturing	133	187	207	215
Pharmaceutical distribution	32	34	35	33
Pharmaceutical retail	83	71	60	57

The calculation of inventory turnover days for any period is based on the average balance of inventory divided by cost of sales of goods sold for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two.

The turnover days of our pharmaceutical manufacturing business increased from 133 days in 2013 to 187 days in 2014, due primarily to our increased finished goods of Chinese herbs in our trading business which we ceased in 2015 and our increased purchase of donkey-hide, while the increase from 187 days in 2014 to 207 days in 2015 and further to 215 days in the first half of 2016 was mainly due to an increase in our raw materials, principally donkey-hide, due to our anticipation of a price increase.

The turnover days of our pharmaceutical distribution business remained relatively stable at 32 days, 34 days, 35 days and 33 days, in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

The turnover days of our pharmaceutical retail business decreased from 83 days in 2013 to 71 days in 2014, and further decreased to 60 days in 2015 and 57 days in the first half of 2016, primarily due to our improved inventory and logistics management.

Trade and Other Receivables

The following table sets forth the components of our trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2013	**2014**	**2015**	**2016**
	(HK$ in millions)			
Trade receivables	26,326.9	32,885.3	36,229.4	42,458.2
Less: Allowance for doubtful debts	(444.1)	(371.0)	(376.5)	(426.6)
	25,882.8	32,514.3	35,852.9	42,031.6
Bills receivable	5,166.5	4,585.7	5,464.8	5,518.4
Prepayments	2,926.0	1,385.7	2,166.6	1,640.6
Other receivables	4,343.8	6,907.6	4,155.0	4,392.9
Receivables for disposal of subsidiaries	—	—	19.0	—
Less: Allowance for other receivables	(274.5)	(204.3)	(144.1)	(155.2)
Total	**38,044.6**	**45,189.0**	**47,514.2**	**53,428.3**

Our trade and other receivables consist of trade and bills receivable, prepayments and other receivables. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our carrying amounts of trade and other receivables, net of allowance for doubtful debts, amounted to HK$38,044.6 million, HK$45,189.0 million, HK$47,514.2 million and HK$53,428.3 million, respectively. Our trade and other receivables increased during the Track Record Period, primarily reflecting the continued growth of our business.

Trade Receivables

Our trade receivables mainly consist of accounts receivable in all of our principal business segments. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our net trade receivables increased from HK$25,882.8 million to HK$32,514.3 million and further to HK$35,852.9 million and HK$42,031.6 million, respectively, primarily reflecting the increase in sales from our pharmaceutical distribution business during the periods. As of August 31, 2016, HK$25,506.0 million, or 60.1%, of our trade receivables as of June 30, 2016 have been subsequently settled.

The following table sets forth an aging analysis of our trade receivables, net of allowance, based on invoice date at the end of each reporting period:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
0 - 30 days	7,739.1	15,945.0	17,404.2	21,420.5
31 - 60 days	5,205.8	5,532.7	5,560.3	6,888.8
61 - 90 days	4,083.2	3,667.8	3,172.5	3,021.6
91 - 180 days	6,899.4	5,604.9	6,216.4	6,726.7
181 - 365 days	1,819.2	1,644.9	3,332.2	3,592.8
Over 365 days	136.1	119.0	167.3	381.2
Total	**25,882.8**	**32,514.3**	**35,852.9**	**42,031.6**

We generally grant credit periods ranging from 30 to 180 days to our customers, which may be extended for selected customers depending on their trade volume and settlement terms. In particular, for our pharmaceutical manufacturing business, we generally grant a credit period ranging between 30 and 120 days to our distributors. For our pharmaceutical distribution business, we typically offer a credit period up to 240 days for hospitals and other medical institutions and generally up to 60 days for distributors and other retail customers. Our extension of credit terms depends, in part, on the types of customers, creditworthiness of customers, the location of customers and the products being sold.

Of our total trade receivables, we had a carrying amount of HK$1,962.9 million, HK$1,799.8 million, HK$3,552.4 million and HK$4,374.2 million as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively, which are past due but are regarded as not impaired as there has not been a significant change in the credit standing of the debtors, though we do not hold any collateral over these receivables. In determining the recoverability of a receivable, we consider whether there has been any adverse change in the credit standing of the debtors from the date credit was initially granted. Since the concentration of credit risk is limited as our overdue customer mainly comprises public hospitals, we believe that no further credit provision is required in excess of the allowance for doubtful debts already provided for in our financial statements.

We adopt both individual assessment and collective assessment to assess our credit period for indicators of impairment, and our regular assessment process is generally carried out at the end of each reporting period. We provide allowance for trade receivables whenever there is any objective evidence that the balances may not be collectible, such as significant financial difficulty of the issuer or counterparty and disappearance of an active market for that financial asset because of financial difficulties. As of December 31, 2013, 2014 and 2015 and June 30, 2016, we recognized allowance for doubtful debts of trade receivables of HK$444.1 million, HK$371.0 million, HK$376.5 million and HK$426.6 million, respectively, representing 1.7%, 1.1%, 1.0% and 1.0% of total trade receivables, respectively. Allowance for doubtful debts of trade receivables decreased in 2014 mainly as a result of our reclassification of certain overdue receivables as held for sale following our disposals of CR Wandong Medical Equipment and Shanghai Medical Instruments in 2014. In 2013, 2014 and 2015 and

the six months ended June 30, 2016, HK$387.4 million, HK$25.4 million, HK$23.1 million and HK$0.2 million, respectively, of trade receivables were written off, as we determined that these amounts were uncollectible.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, our trade receivables turnover days were 71 days, 79 days, 85 days and 93 days, respectively. Trade receivables turnover days increased during these periods, which was mainly due to the continued increase in the receivables turnover days in our pharmaceutical manufacturing and pharmaceutical distribution businesses.

The following table sets forth a breakdown of our trade receivables turnover days by business segment for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2013	2014	2015	2016
	(days)			
Segments:				
Pharmaceutical manufacturing	31	38	40	48
Pharmaceutical distribution	82	88	95	103
Pharmaceutical retail	17	17	18	16

The calculation of trade receivables turnover days for any period is based on the average balance of trade receivables divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two.

The turnover days of our pharmaceutical manufacturing business increased from 31 days in 2013 to 38 days in 2014 and further to 40 days in 2015, due primarily to slower recovery from our customers as a result of increasingly intense market competition. The turnover days of our pharmaceutical manufacturing business increased to 48 days in the six months ended June 30, 2016 as our recovery of receivables is generally slower in the first half of a year compared to the second half.

The turnover days of our pharmaceutical distribution business increased from 82 days in 2013 to 88 days in 2014 and further to 95 days in 2015, due primarily to slower recovery from our customers as a result of increasingly intense market competition. The turnover days of our pharmaceutical distribution business increased to 103 days in the six months ended June 30, 2016 as our recovery of receivables is generally slower in the first half of a year compared to the second half.

The turnover days of our pharmaceutical retail business remained relatively stable during the Track Record Period.

Bills receivable

Bills receivable mainly exist in our pharmaceutical manufacturing and pharmaceutical distribution businesses. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our bills receivable amounted to HK$5,166.5 million, HK$4,585.7 million, HK$5,464.8 million and HK$5,518.4 million, respectively. The decrease in 2014 was primarily due to an increase in our discounting of bills receivable to replenish our working capital, while the increase in 2015 and the first half of 2016 primarily resulted from an increase in bills receivable corresponding to our increased sales in the pharmaceutical distribution segment.

The following table sets forth a maturity analysis of bills receivable based on issue date as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
0 - 30 days	2,552.1	2,085.7	2,267.3	2,612.5
31 - 60 days	728.0	620.8	806.2	715.9
61 - 90 days	612.7	499.4	1,020.0	775.8
91 - 180 days	1,273.7	1,379.8	1,371.3	1,414.2
Total	**5,166.5**	**4,585.7**	**5,464.8**	**5,518.4**

Our bills receivable have maturity periods ranging from 30 to 180 days. We have not recognized impairment losses on bills receivable, primarily because our bills receivable are principally issued and backed by commercial banks, which we do not consider to have credit risk.

Prepayments

Our prepayments mainly consist of prepayments for raw materials in our pharmaceutical manufacturing business and prepayments for the purchase of pharmaceutical and other products in our pharmaceutical distribution and pharmaceutical retail businesses. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our prepayments amounted to HK$2,926.0 million, HK$1,385.7 million, HK$2,166.6 million and HK$1,640.6 million, respectively. Our prepayments decreased in 2014 due primarily to decreased prepayments in our pharmaceutical distribution business as part of our inventory management practice, while the increase in 2015 primarily reflected an increase in prepayments made in our pharmaceutical distribution business as a result of our increased purchase of pharmaceutical products with high market demand. Our prepayments decreased in the six months ended June 30, 2016 as we took delivery of various raw materials during the period, principally donkey-hide, resulting in a decrease in prepayments while an increase in raw materials.

Other Receivables

As of December 31, 2013, 2014 and 2015 and June 30, 2016, our other receivables amounted to HK$4,343.8 million, HK$6,907.6 million, HK$4,155.0 million and HK$4,392.9 million, respectively, primarily reflecting VAT receivables and deposits for office and utilities. The increase in 2014 was mainly due to increased VAT receivables as a result of increases in our purchases of raw materials and finished goods, while the decrease in 2015 was mainly due to our reclassification of other receivables in one of our subsidiaries as assets held for sales. Our other receivables increased in the six months ended June 30, 2016 as our VAT receivables increased along with the increase in our purchase of raw materials.

Receivables for disposal of subsidiaries

As of December 31, 2015, our receivables for disposal of subsidiaries amounted to HK$19.0 million, which refers to the unpaid portion of consideration from the purchasers for our sale of two subsidiaries in 2015.

Trade and Other Payables

The following table sets forth the components of our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2013	**2014**	**2015**	**2016**
		(HK$ in millions)		
Trade payables	21,315.2	24,330.6	22,990.4	25,242.9
Bills payable	3,406.2	6,474.1	10,422.0	11,147.6
Subtotal	24,721.4	30,804.7	33,412.4	36,390.5
Receipts in advance	1,235.0	1,204.6	1,171.3	497.3
Accrued salaries	894.7	933.6	993.2	752.5
Interest payables	163.1	251.6	257.6	355.4
Other taxes payable	340.2	472.0	469.3	568.8
Other accrued expenses	2.6	8.5	2.3	2.5
Other payables	7,325.3	6,935.9	4,753.3	4,603.3
Dividend payables to non-controlling shareholders	645.2	534.8	578.6	1,281.8
Payables for acquisition of additional interests in subsidiaries	1,521.1	1,231.0	—	—
Payables for acquisition of subsidiaries	544.4	162.9	315.1	851.7
Total	**37,393.0**	**42,539.6**	**41,953.1**	**45,303.8**

Our trade and other payables mainly consist of trade payables and bills payable, other payables, receipts in advance, other accrued expenses and payables for acquisition of additional interests in subsidiaries. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our carrying amounts of trade and other payables amounted to HK$37,393.0 million, HK$42,539.6 million, HK$41,953.1 million and HK$45,303.8 million, respectively.

Trade Payables and Bills Payable

Our trade payables primarily consist of amounts outstanding for our purchase of raw materials in our pharmaceutical manufacturing business and for our purchase of pharmaceutical and healthcare products in our pharmaceutical distribution and pharmaceutical retail businesses. Our bills payable primarily consist of bills outstanding for our purchase of goods in our pharmaceutical manufacturing and pharmaceutical distribution businesses.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had in aggregate trade payables and bills payable of HK$24,721.4 million, HK$30,804.7 million, HK$33,412.4 million and HK$36,390.5 million, respectively. The increases in our trade payables and bills payable were due primarily to the continued expansion of our pharmaceutical distribution business. As of August 31, 2016, HK$20,112.9 million, or 79.7%, of our trade payables as of June 30, 2016 have been subsequently settled.

We are normally granted a credit period by our suppliers from 30 days to 90 days in our pharmaceutical manufacturing business and up to 120 days in our pharmaceutical distribution and pharmaceutical retail businesses. The table below sets forth an aging analysis of trade payables based on invoice date at the end of each reporting period indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
0 - 30 days	10,038.8	15,694.9	15,616.4	14,543.8
31 - 60 days	3,711.2	2,787.4	2,533.1	3,411.1
61 - 90 days	2,363.1	1,565.7	1,281.9	2,620.9
Over 90 days	5,202.1	4,282.6	3,559.0	4,667.1
Total	**21,315.2**	**24,330.6**	**22,990.4**	**25,242.9**

In 2013, 2014 and 2015 and the six months ended June 30, 2016, our trade payables turnover days were 72 days, 73 days, 70 days and 68 days, respectively, which remained relatively stable.

The following table sets forth a breakdown of our trade payables turnover days by business segment for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2013	2014	2015	2016
	(days)			
Segments:				
Pharmaceutical manufacturing	68	90	78	66
Pharmaceutical distribution	72	72	70	69
Pharmaceutical retail	74	72	60	54

The calculation of trade payables turnover days for any period is based on the average balance of trade payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two.

The turnover days of our pharmaceutical manufacturing business increased from 68 days in 2013 to 90 days in 2014, due primarily to our increased purchase of donkey-hide in 2014. The turnover days decreased to 78 days in 2015, primarily due to more stringent credit management measures imposed by our raw material suppliers. The turnover days of our pharmaceutical manufacturing business decreased to 66 days in the six months ended June 30, 2016, primarily due to a decrease in our trade payables in this segment.

The turnover days of our pharmaceutical distribution business remained relatively stable at 72 days, 72 days, 70 days and 69 days in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

The turnover days of our pharmaceutical retail business remained stable at 74 days and 72 days in 2013 and 2014, respectively. The turnover days of our pharmaceutical retail business decreased to 60 days in 2015 and 54 days in the six months ended June 30, 2016, due primarily to more stringent credit management by our suppliers.

During the Track Record Period, we did not have any material default on any trade and other payables.

Receipts in Advance

Our receipts in advance primarily consist of prepayment received from our customers for certain pharmaceutical products, principally E-Jiao products and certain OTC drugs produced by CR Sanjiu. As of December 31, 2013, 2014 and 2015, our receipts in advance amounted to HK$1,235.0 million, HK$1,204.6 million and HK$1,171.3 million, respectively, which remained relatively stable. Our receipts in advance decreased to HK$497.3 million as of June 30, 2016, due primarily to a slight decrease in seasonal demand for E-Jiao products and certain OTC drugs in the first half of the year, and the increased credit sale conducted by Dong-E-E-Jiao.

Other Payables

Our other payables primarily consist of accrued deposits and VAT payables. As of December 31, 2013, 2014 and 2015, our other payables amounted to HK$7,325.3 million, HK$6,935.9 million and HK$4,753.3 million, respectively. Other payables decreased during these periods, primarily due to our reclassification of other payables in some of our subsidiaries as assets held for sales. Our other payables decreased slightly to HK$4,603.3 million as of June 30, 2016.

Payables for Acquisition of Additional Interests in Subsidiaries

As of December 31, 2013 and 2014, our payables for acquisition of additional interests in subsidiaries amounted to HK$1,521.1 million and HK$1,231.0 million, respectively. Payables for acquisition of additional interests in subsidiaries decreased during the periods which reflected our management decisions and payment arrangement with counterparties.

Available-for-Sale Investments

Our available-for-sale investments primarily comprise structured deposits, which are mainly short-term cash management products offered by banks and financial institutions. To determine our portfolio of available-for-sale investments, we generally carry out a comprehensive analysis by studying economic policies and market information, while complying with our internal risk control requirements. We determine the total amount of our investments subject to our budget for the relevant fiscal year, and formulate our target rate of return with reference to the rate of return of similar products in the market. We conduct supervision and evaluation on the performance of and compliance with our internal control system in our available-for-sale investments from time to time.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, our available-for-sale investments amounted to HK$2,435.8 million, HK$6,028.1 million, HK$6,458.7 million and HK$5,092.5 million, respectively. Our investments in structured deposits increased as certain of our listed subsidiaries increased their purchase of cash management products to manage their liquidity. The following table sets forth the components of our available-for-sale investments as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
Equity investments	300.0	487.7	188.1	184.4
Others (including structured deposits)	2,172.6	5,580.3	6,310.4	4,947.1
Less: Accumulated impairment losses	(36.8)	(39.9)	(39.8)	(39.0)
Total	**2,435.8**	**6,028.1**	**6,458.7**	**5,092.5**

Amounts Due from Related Parties and Amounts Due to Related Parties

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in note 43 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business and on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, amounts due from related parties were HK$239.3 million, HK$32.3 million, HK$105.5 million and HK$693.5 million, respectively. The following table sets forth the components of our amounts due from related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
Trade receivables	4.3	9.2	9.9	4.2
Other receivables	230.3	21.5	72.8	689.3
Prepayments	4.7	1.6	22.8	—
Total	**239.3**	**32.3**	**105.5**	**693.5**

Other receivables from related parties mainly represent advances made to related parties, which are unsecured, interest-free and repayable on demand. Trade receivables from related parties primarily consist of outstanding payments from our sale of pharmaceutical and healthcare products to certain related parties. Prepayments due from related parties are trade in nature, which mainly included deposits paid to related parties for the purchase of goods, principally pharmaceutical products.

The substantial decrease in our amounts due from related parties in 2014 was due mainly to the decrease in our other receivables as a result of the repayment of an advance from a subsidiary of China Resources Holdings in 2014. The increase in our amounts from related parties in 2015 was due mainly to the increase in our other receivables as a result of the increased advance made to a subsidiary of China Resources Holdings. The substantial increase in the six months ended June 30, 2016 was mainly due to other receivables from an affiliate of China Resources Holdings in relation to our disposal of a subsidiary to such affiliate in the first half of 2016.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, amounts due to related parties were HK$782.1 million, HK$1,133.9 million, HK$878.9 million and HK$499.8 million, respectively. The following table sets forth the components of our amounts due to related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
Trade payables	52.7	52.6	23.8	19.7
Other payables	715.4	779.7	373.0	364.6
Loans from intermediate holding company	—	301.6	—	—
Loans from fellow subsidiaries	14.0	—	482.1	115.5
Total	**782.1**	**1,133.9**	**878.9**	**499.8**

Trade payables from related parties primarily consist of amounts payable for our purchase of pharmaceutical and health products from certain related parties. Other payables to related parties mainly consist of advances from related parties which are unsecured, interest-free and payable on demand.

The increase in our amounts due to related parties in 2014 was due to an unsecured loan incurred in 2014 from China Resources Holdings which we fully repaid in 2015. The decrease in our amounts due to related parties in 2015 was due primarily to a decrease in our other payables as a result of our transfer of certain related-party advances to a fellow subsidiary, China Resources Retail (Group) Company Limited (華潤零售（集團）有限公司), following our acquisition of CR Pharmaceutical Retail Group, as well as our full repayment of inter-company loans from China Resources Holdings, partly offset by our related-party borrowings of HK$482.1 million, which we assumed in our acquisition of CR Pharmaceutical Retail Group in 2015. The decrease in our amounts due to related parties in the six months ended June 30, 2016 was mainly due to our repayment of loans from a subsidiary of China Resources Holdings.

As of August 31, 2016, we had loans from fellow subsidiaries of HK$114.5 million, which we fully repaid in September 2016, and we had other payables due to related parties of HK$166.9 million, which we intend to fully repay such amount by December 31, 2016.

INDEBTEDNESS

As of June 30, 2016, our total indebtedness was HK$38,208.5 million. As of August 31, 2016, the latest date to determine our indebtedness, our total indebtedness was HK$36,688.5 million. As of August 31, 2016, we had approximately uncommitted and unutilized credit facilities of RMB52.3 billion in China.

The following table sets forth the components of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2013	2014	2015	2016	2016
					(unaudited)
			(HK$ in millions)		
Non-current liabilities					
Long-term bank borrowings	4,824.0	10,702.6	4,648.0	4,691.5	4,431.7
Long-term bonds payable[(1)]	6,230.0	6,209.7	8,234.9	8,072.3	4,520.9
Subtotal	11,054.0	16,912.3	12,882.9	12,763.8	8,952.6
Current liabilities					
Short-term bank borrowings[(2)]	18,889.7	18,449.1	24,335.5	19,699.4	18,758.9
Short-term bonds payable[(3)]	1,271.9	1,901.5	—	5,265.2	8,695.6
Amounts due to related parties (unsecured and unguaranteed)	729.4	1,081.3	855.1	480.1	281.4
Subtotal	20,891.0	21,431.9	25,190.6	25,444.7	27,735.9
Total borrowings	**31,945.0**	**38,344.2**	**38,073.5**	**38,208.5**	**36,688.5**

(1) These long-term bonds payable were unsecured and unguaranteed.

(2) As of December 31, 2013, 2014 and 2015, June 30, 2016 and August 31, 2016, short-term bank borrowings of HK$18,189.7 million, HK$17,749.1 million, HK$21,335.5 million, HK$19,699.4 million and HK$18,758.9 million, respectively, were due within one year, and HK$700.0 million, HK$700.0 million, HK$3,000.0 million, nil and nil, respectively, were due after one year but repayable on demand.

(3) These short-term bonds payable were unsecured and unguaranteed.

Bank Borrowings

Our short-term bank borrowings were incurred primarily for the purposes of financing working capital. Our short-term bank borrowings decreased from HK$18,889.7 million as of December 31, 2013 to HK$18,449.1 million as of December 31, 2014, but increased to HK$24,335.5 million as of December 31, 2015, mainly due to our refinancing of long-term bank borrowings using short-term bank borrowings to reduce finance costs. The decrease in the six months ended June 30, 2016 was primarily due to our refinancing of short-term bank borrowings by short-term bonds payable with a lower interest rate.

Our long-term bank borrowings were incurred for conducting acquisitions and obtaining long-term capital. Our long-term bank borrowings increased from HK$4,824.0 million as of December 31, 2013 to HK$10,702.6 million as of December 31, 2014 as a result of our business expansion, but decreased to HK$4,648.0 million as of December 31, 2015 due to our repayment of loans to optimize our loan maturity profile and reduce finance costs. Our long-term bank borrowings remained relatively stable during the six months ended June 30, 2016.

We seek to lower our finance costs by managing the size of our total borrowings and adjusting the ratio of Renminbi and Hong Kong dollar-denominated loans in response to fluctuations in the

exchange rates. We review our financial condition from time to time and adjust the balance of our bank borrowings which were mainly used to fund our pharmaceutical distribution business. The interest rates of our bank borrowings ranged from 1.4% to 7.8%, 1.4% to 6.9%, 1.0% to 6.4% and 1.0% to 5.8% as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. Most of our bank borrowings outstanding as of December 31, 2013, 2014 and 2015 and June 30, 2016 were denominated in Renminbi. As of June 30, 2016, Renminbi-denominated bank borrowings, Hong Kong dollar-denominated bank borrowings, US dollar-denominated bank borrowings and Euro-denominated bank borrowings accounted for 59.2%, 37.8%, 2.6% and 0.4%, respectively, of our total bank borrowings.

The following table sets forth a breakdown of our secured and unsecured bank borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2013	2014	2015	2016	2016
					(unaudited)
	(HK$ in millions)				
Secured	3,931.9	2,184.7	1,844.8	2,219.0	1,077.5[(1)]
Unsecured	19,781.8	26,967.0	27,138.7	22,171.9	22,113.1
Total	**23,713.7**	**29,151.7**	**28,983.5**	**24,390.9**	**23,190.6**

(1) As of August 31, 2016, the latest practicable date to determine our indebtedness, of all our bank borrowings, HK$1,077.5 million was secured by trade and bills receivables, prepaid lease payments or buildings, and all of our bank borrowings were unguaranteed.

Of all our bank borrowings, HK$3,931.9 million, HK$2,184.7 million, HK$1,844.8 million and HK$2,219.0 million were secured by trade and bills receivables, prepaid lease payments or buildings as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively.

The table below sets forth the maturity profile of our borrowings as of the dates indicated below:

	As of December 31,			As of June 30,	As of August 31,
	2013	2014	2015	2016	2016
					(unaudited)
	(HK$ in millions)				
Within one year	18,189.7	17,749.1	21,335.5	19,699.4	18,758.9
More than one year but within two years	732.3	3,389.0	883.7	1,110.3	849.5
More than two years but within five years	4,791.7	8,013.6	6,764.3	3,581.2	3,582.2
Wholly repayable within five years	**23,713.7**	**29,151.7**	**28,983.5**	**24,390.9**	**23,190.6**

As of June 30, 2016 and August 31, 2016, a substantial portion of our bank borrowings was due within one year, primarily because we refinanced certain long-term bank borrowings using short-term bank borrowings to take advantage of the decreasing market interest rates in China. During the Track Record Period, we did not have any material default on our bank borrowings.

Bonds Payable

We also finance our working capital by issuing bonds. As of June 30, 2016 and August 31, 2016, the aggregate balance of our bonds payable was HK$13,337.5 million and HK$13,216.5 million, respectively.

As of August 31, 2016, we had seven outstanding bonds with an aggregate principal amount of HK$13,216.5 million. The table below sets forth certain information on our outstanding bonds as of August 31, 2016:

Issuer	CR Pharmaceutical Holdings	CR Pharmaceutical Holdings	CR Sanjiu	CR Pharmaceutical Holdings	CR Pharmaceutical Holdings	CR Pharmaceutical Holdings	CR Pharmaceutical Holdings
Principal amount	RMB3.0 billion	RMB1.4 billion	RMB0.5 billion	RMB2.0 billion	RMB1.5 billion	RMB1.0 billion	RMB2.0 billion
Interest rate	4.48%	4.94%	4.60%	4.20%	2.59%	2.65%	2.90%
Maturity date	August 8, 2017	March 22, 2018	May 9, 2018	July 8, 2020	November 28, 2016	December 19, 2016	January 20, 2017
Issue date	August 8, 2012	March 22, 2013	May 9, 2013	July 9, 2015	March 2, 2016	March 23, 2016	April 25, 2016
Listing venue	Non-listed	Non-listed	Shenzhen Stock Exchange	Non-listed	Non-listed	Non-listed	Non-listed

Our non-listed bonds were issued to financial institutions, including commercial banks and securities firms, and may be transferred to other institutional investors through the PRC interbank bond market.

Our long-term bonds payable decreased significantly from HK$8,072.3 million as of June 30, 2016 to HK$4,520.9 million as of August 31, 2016, mainly because a bond with a principal amount of RMB3.0 billion matured on August 8, 2017, as a result of which such amount was classified as current liabilities as of August 31, 2016, resulting that the short-term bonds payable increased from HK$5,265.2 million as of June 30, 2016 to HK$8,695.6 million as of August 31, 2016.

Our Directors have confirmed that there has not been any material increase in our indebtedness since August 31, 2016 to the date of this prospectus. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we did not have any definitive plan to issue debts.

CONTINGENT LIABILITIES

We are, from time to time, involved in legal proceedings and litigation in the ordinary course of business. We believe that they are insignificant to us and have not made any material provision in our

consolidated financial statements. In addition, as of December 31, 2013, 2014 and 2015 and June 30, 2016, we endorsed certain bills receivable for the settlement of trade and other payables, and discounted certain bills receivable to finance our working capital. We believe that the risk of default in payment of our endorsed and discounted bills receivable is very low, as all such bills receivable were issued and guaranteed by reputable PRC banks. Therefore, we did not recognize any relevant assets and liabilities on our consolidated financial statements. For details on our contingent liabilities, see note 40 to our consolidated financial statements included in Appendix I — "Accountants' Report" to this prospectus. As of August 31, 2016, being the latest practicable date to determine our indebtedness, and the Latest Practicable Date, we did not have any material contingent liabilities.

Apart from the foregoing, we did not have, as of August 31, 2016, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures comprise mainly additions to prepaid lease payments, investment properties, property, plant and equipment and intangible assets but excluding additions resulting from acquisitions through business combination. In 2013, 2014 and 2015, our capital expenditures were HK$2,774.8 million, HK$2,583.3 million and HK$2,217.7 million, respectively. In the six months ended June 30, 2016, our capital expenditures were HK$972.3 million. We fund these expenditures primarily using cash generated from our operating activities, proceeds from bank borrowings and proceeds from issuing equity or debt securities.

Our capital expenditures on our pharmaceutical manufacturing business are primarily related to the expansion and upgrade of our manufacturing facilities, including purchasing land use rights for sites, constructing facilities and purchasing equipment. For our pharmaceutical distribution business, capital expenditures were used mainly in the development of "Hospital Logistics Intelligence" programs, constructing logistics centers and purchasing land use rights. Capital expenditures incurred by our other two segments were relatively insignificant.

The table below sets forth our capital expenditures by segment in the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2013	2014	2015	2015	2016
	(HK$ in millions)				
Pharmaceutical manufacturing	1,871.0	1,198.3	1,216.7	334.4	554.1
Pharmaceutical distribution	812.6	1,309.9	977.7	395.7	366.3
Pharmaceutical retail	33.0	31.1	20.8	7.9	4.2
Others	58.2	44.0	2.5	1.0	47.7
Total	**2,774.8**	**2,583.3**	**2,217.7**	**739.0**	**972.3**

We estimate our capital expenditures in the second half of 2016 to be approximately HK$2,672.0 million, which will be primarily used to fund the construction of our logistics facilities and production facilities, improvement of the "Hospital Logistics Intelligence" solutions, and improvement of our information technology systems. We expect to fund these capital expenditures primarily by cash generated from operating activities as well as a portion of the net proceeds from the Global Offering.

CONTRACTUAL AND OTHER OBLIGATIONS

Capital commitments

The following table below sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
Contracted but not provided for:	556.6	1,986.5	1,525.0	1,215.0

We have funded and will continue to fund a substantial portion of our capital commitments by operating cash flow and proceeds from banks borrowings. During the Track Record Period, our capital commitments were mainly attributable to the purchase of property, plant and equipment, intangible assets and prepaid lease payments.

Operating lease commitments

We lease some of our office properties from third parties under non-cancellable operating leases. The following table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(HK$ in millions)			
Within one year	270.5	378.3	371.6	350.8
In the second to fifth year inclusive	460.7	442.8	624.2	601.1
After five years	64.2	168.8	255.8	193.7
Total	**795.4**	**989.9**	**1,251.6**	**1,145.6**

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2016 and the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

FINANCIAL RATIOS

The table below sets forth, as of the dates or for the periods indicated, certain financial ratios:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2013	2014	2015	2016
Current ratio (times)[1]	1.2	1.3	1.2	1.2
Quick ratio (times)[2]	1.0	1.0	1.0	1.0
Gearing ratio[3]	95.6%	100.3%	93.4%	95.0%
Return on assets[4]	5.7%	4.8%	4.9%	5.0%[6]
Return on equity[5]	19.0%	13.7%	13.3%	14.5%[6]

(1) Current ratio equals current assets divided by current liabilities.

(2) Quick ratio equals current assets excluding inventories divided by current liabilities.

(3) Gearing ratio equals total debts (the sum of bank borrowings and bonds payable) divided by total equity.

(4) Return on assets equals profit for a period divided by the average balance of total assets at the beginning and the end of such period.

(5) Return on equity represents profit attributable to owners of the Company for a period divided by the average balance of total equity attributable to owners of the Company at the beginning and the end of such period.

(6) These figures have been annualized to be comparable to those of prior years but are not indicative of the actual results.

Current Ratio

Our current ratio was 1.2 times, 1.3 times, 1.2 times and 1.2 times as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively, which remained relatively stable during these periods.

Quick Ratio

Our quick ratio was 1.0 times, 1.0 times, 1.0 times and 1.0 times as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively, which remained stable during these periods.

Gearing Ratio

Our gearing ratio was 95.6%, 100.3%, 93.4% and 95.0% as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. The decrease in our gearing ratio from December 31, 2014 to December 31, 2015 was mainly due to the increase in our total equity as a result of our increased accumulated profit. The increase in our gearing ratio from December 31, 2013 to December 31, 2014 was mainly due to an increase in our bank borrowings to support our business growth. The slight decrease in our gearing ratio as of June 30, 2016 was primarily a result of a decreased total equity resulting from the depreciation of the Renminbi against the Hong Kong dollar, our reporting currency, during the period.

Return on Assets

We achieved a return on assets of 5.7%, 4.8%, 4.9% and 5.0% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Our return on assets remained stable in 2014 and 2015. The decrease in our return on assets in 2014 compared to 2013 was mainly due to the relatively faster growth of our current assets, principally trade and other receivables, available-for-sale investments and inventories, compared to our profit growth during the year.

Return on Equity

We achieved a return on equity of 19.0%, 13.7%, 13.3% and 14.5% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Our return on equity remained relatively stable in 2014 and 2015. The decrease in our return on equity in 2014 compared to 2013 was mainly due to the faster growth of our equity attributable to owners of our Company compared to our profit attributable to owners of our Company growth during the year.

FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including market risk (consisting of foreign currency risk and interest rate risk), credit risk and liquidity risk. We did not, in 2013, 2014 and 2015 and the six months ended June 30, 2016, use derivative financial instruments to hedge our risk exposures on changes in foreign currency rates and interest rates.

Foreign Currency Risk

We manage the foreign currency risk by closely monitoring the movements of foreign currency rates. We currently have not entered into any foreign currency forward contracts to hedge against foreign currency risk. We will consider hedging foreign currency exposure should the need arise.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed rate borrowings and cash flow interest rate risk in relation to floating rate borrowing and borrowing from China Resources Holdings. We do not have any interest rate hedging policy. However, we monitor the related interest rate risk exposure closely and will consider hedging interest rate risk exposure should the need arise.

Our bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. We consider our exposure of short-term bank deposits to interest rate risk is not significant as interest-bearing bank balances are mainly within a short maturity period.

Our exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate arising from our borrowings denominated in Hong Kong dollars and the People's Bank of China Base Rate arising from our borrowings denominated in Renminbi.

Credit Risk

As of December 31, 2013, 2014 and 2015 and June 30, 2016, our maximum exposure to credit risk, which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided by us, arises from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by us as disclosed in note 40 of Appendix I to this prospectus.

In order to minimize the credit risk, we have policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, we carry out researches on the creditability of the new customer, assess the potential customer's credit quality and define credit limits by customer. Limits attributed to customers are reviewed once a year. In addition, we review the recoverability of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our directors consider that our credit risk is significantly reduced.

The credit risk on liquid funds and structured deposits is limited because the counterparties are financial institutions with high credit standing.

We do not have any significant concentration of credit risk as the trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity Risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by us to finance our operations and mitigate the effects of fluctuations in cash flows. We also monitor the utilization of bank borrowings and ensure compliance with loan covenants, if any.

The following tables detail our remaining contractual maturity for our financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay. The table includes both interest and principal cash flows.

To the extent that interest rates are floating rates, the undiscounted amount is derived from interest rates at the end of each reporting period. The following tables set forth the maturity profile of our non-derivative financial liabilities as of the dates indicated:

	Weighted average interest rate	Repayable on demand	Less than one year	One-two years	Over two years	Total undiscounted cash flows	Carrying amounts
As of December 31, 2013				**(HK$ in millions)**			
Trade and other payables	—	—	34,920.5	—	—	34,920.5	34,920.5
Amounts due to related parties	—	729.4	52.7	—	—	782.1	782.1
Bank borrowings							
Fixed rate	5.4%	—	3,865.9	—	—	3,865.9	3,667.1
Floating rate	3.5%	700.0	15,035.2	784.9	4,540.5	21,060.6	20,046.6
Bonds payable	4.4%	—	1,328.0	561.6	7,091.4	8,981.0	7,501.9
Financial guarantee contracts	—	37.0	—	—	—	37.0	—
		1,466.4	55,202.3	1,346.5	11,631.9	69,647.1	66,918.2

	Weighted average interest rate	Repayable on demand	Less than one year	One-two years	Over two years	Total undiscounted cash flows	Carrying amounts
As of December 31, 2014				**(HK$ in millions)**			
Trade and other payables	—	—	39,921.0	—	—	39,921.0	39,921.0
Amounts due to related parties	—	779.7	52.6	—	—	832.3	832.3
Loan from intermediate holding company	1.8%	—	306.9	—	—	306.9	301.6
Bank borrowings							
Fixed rate	5.7%	—	2,870.2	—	—	2,870.2	2,716.1
Floating rate	3.7%	700.0	15,584.0	3,642.0	8,147.6	28,073.6	26,435.6
Bonds payable	4.5%	—	1,987.5	574.6	7,093.2	9,655.3	8,111.2
Financial guarantee contracts	—	14.6	—	—	—	14.6	—
		1,494.3	60,722.2	4,216.6	15,240.8	81,673.9	78,317.8

	Weighted average interest rate	Repayable on demand	Less than one year	One-two years	Over two years	Total undiscounted cash flows	Carrying amounts
As of December 31, 2015				**(HK$ in millions)**			
Trade and other payables.	—	—	39,317.0	—	—	39,317.0	39,317.0
Amounts due to related parties .	—	855.1	23.8	—	—	878.9	878.9
Bank borrowings							
Fixed rate	4.5%	—	2,266.3	—	—	2,266.3	2,159.1
Floating rate	2.5%	3,000.0	19,658.4	928.7	4,055.3	27,642.4	26,824.4
Bonds payable	4.5%	—	371.2	3,911.0	5,312.1	9,594.3	8,234.9
Financial guarantee contracts . .	—	13.8	—	—	—	13.8	—
		3,868.9	61,636.7	4,839.7	9,367.4	79,712.7	77,414.3

	Weighted average interest rate	Repayable on demand	Less than one year	One-two years	Over two years	Total undiscounted cash flows	Carrying amounts
As of June 30, 2016				**(HK$ in millions)**			
Trade and other payables.	—	—	43,482.6	—	—	43,482.6	43,482.6
Amounts due to related parties .	—	499.8	—	—	—	499.8	499.8
Bank borrowings							
Fixed rate	4.4%	—	3,292.1	51.9	568.6	3,912.6	3,702.9
Floating rate	2.6%	—	16,966.5	1,117.5	3,322.5	21,406.5	20,688.0
Bonds payable	3.8%	—	5,463.3	3,779.2	5,096.8	14,339.3	13,337.5
Financial guarantee contracts . .	—	13.5	—	—	—	13.5	—
		513.3	69,204.5	4,948.6	8,987.9	83,654.3	81,710.8

DIVIDEND POLICY

Subject to our Articles of Association, the decision for the payment of dividend will be made at the discretion of our Board and will depend on, among other things:

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

Our Board will propose dividends, if any, in Hong Kong dollars with respect to the Shares on a per Share basis. We will pay such dividends in Hong Kong dollars.

During the Track Record Period, we did not declare any cash dividends. After the Global Offering, other than the special dividend disclosed in "Summary — Recent Developments," we expect to distribute not less than 20% of our annual distributable profit, excluding one-off gains, as dividends to our shareholders. One-off gains refers to gains that are not directly related to the ordinary course of our business or non-recurring gains related to our ordinary business operation. During the Track Record Period, our one-off gains primarily consisted of gain on disposal of associates, gain on disposal of subsidiaries and gain on disposal of prepaid lease payments. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we had pre-tax one-off gains of HK$34.2 million, HK$5.6 million, HK$1,062.9 million and HK$78.0 million, respectively, which may not be indicative of future results.

DISTRIBUTABLE RESERVES

As of June 30, 2016, our Company did not have any distributable reserves, which were the retained earnings of our Company under HKFRS.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules is set out below for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on our audited consolidated net tangible assets as of June 30, 2016 as if the Global Offering had taken place on June 30, 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of our consolidated net tangible assets as of June 30, 2016 or any future date following the Global Offering. It is prepared based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as of June 30, 2016, derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this prospectus.

	Adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2016[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company per Share[3]
	(HK$ in millions)			HK$
Based on an Offer Price of HK$8.45 per Share . .	3,806.4	12,728.8	16,535.2	2.68
Based on an Offer Price of HK$10.15 per Share .	3,806.4	15,299.4	19,105.8	3.10

(1) The amount is based on the audited consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2016 of HK$22,597,665,000, extracted from the Accountants' Report of our Group set out in Appendix I to this prospectus and adjusted for goodwill and intangible assets attributable to the owners of the Company as of June 30, 2016 of HK$15,602,106,000 and HK$3,189,168,000.

(2) The estimated net proceeds from the Global Offering are based on 1,543,141,500 Shares to be issued at a minimum offer price of HK$8.45 or a maximum offer price of HK$10.15 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by our Group subsequent to June 30, 2016 (HK$40.0 million of listing expenses has been expensed prior to June 30, 2016) and does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased pursuant to the Company's general mandate.

(3) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is arrived at on the basis of 6,172,565,961 Shares in total, assuming that 1,543,141,500 Shares were issued pursuant to the Global Offering had been completed on June 30, 2016. It is without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased pursuant to the Company's general mandate.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2016.

(5) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2016 did not take into account the special pre-listing dividend distribution plan, details of which are disclosed in the section headed "Summary — Recent Development" in this prospectus. We preliminarily estimated that the special dividend to be declared would amount to approximately HK$2,227.8 million after our Company has attained sufficient distributable profits and we shall ensure that the special dividend would be distributed within 24 months from the Listing Date subject to compliance with applicable laws, regulations, accounting standards and consent from lenders, if required. Had the declaration of special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company per Share would be reduced to HK$2.32 based on an Offer Price of HK$8.45 per Offer Share and HK$2.73 based on an Offer Price of HK$10.15 per Offer Share.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in our financial and trading position or prospects from June 30, 2016, being the date to which our latest audited consolidated financial statements have been prepared, up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure under Rules 13.13 to 13.19 of Chapter 13 of the Listing Rules.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We incurred listing expenses of HK$40.0 million which have been expensed in the six months ended June 30, 2016. We expect to incur additional listing expenses of approximately HK$337.1 million (assuming an Offer Price of HK$9.30 per Share, being the mid-point of the indicative Offer Price range, and the Over-allotment Option is not exercised), of which approximately HK$304.4 million will be directly attributable to the issue of our Shares to the public and capitalized, and the remaining HK$32.7 million will be expensed in the second half of 2016. Our Directors do not expect such expenses to materially impact our results of operations in 2016.

FUTURE PLANS

See "Business — Business Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$9.30 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus, and assuming the Over-allotment Option is not exercised, we currently intend to use such net proceeds from the Global Offering as follows:

- approximately 45% of the net proceeds, or approximately HK$6,288.4 million, is expected to be used for making strategic acquisitions to expand our pharmaceutical manufacturing and pharmaceutical distribution businesses. In particular, we plan to use approximately HK$3,353.8 million for acquiring pharmaceutical manufacturers in China of biopharmaceutical products, Chinese medicines, nutritional and health products and chemical drugs, while selectively acquiring or investing in pharmaceutical manufacturers focusing on areas such as cardiovascular system, central nervous system, oncology and respiratory system. We plan to use approximately HK$2,235.9 million for acquiring regional pharmaceutical distributors across the PRC, with a particular focus on the Southwestern China Region and Northwestern China Region, to strengthen our regional distribution networks.

  In pursuing acquisitions, we are generally flexible in transactional structures. We may acquire full ownership, a controlling interest or a minority interest in the targets. We may also conduct acquisitions in stages. See "Business — Business Strategies — Continue to pursue strategic acquisitions to further consolidate our leadership positions in the pharmaceutical industry."

  We thoroughly assess the strategic rationale, potential synergies, growth prospect and valuation, among other factors, in accordance with business needs and opportunities that arise from time to time. We typically make acquisitions of targets with deal size of not less than RMB50 million. We expect that the time from identifying an acquisition target to completion of the acquisition will normally take approximately 10 to 18 months. We will consider and pursue acquisition opportunities by taking into account, among other things, the following factors:

  - the strategic rationale of investing in the targets;
  - the business prospect of the targets and its alignment with our overall business strategy;
  - the investment returns and synergies that we expect to achieve from the acquisitions;
  - valuation and accounting impact of the acquisitions;

- findings from due diligence on the acquisition target; and

- challenges and expenses that could arise from integrating the businesses.

As of the Latest Practicable Date, we have been identifying and approaching various acquisition targets covering areas such as biologics, nutritional and health food and PRC regional pharmaceutical distribution, although we had not formed any definitive intent to acquire any target. We also plan to use the remaining amount of HK$698.7 million for acquiring additional minority interests in our existing subsidiaries;

- approximately 15% of the net proceeds, or approximately HK$2,096.1 million, is expected to be used for establishing more advanced logistics centers and warehouses in China for our pharmaceutical distribution business. See "Financial Information — Capital Expenditures";

- approximately 10% of the net proceeds, or approximately HK$1,397.4 million, is expected to be used for investment in our research and development platform to enhance our research and innovation capabilities and promote cooperation with research partners to jointly develop new products and optimize our product portfolio. See "Business — Pharmaceutical Manufacturing — Research and Development";

- approximately 10% of the net proceeds, or approximately HK$1,397.4 million, is expected to be used for improving and upgrading our information technology systems to strengthen our internal control management and improve operational efficiency, particularly for our "Hospital Logistics Intelligence" and "Network Hospital Logistics Intelligence" solutions. See "Financial Information — Capital Expenditures";

- approximately 10% of the net proceeds, or approximately HK$1,397.4 million, is expected to be used for repaying a portion of the outstanding bonds issued by CR Pharmaceutical Holdings, which bear a fixed annual interest rate of 2.9% and will mature on January 20, 2017. We primarily used the proceeds from the bonds for working capital needs. See "Financial Information — Indebtedness"; and

- approximately 10% of the net proceeds, or approximately HK$1,397.4 million, is expected to be used for working capital and general corporate purposes.

We estimate that we will receive from the Global Offering net proceeds, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, in the amount as set forth in the following table:

	Based on the low-end of the proposed Offer Price range of HK$8.45	**Based on the mid-end of the proposed Offer Price range of HK$9.30**	**Based on the high-end of the proposed Offer Price range of HK$10.15**
Assuming the Over-allotment Option is not exercised	Approximately HK$12,688.8 million	Approximately HK$13,974.1 million	Approximately HK$15,259.4 million
Assuming the Over-allotment Option is exercised in full	Approximately HK$14,605.4 million	Approximately HK$16,083.6 million	Approximately HK$17,561.7 million

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

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

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Merrill Lynch Far East Limited
CCB International Capital Limited
Morgan Stanley Asia Limited
China Merchants Securities (HK) Co., Limited
ICBC International Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Securities Asia Limited
China Securities (International) Corporate Finance Company Limited
BOCI Asia Limited
CMB International Capital Limited
ABCI Securities Company Limited
J.P. Morgan Securities (Asia Pacific) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 77,158,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst 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 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 develops, occurs, exists or comes into force:

(a) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or Singapore (collectively, the "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change, or any event or series of events resulting or likely to result in or representing any change or development, or any prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions or exchange control or any monetary or trading settlement system (including, without limitation, a material change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a material change in the system under which the value of the Hong Kong Dollar is linked to the United States Dollar or revaluation of HK dollar or Renminbi against any foreign currencies, in any of the Relevant Jurisdictions; or

(c) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at Federal or New York State level or other competent authority) or any other Relevant Jurisdiction; or

(d) the imposition of 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 Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(e) a change or development or event involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or

(f) the outbreak or escalation of hostilities (whether or not war is or has been declared) involving or affecting any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or

(g) any event, or series of events, in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions (including, without limitation, any act of God, act of government, declaration of a national or international emergency or war, calamity, crisis, riot, public disorder, civil commotion, fire, flood, explosion, epidemic (including SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), pandemic, outbreak of infectious disease, economic sanctions, earthquake, terrorism, strike or lock-out; or

(h) any 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

(i) any imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions on the PRC, Hong Kong or any other jurisdiction relevant to any member of the Group; or

(j) any litigation or claim being threatened or instigated against our Company; or

(k) any contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or other applicable Laws; or

(l) except with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the 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

(m) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(n) a valid demand by any creditor for repayment or payment of any of the indebtedness of any member of the Group or in respect of which that member of the Group is liable prior to its stated maturity.

which, in any such case and in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

(i) is or will or is likely to have a material adverse effect on the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition (financial or otherwise), or performance of the Group as a whole; or

(ii) has or will have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering or the International Offering or the level of applications under the Hong Kong Public Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares; or

(iii) makes or will make or is likely to make it inadvisable or inexpedient or impracticable or incapable for any part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares to be performed or implemented or proceed as envisaged or to market the Global Offering in the manner contemplated by this prospectus;

OR

(B) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters:

(a) any statement contained in any of this prospectus, the Application Forms and the formal notice and/or in any announcements, advertisements or other documents issued or approved by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of this prospectus, the Application Forms and the formal notice and/or any announcements or advertisements issued or approved by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and made on reasonable grounds or, where appropriate, based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(b) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(c) any matter or event has arisen or has been discovered rendering or there coming to the notice of any of the Joint Global Coordinators or the Hong Kong Underwriters any matter or event showing any of the representations, warranties and undertakings given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or having been breached in a material respect or misleading; or

(d) any matter or event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement; or

(e) any material breach on the part of our Company of any provisions of or obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(f) any material adverse change or development involving a prospective material and adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition (financial or otherwise) of the Group; or

(g) any of the experts specified in this prospectus (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(h) our Company has withdrawn this prospectus, the Application Forms, the formal notice or the preliminary offering circular or the Global Offering; or

(i) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission from this prospectus;

then the Joint Global Coordinators may (for themselves and on behalf of the other Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

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 or pursuant to the Global Offering and the Over-allotment Option, no further Shares or securities convertible into Shares 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 date on which our Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing).

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date, we will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or 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, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or any derivatives with the shares of our Company as underlying securities; 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 such share capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Company will or may enter into any transaction described above.

Undertakings by China Resources Holdings

Pursuant to Rule 10.07 of the Listing Rules, China Resources Holdings has undertaken to us and to the Hong Kong Stock Exchange that, except pursuant to the Global Offering (including the Over-allotment Option), it will not, and shall procure that any other registered holder(s) (if any) will not, unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, it would cease to be our controlling shareholder (as defined in the Listing Rules).

In addition, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, China Resources Holdings has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any of Shares or of other share capital beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

(b) when it receives any indications, either verbal or written, from any pledgee or chargee of any of shares or of other securities pledged or charged that such shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by China Resources Holdings, and announce such as soon as possible after being so informed by China Resources Holdings.

China Resources Holdings has further undertaken that: without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), China Resources Holdings will not, at any time after the date of the International Underwriting Agreement up to and including the date falling six months after the Listing Date:

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) not involving a change of legal ownership of such Shares other than on enforcement) for a bona fide commercial loan in compliance with the Listing Rules), assign, 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 interest therein (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other equity securities of our Company or any interest therein in (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above, or

(d) announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Undertakings by BSCOMC

BSCOMC has undertaken to us and the Joint Sponsors that, in the period commencing on the date by reference to which disclosure of the shareholding (directly or indirectly) of each of BSCOMC, Beijing Pharmaceutical Holdings and Beijing Pharmaceutical Investments is made in this prospectus and ending on the date which is six months from the Listing Date:

(a) it will not, and shall procure that each of Beijing Pharmaceutical Holdings and Beijing Pharmaceutical Investments will not, directly or indirectly, sell, transfer or dispose of any of those Shares of or interests in our Company as disclosed in this prospectus; and

(b) it will not, and shall procure that each of Beijing Pharmaceutical Holdings and Beijing Pharmaceutical Investments will not, enter into any agreement to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares of or interests in our Company as disclosed in this prospectus.

Undertakings by BEID Fund

BEID Fund has undertaken to us and the Joint Sponsors that, in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date:

(a) it will not sell, transfer or dispose of any of those Shares as disclosed in this prospectus; and

(b) it will not enter into any agreement to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares as disclosed in this prospectus.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. 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 relevant International Underwriters (but not the Hong Kong Underwriters). Our Company may also in its sole discretion pay the Hong Kong Underwriters an additional incentive fee of up to 0.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

Assuming an Offer Price of HK$9.30 per Offer Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees (assuming the payment of the maximum discretionary incentive fee and no exercise of the Over-allotment Option), together with Hong Kong Stock Exchange listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fees, legal and other professional fees and printing and all other expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$377.1 million in total. Such commissions, fees and expenses are payable by our Company.

The commission and expenses were determined after arm's length negotiation between our Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

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 Joint Global Coordinators 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 an aggregate of 231,471,000 additional Offer Shares representing approximately 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 the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Hong Kong Underwriters' Interests in our Company

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 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 fulfilling their obligations under the Underwriting Agreements.

JOINT SPONSORS' INDEPENDENCE

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in China and the US.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process. The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt. 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, including purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selective courter parties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may has a negative impact on the trading price of 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 underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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 77,158,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and

(ii) the International Offering of an aggregate of 1,465,983,500 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A pursuant to an exemption from the registration requirements of the US Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged registered share capital of our 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 27.7% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option.

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 "— The Hong Kong Public Offering — Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 77,158,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5% 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 approximately 1.25% of our Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. 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

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: 38,579,000 Offer Shares for pool A and 38,579,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less. 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 1% brokerage, 0.0027% SFC transaction levy and 0.005% 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 pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (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. In addition, multiple or suspected multiple applications and any application for more than 38,579,000 Offer Shares are liable to be rejected.

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The 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.

Reallocation

Paragraph 4.2 of Practice 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. In the event of over-applications, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of Shares initially available under

the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 115,736,000 Shares, representing approximately 7.5% of the Shares initially available under the Global Offering.

- If the number of the Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Shares initially available under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Shares available under the Hong Kong Public Offering will be 154,315,000 Shares, representing approximately 10% of the Shares initially available under the Global Offering.

- If the number of the Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Shares available under the Hong Kong Public Offering will be 308,629,000 Shares, representing 20% of the Shares initially available under the Global Offering. In each such case, the number of the Shares allocated to the International Offering will be correspondingly reduced.

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

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form 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 the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$10.15 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$10.15 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 1,465,983,500 Offer Shares to be offered by us.

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 headed "— 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 Joint Global Coordinators (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 Joint Global Coordinators 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, we are expected to grant the Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators 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 our Company to issue and allot up to 231,471,000 additional Offer Shares, representing approximately 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 additional Offer Shares will represent approximately 3.61% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

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 will be fixed on the Price Determination Date, which is expected to be on or around October 21, 2016, and in any event on or before October 27, 2016, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$10.15 per Share and is expected to be not less than HK$8.45 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 Joint Global Coordinators (on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered under 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 any 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 Times (in Chinese) notices of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issue of a notice in the reduction of the Offer Price, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. **Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering 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.** Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus and any other financial information which may change 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 will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators 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 5% 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 Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated 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$12,688.8 million, assuming an Offer Price per Share of HK$8.45, or approximately HK$15,259.4 million, assuming an Offer Price per Share of HK$10.15 (or if the Over-allotment Option is exercised in full, approximately HK$14,605.4 million, assuming an Offer Price per Share of HK$8.45, or approximately HK$17,561.7 million, assuming an Offer Price per Share of HK$10.15).

The Offer Price for Shares under the Global Offering is expected to be announced on October 27, 2016.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on October 27, 2016 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.crpharm.com**.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., as the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However , there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

(ii) in connection with any action described in paragraph (i) above:

  (A) (1) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

  (B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;

  (C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

  (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager , its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on November 19, 2016. After this date, when no further stabilization action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates 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 stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 231,471,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

SHARES WILL BE ELIGIBLE FOR 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 October 28, 2016, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on October 28, 2016. Our Shares will be traded in board lots of 500 Shares each.

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 Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;

(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,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed.

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 Morning China Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for the Hong Kong Offer Shares." In the meantime, all

application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed 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 October 27, 2016 but will only become valid certificates of title at 8:00 a.m. on October 28, 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 — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at **www.hkeipo.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.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** 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 US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** 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 authorized 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 Joint Global Coordinators 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 the **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- 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.hkeipo.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, October 17, 2016 till 12:00 noon on Thursday, October 20, 2016 from:

(i) any of the following offices of the Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Merrill Lynch Far East Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China Merchants Securities (HK) Co., Limited
48th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Mizuho Securities Asia Limited
12/F, Chater House
8 Connaught Road Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28/F, Chater House
8 Connaught Road Central
Hong Kong

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Gilman Street Branch	136 Des Voeux Road Central
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building., 244-248 Des Voeux Road Central
	Harbour Road Branch	Shop 4, G/F, Causeway Centre, 28 Harbour Road, Wan Chai
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
	North Point (King's Centre) Branch	193-209 King's Road, North Point
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Mong Kok Branch	589 Nathan Road, Mong Kok
	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
	Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, To Kwa Wan
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
New Territories	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long
	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, October 17, 2016 till 12:00 noon on Thursday, October 20, 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 "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — CHINA RESOURCES PHARMACEUTICAL PUBLIC OFFERING" 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, October 17, 2016 — 9:00 a.m. to 5:00 p.m.
Tuesday, October 18, 2016 — 9:00 a.m. to 5:00 p.m.
Wednesday, October 19, 2016 — 9:00 a.m. to 5:00 p.m.
Thursday, October 20, 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 October 20, 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

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 **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our 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, the 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 our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not 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 our Company, our Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisors 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 our Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisors 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 US 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) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto 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 are eligible 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 our Company and the Joint Global Coordinators 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 **HK eIPO White Form** Service Provider 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 Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who Can Apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at **www.hkeipo.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website at

www.hkeipo.hk, you authorize the **HK eIPO White Form** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, October 17, 2016 until 11:30 a.m. on Thursday, October 20, 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, October 20, 2016 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** 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 **HK eIPO White Form** 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 **HK eIPO White Form** 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, our 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.

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 (852) 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 Center
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 authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our 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;

- 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 authorized to give those instructions as their agent;

- confirm that you understand that our Company, the Directors and the Joint Global Coordinators 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;

- authorize our Company to place HKSCC Nominees' name on our 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 our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisors 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 our 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 our 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 our Company, for itself and for the benefit of each Shareholder (and so that our 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, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

- agree with our Company, for itself and for the benefit of each Shareholder of our Company and each Director, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of our Company and each Director, manager and other senior officer of our Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by any relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Company (for our Company itself and for the benefit of each Shareholder of our Company) that Shares in our Company are freely transferable by their holders; and

- authorize our Company to enter into a contract on its behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of our Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the 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 authorized 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 500 Hong Kong Offer Shares. Instructions for more than 500 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, October 17, 2016 — 9:00 a.m. to 8:30 p.m. (1)
- Tuesday, October 18, 2016 — 8:00 a.m. to 8:30 p.m. (1)
- Wednesday, October 19, 2016 — 8:00 a.m. to 8:30 p.m. (1)
- Thursday, October 20, 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., Monday, October 17, 2016 until 12:00 noon, Thursday, October 20, 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon, Thursday, October 20, 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

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, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Share Registrar, the receiving bank, the Joint Global Coordinators, 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 **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** 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. Our Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** 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/CASS 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, Thursday, October 20, 2016 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" below.

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 (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** 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 **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 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.hkeipo.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" of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming 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, October 20, 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, October 20, 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 the section headed "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our 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 Thursday, October 27, 2016 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company's website at **www.crpharm.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 our Company's website at **www.crpharm.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, October 27, 2016;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, October 27, 2016 to 12:00 midnight on Wednesday, November 2, 2016;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, October 27, 2016 to Tuesday, November 1, 2016 (excluding Saturday and Sunday);

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, October 27, 2016 to Monday, October 31, 2016 at all the receiving bank's designated branches.

If our 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" of this prospectus.

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 through the **HK eIPO White Form** service, 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 our 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 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 announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** 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 our 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 **HK eIPO White Form** 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 dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or 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 of HK$10.15 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 "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 Thursday, October 27, 2016.

14. DISPATCH/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 favor 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 banker 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 around Thursday, October 27, 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 Friday, October 28, 2016 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus 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 Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, October 27, 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 authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the 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 dispatched 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 Thursday, October 27, 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 for collection of your refund cheque(s). 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 Thursday, October 27, 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 Thursday, October 27, 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*

Our 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 our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 27, 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 HK eIPO White Form service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, October 27, 2016, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto 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 Thursday, October 27, 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 dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched 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 Thursday, October 27, 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 Thursday, October 27, 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 27, 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 Thursday, October 27, 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 and 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 Thursday, October 27, 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 advisor 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.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

17 October 2016

The Directors
China Resources Pharmaceutical Group Limited
CCB International Capital Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Merrill Lynch Far East Limited

Dear Sirs,

We set out below our report on the financial information relating to China Resources Pharmaceutical Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2015 and the six months ended 30 June 2016 (the "Track Record Periods") (the "Financial Information") for inclusion in the prospectus of the Company dated 17 October 2016 issued in connection with the proposed initial listing of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company, which acts as an investment holding company, was incorporated in Hong Kong with limited liability under Hong Kong Companies Ordinance (Chapter 32) on 10 May 2007.

At the date of this report, the Company has equity interest in the following principal subsidiaries:

				Equity interest attributable to the Group					
				At 31 December			At 30 June	At date of this	
Name of subsidiary	Place and date of establishment	Place of operation	Fully paid registered capital	2013	2014	2015	2016	report	Principal activities
華潤醫藥控股有限公司 ("CR Pharmaceutical Holdings") (notes 4 and 5)	People's Republic of China ("PRC") 22 March 2007	PRC	Renminbi ("RMB") 10,000,000,000	100%	100%	100%	100%	100%	Investment holding
華潤醫藥投資有限公司	PRC 4 July 2003	PRC	RMB500,000,000	100%	100%	100%	100%	100%	Investment holding
華潤三九醫藥股份有限公司 ("CR Sanjiu Pharmaceutical") (notes 1 and 4)	PRC 21 April 1999	PRC	RMB978,900,000	63.59%	63.59%	63.59%	63.59%	63.60%	Manufacturing of pharmaceuticals products

Name of subsidiary	Place and date of establishment	Place of operation	Fully paid registered capital	Equity interest attributable to the Group					Principal activities
				At 31 December			At 30 June	At date of this	
				2013	2014	2015	2016	report	
華潤東阿阿膠有限公司 ("CR Donge")	PRC 9 December 2004	PRC	RMB422,771,675	56.62%	56.62%	56.62%	56.62%	56.62%	Investment holding
東阿阿膠股份有限公司 ("formerly known as 山東東阿阿膠股份有限公司) ("Dong-E-E-Jiao") (notes 1 and 2)	PRC 4 June 1994	PRC	RMB654,021,537	13.10%	13.10%	13.10%	17.76%	17.76%	Manufacturing of pharmaceutical products
北京醫藥集團有限責任公司 ("Beijing Pharmaceutical")	PRC 28 March 1987	PRC	RMB2,320,000,000	100%	100%	100%	100%	100%	Investment holding
華潤雙鶴藥業股份有限公司 ("CR Double-Crane") (notes 1 and 3)	PRC 16 May 1997	PRC	RMB724,470,631	49.12%	49.12%	59.99%	59.99%	59.99%	Manufacturing of pharmaceutical products
華潤醫藥商業集團有限公司	PRC 27 December 2000	PRC	RMB1,191,703,356	100%	100%	100%	100%	100%	Trading of pharmaceuticals products
深圳華潤三九醫藥貿易有限公司	PRC 17 July 1996	PRC	RMB60,000,000	63.59%	63.59%	63.59%	63.59%	63.60%	Sales of pharmaceutical products
深圳華潤九新藥業有限公司	PRC 27 January 1992	PRC	RMB500,000,000	63.59%	63.59%	63.59%	63.59%	63.60%	Manufacturing of pharmaceutical products
華潤山東醫藥有限公司	PRC 28 February 2000	PRC	RMB200,000,000	100%	100%	100%	100%	100%	Sales of pharmaceutical products
華潤遼寧醫藥有限公司	PRC 7 March 2011	PRC	RMB150,000,000	100%	100%	100%	100%	100%	Sales of pharmaceutical products
華潤河南醫藥有限公司	PRC 25 May 2009	PRC	RMB245,146,800	100%	100%	100%	100%	100%	Sales of pharmaceutical products
安徽雙鶴藥業有限責任公司	PRC 13 September 2000	PRC	RMB82,608,700	49.12%	49.12%	59.99%	59.99%	59.99%	Manufacturing of pharmaceutical products
北京雙鶴藥業經營有限責任公司	PRC 21 July 1998	PRC	RMB59,326,800	49.12%	49.12%	59.99%	59.99%	59.99%	Sale of pharmaceutical products
華潤南通醫藥有限公司	PRC 16 April 1995	PRC	RMB30,000,000	100%	100%	100%	100%	100%	Sales of pharmaceutical products

Name of subsidiary	Place and date of establishment	Place of operation	Fully paid registered capital	Equity interest attributable to the Group					Principal activities
				At 31 December			At 30 June	At date of this	
				2013	2014	2015	2016	report	
華潤河北醫藥有限公司	PRC 23 June 2011	PRC	RMB330,000,000	100%	100%	100%	100%	100%	Sales of pharmaceutical products
華潤蘇州禮安醫藥有限公司	PRC 1 January 1980	PRC	RMB200,000,000	100%	100%	100%	100%	100%	Sales of pharmaceutical products
華潤普仁鴻(北京)醫藥有限公司	PRC 3 November 2000	PRC	RMB16,000,000	55.65%	55.65%	55.65%	55.65%	55.65%	Sales of pharmaceutical products
華潤天津醫藥有限公司	PRC 10 March 2003	PRC	RMB200,000,000	70%	70%	70%	70%	70%	Sales of pharmaceutical products
華潤湖北醫藥有限公司 (formerly known as 華潤新龍醫藥有限公司)	PRC 21 October 1999	PRC	RMB352,000,000	60%	60%	60%	60%	60%	Sales of pharmaceutical products
華潤湖南雙舟醫藥有限公司	PRC 1 December 2011	PRC	RMB50,000,000	51%	51%	51%	51%	51%	Sales of pharmaceutical products
華潤廣東醫藥有限公司	PRC 25 December 1993	PRC	RMB405,755,000	70%	70%	70%	70%	70%	Sales of pharmaceutical products
華潤醫藥(上海)有限公司	PRC 20 January 1999	PRC	RMB50,000,000	70%	70%	70%	70%	70%	Sales of pharmaceutical products
華潤湖南瑞格醫藥有限公司	PRC 10 January 2013	PRC	RMB100,000,000	51%	51%	51%	51%	51%	Sales of pharmaceutical products
華潤青島醫藥有限公司	PRC 26 March 2007	PRC	RMB10,000,000	54.35%	100%	100%	100%	100%	Sales of pharmaceutical products
華潤吉林醫藥有限公司	PRC 6 September 2010	PRC	RMB200,000,000	90%	90%	100%	100%	100%	Sales of pharmaceutical products
北京賽科昌盛醫藥有限責任公司	PRC 7 April 1995	PRC	RMB2,800,000	100.0%	100.0%	59.99%	59.99%	59.99%	Sales of pharmaceutical products
華潤新龍(山西)醫藥有限公司	PRC 10 August 1999	PRC	RMB51,000,000	60%	60%	60%	60%	60%	Sales of pharmaceutical products

Notes:

1. CR Sanjiu Pharmaceutical and Dong-E-E-Jiao are listed on the Shenzhen Stock Exchange and CR Double-Crane is listed on the Shanghai Stock Exchange.
2. As at 31 December 2013, 2014 and 2015, Dong-E-E-Jiao is considered as a subsidiary of the Group as CR Donge, a 56.62% subsidiary of the Company, holds a 23.14% equity interest in Dong-E-E-Jiao as the single largest shareholder and is able to exercise control since over 50% of the board of directors are nominated by CR Donge. During the six months ended 30 June 2016, the Group acquired additional equity interest of 4.66% in Dong-E-E-Jiao and the Group's equity interest in Dong-E-E-Jiao was increased from 13.10% to 17.76% accordingly.
3. As at 31 December 2013 and 2014, CR Double-Crane is considered as a subsidiary of the Group as Beijing Pharmaceutical, a wholly-owned subsidiary of the Group which holds a 49.12% equity interest in it, is the single largest shareholder and is able to exercise control since Beijing Pharmaceutical has practical right to appoint the majority members of the board of directors of CR Double-Crane. During the year ended 31 December 2015, the Group acquired additional equity interest of 10.87% in CR Double-Crane and the Group's equity interest in CR Double-Crane was increased from 49.12% to 59.99% accordingly.
4. CR Pharmaceutical Holdings issued unsecured non-listed bonds and unsecured corporate bonds and CR Sanjiu Pharmaceutical issued an unsecured corporate bonds which are listed on the Shenzhen Stock Exchange as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively. Details are set out in note 32 to the Financial Information.
5. As at 31 December 2013, 2014 and 2015, the registered capital of CR Pharmaceutical Holdings is RMB5,385,000,000. On 29 June 2016, the registered capital was increased from RMB5,385,000,000 to RMB10,000,000,000.

All companies now comprising the Group have adopted 31 December as the financial year end date.

Except for Beijing Pharmaceutical Investment and Management (BVI) Limited ("BJ Pharm Investment and Management BVI"), CR Pharmaceutical Holdings, China Resources Pharmaceutical Trading Limited ("CR Pharm Trading Limited") and China Resources Pien Tze Huang Pharmaceutical Company Limited, which are held directly by the Company, all other subsidiaries are held indirectly by the Company.

No statutory financial statements have been prepared for China Resources Medic Investments Limited which was incorporated in British Virgin Islands ("BVI"), as it was incorporated in jurisdiction where there is no statutory audit requirements.

The statutory financial statements of the subsidiaries incorporated in Hong Kong for the Track Record Periods, or since their respective dates of incorporation, where there is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of the subsidiaries established in the PRC for each of the three years ended 31 December 2015, or since their respective dates of establishment, where there is a shorter period were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprise established in the PRC and were audited by certified public accountants registered in the PRC referred to as below.

Name of entities	Period covered	Auditors
華潤醫藥控股有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤醫藥投資有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤三九醫藥股份有限公司 .	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen Branch
華潤東阿阿膠有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
東阿阿膠股份有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
北京醫藥集團有限責任公司 .	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch

Name of entities	Period covered	Auditors
華潤雙鶴藥業股份有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤醫藥商業集團有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
深圳華潤三九醫藥貿易有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen Branch
深圳華潤九新藥業有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen Branch
華潤山東醫藥有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤遼寧醫藥有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤河南醫藥有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch

Name of entities	Period covered	Auditors
安徽雙鶴藥業有限責任公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the year ended 31 December 2014	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Nanjing Branch
	For the year ended 31 December 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
北京雙鶴藥業經營有限責任公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤南通醫藥有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Suzhou Branch
華潤河北醫藥有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤蘇州禮安醫藥有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the year ended 31 December 2014	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
	For the year ended 31 December 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Suzhou Branch
華潤普仁鴻(北京)醫藥有限公司	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch

Name of entities	Period covered	Auditors
華潤天津醫藥有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Tianjin Branch
華潤湖北醫藥有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the year ended 31 December 2014	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
	For the year ended 31 December 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Guangzhou Branch
華潤湖南雙舟醫藥有限公司 .	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the year ended 31 December 2014	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen Branch
	For the year ended 31 December 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤廣東醫藥有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Guangzhou Branch
華潤醫藥(上海)有限公司 ...	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shanghai Branch
華潤湖南瑞格醫藥有限公司 .	From 10 January 2013 (date of establishment) to 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP

Name of entities	Period covered	Auditors
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤青島醫藥有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤吉林醫藥有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the year ended 31 December 2014	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Dalian Branch
	For the year ended 31 December 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
北京賽科昌盛醫藥有限責任公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
華潤新龍(山西)醫藥有限公司.....	For the year ended 31 December 2013	BDO China Shu Lun Pan Certified Public Accountants LLP
	For the year ended 31 December 2014	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch
	For the year ended 31 December 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP, Guangzhou Branch

We have acted as statutory auditor of the Company for the Track Record Periods. For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Periods in accordance with accounting policies which conform with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). These Underlying Financial Statements were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Periods as set out in this report has been prepared from the Underlying Financial Statements, on the basis of presentation set out in note 2 of Section A below. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The preparation of the Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information sets out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section A, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013, 2014, 2015 and 30 June 2016 and of the consolidated results and cash flows of the Group for the Track Record Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2015 together with the notes thereon (the "June 2015 Financial Information") have been extracted from the Group's unaudited consolidated financial information for the same period which was prepared by the Directors solely for the purpose of this report. We have conducted our review on the June 2015 Financial 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. Our review of the June 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards of Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform to HKFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	NOTES	2013	2014	2015	2015	2016
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	8	116,950,696	135,749,180	146,568,105	71,262,878	75,615,523
Cost of sales		(96,801,611)	(114,259,158)	(123,369,243)	(59,786,234)	(63,862,413)
Gross profit		20,149,085	21,490,022	23,198,862	11,476,644	11,753,110
Other income		756,322	917,521	1,002,378	359,173	451,866
Other gains and losses	10	271,324	518,158	1,160,888	998,464	186,040
Selling and distribution expenses		(8,423,115)	(8,800,154)	(10,111,546)	(4,614,145)	(4,968,248)
Administrative expenses		(3,673,505)	(4,246,773)	(3,844,892)	(1,842,819)	(1,743,811)
Other expenses		(445,518)	(886,042)	(1,363,157)	(277,139)	(552,919)
Share of results of associates		54,917	64,640	58,224	20,059	31,832
Share of results of a joint venture		(5,863)	—	—	—	—
Listing expenses		—	—	—	—	(40,000)
Finance costs	11	(1,770,734)	(2,134,599)	(2,050,462)	(1,027,731)	(889,096)
Profit before tax		6,912,913	6,922,773	8,050,295	5,092,506	4,228,774
Income tax expense	13	(1,458,286)	(1,430,902)	(1,968,061)	(1,230,886)	(1,048,264)
Profit for the year/period	14	5,454,627	5,491,871	6,082,234	3,861,620	3,180,510
Other comprehensive income						
Item that may be reclassified to profit or loss:						
Share of changes in translation reserve of associates and joint ventures		11,020	(14,616)	(21,468)	1,676	(9,334)
Items that will not be reclassified subsequently to profit or loss:						
Exchange differences arising on translation to presentation currency		836,813	(159,484)	(2,267,401)	20,898	(691,150)
Gain on revaluation of property, plant and equipment upon transfer to investment properties, net of income tax		—	—	2,046	2,046	—
Other comprehensive income (expense) for the year/period, net of income tax		847,833	(174,100)	(2,286,823)	24,620	(700,484)
Total comprehensive income for the year/period		6,302,460	5,317,771	3,795,411	3,886,240	2,480,026

	NOTES	Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit for the year/period attributable to:						
Owners of the Company		2,639,517	2,645,940	2,850,076	2,281,664	1,636,069
Non-controlling interests		2,815,110	2,845,931	3,232,158	1,579,956	1,544,441
		5,454,627	5,491,871	6,082,234	3,861,620	3,180,510
Total comprehensive income for the year/period attributable to:						
Owners of the Company		2,999,017	2,523,227	1,674,146	2,297,270	1,276,699
Non-controlling interests		3,303,443	2,794,544	2,121,265	1,588,970	1,203,327
		6,302,460	5,317,771	3,795,411	3,886,240	2,480,026
Basic earnings per share (HK$)	16	0.67	0.57	0.62	0.49	0.35

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December 2013	2014	2015	As at 30 June 2016
		HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	17	12,528,162	13,073,816	12,578,257	12,754,978
Prepaid lease payments	18	2,313,500	2,431,837	2,320,735	2,338,991
Investment properties	19	774,358	956,058	1,020,149	1,071,688
Goodwill	20	14,892,860	15,321,660	16,394,509	16,523,651
Intangible assets	21	3,322,027	3,378,474	3,893,795	3,935,165
Interests in associates	23	403,396	394,769	441,225	469,670
Interests in a joint venture	24	1,668	—	—	—
Available-for-sales investments	25	679,189	447,750	148,300	145,369
Deferred tax assets	33	343,746	513,445	422,518	406,694
Other non-current assets	26	766,330	1,002,602	1,072,234	283,447
		36,025,236	37,520,411	38,291,722	37,929,653
CURRENT ASSETS					
Inventories	27	12,198,122	15,711,480	15,251,983	16,206,052
Trade and other receivables	28	38,044,588	45,189,028	47,514,249	53,428,379
Prepaid lease payments	18	61,960	76,202	57,232	63,628
Available-for-sale investments	25	1,756,644	5,580,322	6,310,350	4,947,107
Amounts due from related parties	43	239,307	32,276	105,464	693,493
Taxation recoverable		14,436	13,299	20,651	6,464
Pledged bank deposits	29	1,307,387	1,655,088	2,241,283	2,166,751
Bank balances and cash	29	15,175,387	13,417,624	12,378,606	10,475,006
		68,797,831	81,675,319	83,879,818	87,986,880
Asset classified as held for sale	39	—	2,601,872	4,977,059	—
		68,797,831	84,277,191	88,856,877	87,986,880
CURRENT LIABILITIES					
Trade and other payables	30	37,393,045	42,539,589	41,953,090	45,303,730
Amounts due to related parties	43	782,126	1,133,857	878,886	499,798
Taxation payable		561,114	415,174	656,033	422,219
Bank borrowings - due within one year	31	18,889,732	18,449,101	24,335,485	19,699,411
Bonds payable - due within one year	32	1,271,890	1,901,460	—	5,265,180
		58,897,907	64,439,181	67,823,494	71,190,338
Liabilities directly associated with assets classified as held for sale	39	—	1,033,307	4,400,302	—
		58,897,907	65,472,488	72,223,796	71,190,338
Net current assets		9,899,924	18,804,703	16,633,081	16,796,542
Total assets less current liabilities		45,925,160	56,325,114	54,924,803	54,726,195

	NOTES	As at 31 December 2013	2014	2015	As at 30 June 2016
		HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT LIABILITIES					
Deferred tax liabilities	33	720,609	815,550	862,353	889,111
Bank borrowings - due after one year	31	4,823,963	10,702,615	4,648,000	4,691,512
Bonds payable - due after one year	32	6,230,012	6,209,670	8,234,853	8,072,344
Other non-current liabilities	34	1,501,882	1,446,825	1,334,032	1,370,835
		13,276,466	19,174,660	15,079,238	15,023,802
NET ASSETS		32,648,694	37,150,454	39,845,565	39,702,393
CAPITAL AND RESERVES					
Share capital	35	4,629,424	12,473,920	12,473,920	12,473,920
Reserves		13,358,831	8,042,399	10,028,315	10,123,745
Equity attributable to owners of the Company		17,988,255	20,516,319	22,502,235	22,597,665
Non-controlling interests	36	14,660,439	16,634,135	17,343,330	17,104,728
TOTAL EQUITY		32,648,694	37,150,454	39,845,565	39,702,393

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 30 June 2016
		HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	17	1,637	823	969	1,625
Investments in subsidiaries	22	8,657,582	8,657,582	8,657,582	14,107,205
		8,659,219	8,658,405	8,658,551	14,108,830
CURRENT ASSETS					
Available-for-sale investments	25	—	319,869	—	—
Other receivables	28	2,980	4,121	1,979	1,188
Amounts due from related parties	43	8,147,171	10,749,652	12,294,617	5,569,148
Bank balances and cash	29	1,881,859	1,379,378	2,370,759	914,859
		10,032,010	12,453,020	14,667,355	6,485,195
CURRENT LIABILITIES					
Other payables	30	12,884	20,689	18,358	50,891
Amounts due to related parties	43	12	301,588	323	115,541
Bank borrowings - due within one year	31	5,436,840	1,373,550	8,656,468	5,868,311
		5,449,736	1,695,827	8,675,149	6,034,743
Net currents assets		4,582,274	10,757,193	5,992,206	450,452
Total assets less current liabilities		13,241,493	19,415,598	14,650,757	14,559,282
NON-CURRENT LIABILITY					
Bank borrowings - due after one year	31	992,317	7,308,054	3,543,040	3,785,321
NET ASSETS		12,249,176	12,107,544	11,107,717	10,773,961
CAPITAL AND RESERVES					
Share capital	35	4,629,424	12,473,920	12,473,920	12,473,920
Reserves	44	7,619,752	(366,376)	(1,366,203)	(1,699,959)
SHAREHOLDERS' EQUITY		12,249,176	12,107,544	11,107,717	10,773,961

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Merger reserve	Property revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000	HK$'000 (Note b)	HK$'000 (Note c)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2013	3,910,000	3,281,906	(3,066,715)	64,751	(513,534)	—	762,821	5,530,664	9,969,893	12,396,490	22,366,383
Profit for the year	—	—	—	—	—	—	—	2,639,517	2,639,517	2,815,110	5,454,627
Exchange differences arising on translation	—	—	—	—	—	—	348,480	—	348,480	488,333	836,813
Share of changes in translation reserve of associates and joint ventures	—	—	—	—	—	—	11,020	—	11,020	—	11,020
Other comprehensive income for the year	—	—	—	—	—	—	359,500	—	359,500	488,333	847,833
Profit and total comprehensive income for the year	—	—	—	—	—	—	359,500	2,639,517	2,999,017	3,303,443	6,302,460
Issue of share capital	719,424	4,562,590	—	—	—	—	—	—	5,282,014	—	5,282,014
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	230,368	230,368
Acquisition of additional interest in subsidiaries (Note e)	—	—	(262,669)	—	—	—	—	—	(262,669)	(367,170)	(629,839)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(17,926)	(17,926)
Capital contributions from non-controlling shareholders	—	—	—	—	—	—	—	—	—	1,904	1,904
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(886,670)	(886,670)
Balance at 31 December 2013	4,629,424	7,844,496	(3,329,384)	64,751	(513,534)	—	1,122,321	8,170,181	17,988,255	14,660,439	32,648,694
Profit for the year	—	—	—	—	—	—	—	2,645,940	2,645,940	2,845,931	5,491,871
Exchange differences arising on translation	—	—	—	—	—	—	(108,097)	—	(108,097)	(51,387)	(159,484)
Share of changes in translation reserve of associates and joint ventures	—	—	—	—	—	—	(14,616)	—	(14,616)	—	(14,616)
Other comprehensive expense for the year	—	—	—	—	—	—	(122,713)	—	(122,713)	(51,387)	(174,100)
Profit and total comprehensive income for the year	—	—	—	—	—	—	(122,713)	2,645,940	2,523,227	2,794,544	5,317,771
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note d)	7,844,496	(7,844,496)	—	—	—	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	4,837	—	—	—	—	—	4,837	169,041	173,878
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(12,066)	(12,066)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(977,823)	(977,823)
Appropriation	—	—	—	14,154	—	—	—	(14,154)	—	—	—
Balance at 31 December 2014	12,473,920	—	(3,324,547)	78,905	(513,534)	—	999,608	10,801,967	20,516,319	16,634,135	37,150,454

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Merger reserve	Property revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000	HK$'000 (Note b)	HK$'000 (Note c)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit for the year	—	—	—	—	—	—	—	2,850,076	2,850,076	3,232,158	6,082,234
Exchange differences arising on translation	—	—	—	—	—	—	(1,156,508)	—	(1,156,508)	(1,110,893)	(2,267,401)
Share of changes in translation reserve of associates	—	—	—	—	—	—	(21,468)	—	(21,468)	—	(21,468)
Revaluation gain on property, plant and equipment upon transfer to investment properties, net of income tax	—	—	—	—	—	2,046	—	—	2,046	—	2,046
Other comprehensive expense for the year	—	—	—	—	—	2,046	(1,177,976)	—	(1,175,930)	(1,110,893)	(2,286,823)
Profit and total comprehensive income for the year	—	—	—	—	—	2,046	(1,177,976)	2,850,076	1,674,146	2,121,265	3,795,411
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	370,404	370,404
Acquisition of additional interest in a subsidiary (Note f)	—	—	107,321	—	—	—	—	—	107,321	(444,120)	(336,799)
Shareholders' contribution	—	—	302,758	—	—	—	—	—	302,758	—	302,758
Deemed disposal of a subsidiary (Note g)	—	—	(98,309)	—	—	—	—	—	(98,309)	98,309	—
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(23,490)	(23,490)
Disposal of subsidiaries that have been included in assets classified as held for sale	—	—	—	—	—	—	—	—	—	(384,505)	(384,505)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(1,028,668)	(1,028,668)
Appropriation	—	—	—	32,924	—	—	—	(32,924)	—	—	—
Balance at 31 December 2015	12,473,920	—	(3,012,777)	111,829	(513,534)	2,046	(178,368)	13,619,119	22,502,235	17,343,330	39,845,565
Profit for the period	—	—	—	—	—	—	—	1,636,069	1,636,069	1,544,441	3,180,510
Exchange differences arising on translation	—	—	—	—	—	—	(350,036)	—	(350,036)	(341,114)	(691,150)
Share of changes in translation reserve of associates	—	—	—	—	—	—	(9,334)	—	(9,334)	—	(9,334)
Other comprehensive income for the period	—	—	—	—	—	—	(359,370)	—	(359,370)	(341,114)	(700,484)
Profit and total comprehensive income for the period	—	—	—	—	—	—	(359,370)	1,636,069	1,276,699	1,203,327	2,480,026
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	108,792	108,792
Acquisition of additional interest in subsidiaries (Note h)	—	—	(1,181,269)	—	—	—	—	—	(1,181,269)	(431,649)	(1,612,918)
Disposal of subsidiaries that have been included in assets classified as held for sale	—	—	—	—	—	—	—	—	—	(291,285)	(291,285)

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Merger reserve	Property revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000	HK$'000 (Note b)	HK$'000 (Note c)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(827,787)	(827,787)
Appropriation	—	—	—	31,392	—	—	—	(31,392)	—	—	—
Balance at 30 June 2016	12,473,920	—	(4,194,046)	143,221	(513,534)	2,046	(537,738)	15,223,796	22,597,665	17,104,728	39,702,393
(Unaudited)											
Balance at 1 January 2015	12,473,920	—	(3,324,547)	78,905	(513,534)	—	999,608	10,801,967	20,516,319	16,634,135	37,150,454
Profit for the period	—	—	—	—	—	—	—	2,281,664	2,281,664	1,579,956	3,861,620
Exchange differences arising on translation	—	—	—	—	—	—	11,884	—	11,884	9,014	20,898
Share of changes in translation reserve of associates	—	—	—	—	—	—	1,676	—	1,676	—	1,676
Revaluation gain on property, plant and equipment upon transfer to investment properties, net of income tax	—	—	—	—	—	2,046	—	—	2,046	—	2,046
Other comprehensive income for the period	—	—	—	—	—	2,046	13,560	—	15,606	9,014	24,620
Profit and total comprehensive income for the period	—	—	—	—	—	2,046	13,560	2,281,664	2,297,270	1,588,970	3,886,240
Disposal of subsidiaries that have been included in assets classified as held for sale	—	—	—	—	—	—	—	—	—	(384,505)	(384,505)
Dividend to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(759,191)	(759,191)
Appropriation	—	—	—	553	—	—	—	(553)	—	—	—
Balance at 30 June 2015	12,473,920	—	(3,324,547)	79,458	(513,534)	2,046	1,013,168	13,083,078	22,813,589	17,079,409	39,892,998

Note a: Capital reserve mainly represents (1) the difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid to acquire the additional interest in subsidiaries, and (2) a shareholder's contribution of HK$302,758,000 resulted from the combination of CR Care Group as detailed in note 2 to the Financial Information.

Note b: Merger reserve represents the amount of issued capital and premium of the entities acquired under group reorganisations completed on 4 January 2016.

Note c: Property revaluation reserve represents the gain on revaluation of the property, plant and equipment upon transfer to investment properties during the year ended 31 December 2015.

Note d: The Company's shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

Note e: During the year ended 31 December 2013, the Group acquired additional (i) 33.05% interest in 華潤湖南醫藥有限公司 at a consideration of RMB186,743,000; (ii) 45.0% interest in 華潤三九 (棗莊) 藥業有限公司 at a consideration of RMB133,000,000 and (iii) others.

Note f: During the year ended 31 December 2015, the Group acquired additional equity interest of 10.87% in CR Double-Crane.

Note h: During the six months ended 30 June 2016, the Group acquired additional interest of 4.66% in Dong-E-E-Jiao.

Note g: During the year ended 31 December 2015, the Group completed a group restructuring by transferring a wholly-owned subsidiary, China Resources Saike Pharmaceutical Company Limited to CR Double-Crane in which it is a 59.99% owned subsidiary to the Group. As a result, a deemed disposal of a subsidiary of HK$98,309,000 resulted.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Operating activities						
Profit before tax		6,912,913	6,922,773	8,050,295	5,092,506	4,228,774
Adjustments for:						
Finance costs		1,770,734	2,134,599	2,050,462	1,027,731	889,096
Share of results of associates		(54,917)	(64,640)	(58,224)	(20,059)	(31,832)
Share of result of a joint venture		5,863	—	—	—	—
Interest income		(132,936)	(145,431)	(231,957)	(122,397)	(130,061)
Dividend income		(6,519)	(20,669)	(12,596)	(463)	(668)
Investment income on available-for-sale investments		(130,228)	(289,136)	(189,669)	(99,267)	(68,982)
(Gain) loss on disposal of property, plant and equipment		(3,849)	14,896	7,622	7,148	(9,817)
Gain on disposal of subsidiaries classified as held for sale	39	—	—	(840,647)	(840,647)	(49,288)
(Gain) loss on disposal of available-for-sale investments		(67,661)	(6,461)	15,806	12,525	(1,574)
Gain on disposal of associates		(28,584)	—	(41,711)	—	—
Loss (gain) on disposal of prepaid lease payments		196	175	(148,542)	(148,542)	—
Gain on disposal of subsidiaries	38	(5,776)	(5,728)	(32,033)	(3,729)	(28,732)
Impairment loss recognised on property, plant and equipment		13,197	16,682	21,514	15,776	—
Impairment loss recognised on trade receivables, net		38,215	45,035	54,842	27,938	59,131
Impairment loss (reversal of impairment) recognised on other receivables		14,748	16,547	(4,083)	1,701	16,576
Impairment loss recognised on intangible assets		—	1,687	—	—	—
Impairment loss recognised on goodwill		—	—	60,109	—	—
Allowance for slow-moving and obsolete inventories		22,474	35,578	79,968	13,749	6,454
Depreciation of property, plant and equipment		942,421	1,048,000	1,090,257	489,457	564,676
Amortisation of intangible assets		191,316	228,601	198,358	100,072	110,635
Amortisation of prepaid lease payments		61,960	76,202	57,232	29,315	32,339
Gain arising on change in fair value of investment properties		(108,084)	(299,763)	(69,334)	—	(109,140)
Government grants		(140,134)	(191,035)	(100,058)	(33,489)	(35,640)

	NOTES	Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Operating cash flows before movements in working capital		9,295,349	9,517,912	9,957,611	5,549,325	5,441,947
(Increase) decrease in inventories		(1,095,005)	(3,783,534)	(157,600)	602,655	(895,065)
Increase in trade and other receivables		(7,851,819)	(7,431,674)	(6,218,789)	(8,056,346)	(5,372,438)
(Increase) decrease in amounts due from fellow subsidiaries		(5,866)	(4,922)	(22,492)	11,386	27,847
Decrease (increase) in amounts due from associates		1,782	—	—	—	(111)
Decrease in amounts due from non-controlling interests		—	2,442	—	—	—
Decrease in amounts due from companies held by non-controlling interests		—	717	—	—	—
Decrease in non-current assets		157,778	41,719	52,032	—	8,771
Increase in trade and other payables		5,067,430	7,264,525	4,140,630	4,166,904	2,659,528
(Decrease) increase in amounts due to fellow subsidiaries		(3,904)	(8,749)	(26,596)	(719,128)	2,816
Increase (decrease) in other non-current liabilities		30,634	271,968	19,373	11,130	(1,429)
Increase (decrease) in amounts due to non-controlling interests		—	4,538	(1,163)	(1,163)	(3,765)
Increase in amounts due to associates		—	—	569	569	1,003
Increase (decrease) in amounts due to companies held by non-controlling interests		—	4,081	1,436	—	(3,661)
Cash generated from operations		5,596,379	5,879,023	7,745,011	1,565,332	1,865,443
Income tax paid		(1,494,222)	(1,692,301)	(1,756,221)	(1,060,080)	(1,253,871)
Net cash from operating activities		4,102,157	4,186,722	5,988,790	505,252	611,572
Investing activities						
Purchases of available-for-sale investments		(4,321,424)	(15,058,347)	(16,626,038)	(7,493,310)	(10,645,641)
Payment of consideration for acquisition of subsidiaries in prior years		(3,202,309)	(542,531)	(153,413)	(16,838)	—
Purchases of property, plant and equipment		(2,264,144)	(2,015,446)	(1,246,284)	(431,419)	(473,531)
(Placement) withdrawal of restricted time deposits		(495,158)	495,158	—	—	—
Acquisition of subsidiaries	37	(402,404)	(468,792)	(2,141,047)	1,147	(335,469)
Deposits for property, plant and equipment		(359,161)	(433,186)	(576,905)	—	(191,646)
Purchases of intangible assets		(232,540)	(280,101)	(368,045)	(162,200)	—
Deposits for prepaid lease payments		(92,865)	(199,970)	(140,772)	—	—
Advances to fellow subsidiaries		(83,982)	(317)	(49,945)	(49,945)	(15,355)
Purchase of prepaid lease payments		(46,765)	(207,759)	(4,525)	(4,525)	(50,597)
Deposits for acquisition of subsidiaries		(14,104)	(5,766)	—	—	—
Advance to companies held by non-controlling interests		(717)	—	(911)	(911)	—
Purchases of investment properties		(334)	(3,238)	(40,611)	(1,333)	(1,528)

	NOTES	Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Proceeds from disposal of available-for-sale investments		2,782,232	10,654,992	15,480,293	8,044,954	11,375,169
Decrease in loan receivable		1,653,457	—	—	—	—
Decrease (increase) in pledged bank deposits		638,537	(833,906)	(683,526)	(136,607)	—
Receipt (usage) of compensation for demolition		181,161	(231,550)	(17,016)	(17,016)	—
Investment income on available-for-sale investments received		130,228	289,136	189,669	99,267	68,982
Interest received		122,440	126,816	163,849	72,746	81,679
Proceeds from disposal of property, plant and equipment		107,672	183,464	147,516	16,804	126,835
Proceeds from disposal of associates		38,643	—	94,710	—	—
Repayment from non-controlling interests		30,185	7	—	—	893
Proceeds from disposal of prepaid lease payments		12,710	5,443	211,097	207,701	—
Receipt of government grants		12,037	337,095	176,234	19,104	138,589
Proceeds from disposal of investment properties		9,628	850	730	—	—
Dividend received		6,519	29,273	14,245	6,137	668
Disposal of subsidiaries	38	1,295	(1,192)	25,006	18,835	(37,687)
Repayments from joint ventures		442	—	—	—	—
Proceeds from disposal of intangible assets		—	24,987	33,520	17,466	—
Repayment from fellow subsidiaries		—	207,952	2,631	2,631	—
Deposits for intangible assets		—	(52,110)	(58,620)	—	—
Proceeds from disposal of subsidiaries classified as held for sale	39	—	—	1,721,336	1,721,336	(488,204)
Investment in associates		—	—	(69,545)	—	—
Advance to associates		—	(50)	(2,855)	(2,855)	—
Repayment from associates		—	—	—	—	899
Receipt of consideration for disposal of subsidiaries in prior years		—	—	—	—	19,020
Net cash (used in) from investing activities		(5,788,721)	(7,979,088)	(3,919,222)	1,911,169	(426,924)
Financing activities						
Proceeds from bank borrowings		25,214,527	42,541,249	44,455,902	21,692,436	13,348,848
Issue of shares		5,282,014	—	—	—	—
Proceeds from issuances of corporate bonds		3,686,232	1,893,750	2,491,369	—	5,300,523
Loans from intermediate holding company		1,436,338	300,000	800,000	400,000	—
Advances from fellow subsidiaries		379,059	66,861	429,953	—	—
Advance from non-controlling interests		14,671	—	—	—	—
Capital contribution from non-controlling interests		1,904	—	—	—	—
Advance from company controlled by non-controlling interests		85	—	—	—	—
Repayment of bank borrowings		(25,041,881)	(36,990,423)	(42,346,261)	(21,039,690)	(18,355,642)

	NOTES	Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Repayment of loans from intermediate holding company		(2,708,229)	—	(1,100,000)	(700,000)	—
Payment of consideration for acquisition of additional interests in subsidiaries		(1,517,188)	(285,050)	(1,495,925)	—	(1,612,918)
Interests paid		(1,852,193)	(2,071,343)	(1,963,397)	(824,067)	(727,321)
Dividends paid to non-controlling interests		(886,670)	(1,088,232)	(951,512)	(96,550)	(113,152)
Repayment to fellow subsidiaries		—	(14,000)	(6,252)	(6,252)	(367,833)
Repayment of corporate bonds		—	(1,262,500)	(1,868,160)	(1,868,160)	—
Net cash from (used in) financing activities		4,008,669	3,090,312	(1,554,283)	(2,442,283)	(2,527,495)
Net increase (decrease) in cash and cash equivalents		2,322,105	(702,054)	515,285	(25,862)	(2,342,847)
Cash and cash equivalents at 1 January		12,693,625	15,175,387	13,735,944	13,735,944	13,214,946
Effect of foreign exchange rate changes		159,657	(737,389)	(1,036,283)	12,236	(377,514)
Cash and cash equivalents at 31 December/30 June		15,175,387	13,735,944	13,214,946	13,722,318	10,494,585
Represented by:						
Bank balances and cash		15,175,387	13,417,624	12,378,606	13,707,186	10,475,006
Restricted time deposits with maturity less than three months	29	—	14,949	13,376	15,132	19,579
Bank balances and cash classified as held for sale	39	—	303,371	822,964	—	—
		15,175,387	13,735,944	13,214,946	13,722,318	10,494,585

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its immediate holding company is CRH (Pharmaceutical) Limited ("CRHP"), a company incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is China Resources National Corporation (the "CRNC"), a state-owned enterprise established in the People's Republic of China (the "PRC").

The address of the registered office of the Company is 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The principal place of business of the Company is Room 4105, 41/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

The functional currency of the Company is Renminbi ("RMB"). The Financial Information is presented in Hong Kong dollars ("HK$"), as most of the users of the Financial Information is located in Hong Kong. Therefore, the directors of the Company consider that HK$ is preferable in presenting the operating results and financial position of the Group, which is more beneficial to the users of the Financial Information.

The Company acts as an investment holding company. The principal activities of its principal associates and a joint venture are set out in notes 23 and 24 respectively.

The Financial Information contained in this Prospectus does not constitute the statutory annual financial statements of China Resources Pharmaceutical Group Limited for the financial year ended 31 December 2015, but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As China Resources Pharmaceutical Group Limited is a private company, it is not required to deliver its financial statements to the Registrar of Companies and has not done so.

The auditor of China Resources Pharmaceutical Group Limited has reported on these financial statements for the year ended 31 December 2015. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

On 31 December 2015, the Company entered into a sale and purchase agreement with China Resources Retail (Group) Company Limited, a fellow subsidiary of the Company, to acquire 100% equity interest in China Resources Medic Investments Limited ("CR Care"), which is mainly engaged in the pharmacy business, as well as the operation of 華潤堂 healthcare stores, for the consideration of US$1 (equivalent to HK$7.75) and the shareholders' loan amounting to RMB395,000,000 (equivalent to HK$482,125,000). The transaction was completed on 4 January 2016.

The acquisition was accounted for under the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA. The assets and liabilities, income and expenses of CR Care and its subsidiaries have been combined under merger accounting and then consolidated during the Track Record Periods.

The Financial Information presents the consolidated financial information of the Group including CR Care and its subsidiaries. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Periods include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Periods, or since their respective dates of establishment and taking into account the respective dates of acquisition/disposal, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence as at those dates, taking into account the respective dates of establishment/acquisition/disposal, where applicable.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Periods, the Group has consistently adopted all the new and revised HKFRSs which are effective for annual accounting periods beginning on 1 January 2016 throughout the Track Record Periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2019

[4] Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have financial impact on amounts reported in respect of the Group's financial assets (e.g. the impairment on receivables) based on expected credit loss model and financial liabilities. Currently, the directors of the Company is in the midst of assessing the financial impact of the application of HKFRS 9 and a reasonable estimate of the effect will be available once the detailed review is completed.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group has performed a review of the existing contractual arrangement with its customers and the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the revenue recognition of its sales activities and the financial statements.

HKFRS 16 *Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 41, total operating lease commitment of the Group in respect of offices, warehouses and properties as at 30 June 2016 amounted to HK$1,146 million, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company do not expect the application of the new and revised HKFRSs in issue but not yet effective in the current year will have material impact on the Group's financial performance and positions and/or on the disclosures set out in the Financial Information or future financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The Financial Information has been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting periods, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Periods are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity owner of the Company.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Business combinations involving entities not under common control

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is measured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost established at the date of acquisition of the business less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the

cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at "Investments in associates and joint ventures" below.

Investments in subsidiaries

Investments in subsidiaries included in the Company's statement of financial position are stated at cost less any identified impairment loss.

The result of the subsidiaries are accounted for on the basis of dividend received and receivable during the Track Record Periods.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the Financial Information using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as

goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Transfer from investment properties to property, plant and equipment will be made when there is a change in use evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments under operating lease and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the Group in the PRC or the remaining terms of the operating licence of the PRC entity, whichever is the shorter.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit of loss.

Debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sales debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognised of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, bank borrowings and bonds payable are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit of loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Bonds payable

Bonds issued by the Group are classified as liability on initial recognition. In subsequent periods, the bonds are carried at amortised cost using the effective interest method.

Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the bonds using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the

cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting Financial Information, (i) the assets and liabilities of the Group's foreign operations are translated into Renminbi; and (ii) the assets and liabilities of the Group denominated or translated in Renminbi are then translated into the presentation currency of the Group (i.e. Hong Kong dollars), using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive

income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate). Exchange differences arising on translation of foreign operations are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the relevant reporting period. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the relevant reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme or state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Control over Dong-E-E-Jiao

During the years ended 31 December 2013, 2014 and 2015, Dong-E-E-Jiao is a subsidiary of the Group. Dong-E-E-Jiao is listed on the Shenzhen Stock Exchange. The Company holds Dong-E-E-Jiao indirectly through 華潤東阿阿膠有限公司 ("CR Donge"), a 56.62% subsidiary of the Company which holds a 23.14% equity interest in Dong-E-E-Jiao. The remaining 76.86% of shareholdings of Dong-E-E-Jiao are owned by thousands of shareholders that are unrelated to the Group. During the six months ended 30 June 2016, the Group acquired an additional equity interest of 4.66% in Dong-E-E-Jiao and the Group's equity interest in Dong-E-E-Jiao was increased from 13.10% to 17.76% accordingly.

The directors of the Company assessed whether or not the Group has control over Dong-E-E-Jiao based on whether the Group has the practical ability to direct the relevant activities of Dong-E-E-Jiao unilaterally. In making their judgement, the directors of the Company considered the Group's absolute size of holding in Dong-E-E-Jiao and the relative size of and dispersion of the shareholdings owned by the other shareholders and in addition, the Group has the practical right to appoint the majority members of the board of directors of Dong-E-E-Jiao. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Dong-E-E-Jiao and therefore the Group has control over Dong-E-E-Jiao.

Control over CR Double-Crane

As at 31 December 2013 and 2014, CR Double-Crane is a subsidiary of the Group although the Group only holds 49.12% equity. CR Double-Crane is listed on the Shanghai Stock Exchange. The Company holds CR Double-Crane indirectly through Beijing General Pharmaceutical Corporation ('Beijing Pharmaceutical'), a wholly owned subsidiary of the Company which held a 49.12% equity interest in CR Double-Crane at 31 December 2013 and 2014. The remaining 50.88% of shareholdings of CR Double-Crane are owned by thousands of shareholders that are unrelated to the Group. During the year ended 31 December 2015, the Group acquired additional 10.87% equity interest in CR Double-Crane and the Group held indirectly 59.99% as at 31 December 2015 and 30 June 2016.

The directors of the Company assessed whether or not the Group has control over CR Double-Crane based on whether the Group has the practical ability to direct the relevant activities of CR Double-Crane unilaterally. In making their judgement, the directors of the Company considered the Group's absolute size of holding in CR Double-Crane and the relative size of and dispersion of the shareholdings owned by the other shareholders and in addition, the Group has practical right to appoint the majority members of the board of directors of CR Double-Crane. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of CR Double-Crane and therefore the Group has control over CR Double-Crane.

Indefinite useful lives of certain intangible assets

Note 21 describes certain trademarks of the Group are renewable continuously every ten years at minimal costs. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group. As a result, the trademarks are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely.

Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluding that the Group's investment properties are held under a business model whose objective to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised deferred tax on changes in fair value of investment properties on the basis that the deferred tax reflects the tax consequences that will follow from the manner in which the Group expects at the end of the reporting period to recover the carrying amount of the investment properties. The deferred tax liabilities recognised are HK$80,087,000, HK$158,794,000, HK$172,856,000 and HK$201,267,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year from end of each reporting period.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of goodwill are HK$14,892,860,000, HK$15,321,660,000, HK$16,394,509,000 and HK$16,523,651,000 and intangible assets are HK$3,322,027,000, HK$3,378,474,000 and HK$3,893,795,000 and HK$3,935,165,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively. Details of the recoverable amount calculation are disclosed in notes 20 and 21, respectively.

The Group recognised impairment losses in respect of goodwill of Nil, Nil, HK$60,109,000, Nil (unaudited) and Nil during the years ended on 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, respectively.

Estimation of useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the expected lifespan of those property, plant and equipment. The useful lives of property, plant and equipment

could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment due to the change of commercial and technological environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods.

The carrying amounts of property, plant and equipment are HK$12,528,162,000, HK$13,073,816,000, HK$12,578,257,000 and HK$12,754,978,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively.

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on the higher of the fair value less cost of disposal and value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. In case where the recoverable amounts of property, plant and equipment assessed are higher or less than expected, a material reversal or recognition of impairment of property, plant and equipment may arise, which would be recognised in profit or loss in the period in which such recognition takes place. The Group recognised impairment losses in respect of property, plant and equipment of HK$13,197,000, HK$16,682,000, HK$21,514,000, Nil (unaudited) and Nil during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, respectively.

Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade and other receivables whenever there is any objective evidence that the balances may not be collectible. The Group makes judgement in assessing the collectability based on observable data including creditworthiness and payment history of the customers. When objective evidence for impairment exists, the amount of allowance is the difference between the carrying amounts of the debts and the present value of estimated future cash flows, discounted at the original effective interest rate. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amounts of trade and other receivables, net of allowance, are HK$38,044,588,000, HK$45,189,028,000, HK$47,514,249,000 and HK$53,428,379,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively.

The Group recognised net impairment losses in respect of trade and other receivables of HK$52,963,000, HK$61,582,000, HK$50,759,000, HK$29,639,000 (unaudited) and HK$75,707,000 during the years ended on 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, respectively.

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. In cases where the net realisable value of inventories assessed are less than expected, a material recognition of allowance for inventories may arise, which would be recognised in profit or loss in the period in which such recognition takes place. The carrying amounts of inventories, net of allowance for slow-moving and obsolete inventories, are HK$12,198,122,000, HK$15,711,480,000, HK$15,251,983,000 and HK$16,206,052,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

Income tax

The deferred tax assets of HK$343,746,000, HK$513,445,000, HK$422,518,000 and HK$406,694,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively in relation to unused tax losses and deductible temporary differences have been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of net debts, which includes the bank borrowings and bonds payable disclosed in notes 31 and 32, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves.

Management of the Group reviews the capital structure on a periodic basis. As part of this review, the management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, the Group will balance its overall structure through the payment of dividends and new shares issues as well as the issue of new debt or the repayment of existing debts.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

THE GROUP

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Available-for-sale investments	2,435,833	6,028,072	6,458,650	5,092,476
Loans and receivables (including cash and cash equivalents)	50,813,105	57,450,703	58,656,806	64,222,252
Financial liabilities				
At amortised cost	66,918,236	78,317,683	77,414,304	81,710,852

THE COMPANY

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Available-for-sale investments	—	319,869	—	—
Loans and receivables (including cash and cash equivalents)	10,032,005	12,133,143	14,667,347	6,484,039
Financial liabilities				
At amortised cost	6,439,533	9,002,926	12,215,974	9,820,064

Financial risk management objectives

The Group's and the Company's major financial instruments include trade and other receivables, available-for-sale investments, amounts due from/to related parties, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and bonds payable.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

The carrying amounts of the Group's and the Company's monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade and other receivables, amounts due from/to related parties, pledged bank deposits, bank balances and cash, trade and other payables, and bank borrowings of the Group and the Company, at the end of the reporting period are as follows:

THE GROUP

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
United States dollars ("USD")	52,706	61,578	223,729	82,967
European dollars ("EUR")	8,465	8,792	1,782	1,801
HK$	148,571	110,273	184,736	79,345
Liabilities				
USD	—	—	1,275,982	641,464
EUR	—	—	117,982	107,974
HK$	6,441,890	9,023,973	11,107,185	9,219,441

THE COMPANY

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
USD	57	19	181,081	13,764
HK$	91,509	26,407	136,264	11,306
Liabilities				
USD	—	—	1,248,012	581,909
HK$	6,429,157	8,983,171	10,951,496	9,071,723

The Group and the Company manage the foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group and the Company currently have not entered into any foreign currency forward contracts to hedge against foreign currency risk. Management will consider hedging foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB, the functional currency of the group entities, against relevant foreign currencies. 5% is the sensitivity rate which represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% change in foreign currency rates. A positive (negative) number indicates an increase (decrease) in post-tax profit of the Group and increase (decrease) in post-tax loss of the Company for the Track Record Periods when RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal but opposite impact on the profit of the Group and loss of the Company for the Track Record Periods.

THE GROUP

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
USD				
Post-tax profit for the year/period	(2,200)	(2,571)	43,932	23,317
EUR				
Post-tax profit for the year/period	(353)	(367)	4,852	4,433
HK$				
Post-tax profit for the year/period	262,746	372,147	456,012	381,599

THE COMPANY

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
USD				
Post-tax loss for the year/period	2	1	(44,545)	(23,720)
HK$				
Post-tax loss for the year/period	(264,596)	(373,945)	(451,536)	(378,272)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the Track Record Periods.

Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed rate borrowings and cash flow interest rate risk in relation to the floating rate borrowing and borrowing from intermediate holding company. The Group does not have any interest rate hedging policy. However, the management monitors the related interest rate risk exposure closely and will consider hedging the interest rate risk exposure should the need arise.

The Group's and the Company's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Group's and the Company's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are mainly within short maturity period.

The Group's and the Company's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from the Group's and the Company's borrowings denominated in Hong Kong dollars and People's Bank of China Base Rate arising from the Group's borrowings denominated in RMB.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances, floating rate borrowings and floating rate loans from intermediate holding company. The analysis is prepared assuming that those balances outstanding at the end of the reporting periods were outstanding for the whole year. A 50 basis point increase or decrease which represents the management's assessment of the reasonably possible charge in interest rates is used.

If the interest rate on bank balances and pledged bank deposits carried at variable rates had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit of the Group would increase/decrease by approximately HK$64,174,000, HK$58,492,000, HK$57,848,000 and HK$24,326,000 for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016, respectively. If the interest rate on floating rate borrowings and floating rate loans from intermediate holding company had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit of the Group would decrease/increase by approximately HK$83,193,000, HK$111,701,000, HK$116,217,000 and HK$44,673,000 for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016, respectively.

If the interest rate on bank balances and pledged bank deposits carried at variable rates had been 50 basis points higher/lower and all other variables were held constant, the loss of the Company would decrease/increase by approximately HK$9,409,000, HK$6,897,000, HK$11,854,000 and HK$2,287,000 for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016, respectively. If the interest rate on floating rate borrowings and floating rate loans from intermediate holding company had been 50 basis points higher/lower and all other variables were held constant, the loss of the Company would increase/decrease by approximately HK$32,146,000, HK$42,446,000, HK$58,521,000 and HK$22,894,000 for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of each reporting period does not reflect the exposure during the Track Record Periods.

Credit risk

As at 31 December 2013, 2014, 2015 and 30 June 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 40.

As at 31 December 2013, 2014, 2015 and 30 June 2016, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the Group and Company have policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the management of the Group and the Company carries out researches on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. In addition, the Group reviews the recoverability of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and Company's credit risk is significantly reduced.

The credit risk on liquid funds and structured deposits is limited because the counterparties are financial institutions with high credit standing.

The Group and the Company do not have any significant concentration of credit risk as the trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and Company's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants, if any.

The following table details the Group's and Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rate are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

THE GROUP

	Weighted average interest rate	Repayable on demand	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013							
Trade and other payables	—	—	34,920,513	—	—	34,920,513	34,920,513
Amounts due to related parties	—	729,384	52,742	—	—	782,126	782,126
Bank borrowings							
Fixed rate	5.42%	—	3,865,883	—	—	3,865,883	3,667,125
Floating rate	3.53%	700,000	15,035,255	784,909	4,540,450	21,060,614	20,046,570
Bonds payable	4.41%	—	1,327,998	561,603	7,091,411	8,981,012	7,501,902
Financial guarantee contracts (note)	—	36,998	—	—	—	36,998	—
		1,466,382	55,202,391	1,346,512	11,631,861	69,647,146	66,918,236

	Weighted average interest rate	Repayable on demand	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014							
Trade and other payables	—	—	39,920,980	—	—	39,920,980	39,920,980
Amounts due to related parties	—	779,727	52,563	—	—	832,290	832,290
Loan from intermediate holding company	1.76%	—	306,870	—	—	306,870	301,567
Bank borrowings							
Fixed rate	5.68%	—	2,870,216	—	—	2,870,216	2,716,054
Floating rate	3.66%	700,000	15,583,999	3,641,947	8,147,578	28,073,524	26,435,662
Bonds payable	4.52%	—	1,987,489	574,609	7,093,242	9,655,340	8,111,130
Financial guarantee contracts (note)	—	14,578	—	—	—	14,578	—
		1,494,309	60,722,117	4,216,556	15,240,820	81,673,798	78,317,683

	Weighted average interest rate	Repayable on demand	Less than 1 year	Total 1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015							
Trade and other payables	—	—	39,317,080	—	—	39,317,080	39,317,080
Amounts due to related parties	—	855,146	23,740	—	—	878,886	878,886
Bank borrowings							
Fixed rate	4.54%	—	2,266,269	—	—	2,266,269	2,159,132
Floating rate	2.51%	3,000,000	19,658,372	928,714	4,055,324	27,642,410	26,824,353
Bonds payable	4.51%	—	371,177	3,910,975	5,312,072	9,594,224	8,234,853
Financial guarantee contracts (note)	—	13,786	—	—	—	13,786	—
		3,868,932	61,636,638	4,839,689	9,367,396	79,712,655	77,414,304

	Weighted average interest rate	Repayable on demand	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2016							
Trade and other payables	—	—	43,482,607	—	—	43,482,607	43,482,607
Amounts due to related parties	—	499,798	—	—	—	499,798	499,798
Bank borrowings							
Fixed rate	4.35%	—	3,292,068	51,947	568,572	3,912,587	3,702,928
Floating rate	2.55%	—	16,966,465	1,117,500	3,322,543	21,406,508	20,687,995
Bonds payable	3.76%	—	5,463,272	3,779,212	5,096,775	14,339,259	13,337,524
Financial guarantee contracts (note)	—	13,514	—	—	—	13,514	—
		513,312	69,204,412	4,948,659	8,987,890	83,654,273	81,710,852

Note: The amounts for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount as stated in note 40 (a) and (c) if that amounts are claimed by the counterparties to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparties claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

Bank borrowings with a repayment on demand clause is included in the "repayable on demand" time band in the above maturity analysis. As at 31 December 2013, 2014, 2015 and 30 June 2016, the aggregate carrying amount of these bank borrowings amounted to approximately HK$700,000,000, HK$700,000,000, HK$3,000,000,000 and Nil respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. The directors of the Company believe that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the bank borrowing agreement.

For the purpose of managing liquidity risk, the directors of the Company review the expected cash flows information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average interest rate	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings						
As at 31 December 2013	1.00%	7,000	14,070	721,211	742,281	700,000
As at 31 December 2014	1.00%	7,000	14,070	721,211	742,281	700,000
As at 31 December 2015	1.21%	36,300	73,039	3,110,223	3,219,562	3,000,000
As at 30 June 2016	—	—	—	—	—	—

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The following table details the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and flows. To the extent that interest rate are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

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	Weighted average interest rate	Repayable on demand	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013							
Other payables	—	—	10,364	—	—	10,364	10,364
Amounts due to related parties	—	12	—	—	—	12	12
Bank borrowings							
Floating rate	1.62%	700,000	4,813,588	32,416	1,041,336	6,587,340	6,429,157
		700,012	4,823,952	32,416	1,041,336	6,597,716	6,439,533

	Weighted average interest rate	Repayable on demand	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014							
Other payables	—	—	19,734	—	—	19,734	19,734
Amounts due to related parties	—	21	—	—	—	21	21
Loan from intermediate holding company	1.76%	—	306,870	—	—	306,870	301,567
Bank borrowings							
Fixed rate	3.54%	—	—	—	548,415	548,415	494,066
Floating rate	1.91%	700,000	686,418	1,762,581	5,415,772	8,564,771	8,187,538
		700,021	1,013,022	1,762,581	5,964,187	9,439,811	9,002,926

	Weighted average interest rate	Repayable on demand	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015							
Other payables	—	—	16,143	—	—	16,143	16,143
Amounts due to related parties	—	323	—	—	—	323	323
Bank borrowings							
Fixed rate	3.54%	—	—	—	549,799	549,799	495,313
Floating rate	1.44%	3,000,000	5,738,032	616,888	2,555,694	11,910,614	11,704,195
		3,000,323	5,754,175	616,888	3,105,493	12,476,879	12,215,974

	Weighted average interest rate	Repayable on demand	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2016							
Other payables	—	—	50,891	—	—	50,891	50,891
Amount due to a related party	—	115,541	—	—	—	115,541	115,541
Bank borrowings							
Fixed rate	3.54%	—	—	—	550,493	550,493	495,938
Floating rate	1.33%	—	5,946,360	307,956	3,110,331	9,364,647	9,157,694
		115,541	5,997,251	307,956	3,660,824	10,081,572	9,820,064

Bank borrowings with a repayment on demand clause is included in the "repayable on demand" time band in the above maturity analysis. As at 31 December 2013, 2014, 2015 and 30 June 2016, the aggregate carrying amount of these bank borrowings amounted to approximately HK$700,000,000, HK$700,000,000, HK$3,000,000,000 and Nil respectively. Taking into account the Company's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. The directors of the Company believe that such bank borrowings of the Company will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the bank borrowing agreement.

For the purpose of managing liquidity risk, the directors of the Company review the expected cash flows information of the Company's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average interest rate	Less than 1 year	1 - 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings						
As at 31 December 2013	1.00%	7,000	14,070	721,211	742,281	700,000
As at 31 December 2014	1.00%	7,000	14,070	721,211	742,281	700,000
As at 31 December 2015	1.21%	36,300	73,039	3,110,223	3,219,562	3,000,000
As at 30 June 2016	—	—	—	—	—	—

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

8. REVENUE

Revenue represents revenue arising on sale of pharmaceutical products, medical equipment and others for the Track Record Periods. An analysis of the Group's revenue for the Track Record Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Sales of pharmaceutical products	115,089,654	134,543,921	146,448,740	71,190,431	75,564,461
Others*	1,861,042	1,205,259	119,365	72,447	51,062
	116,950,696	135,749,180	146,568,105	71,262,878	75,615,523

* *included sales of medical equipment and others*

9. SEGMENT INFORMATION

Management has determined the operating segment based on the reports reviewed by the board of directors that are used to make strategic decisions. The board of directors of the Company, the chief operating decision maker, considers resource allocation and assesses segment performance from a different business type perspective.

The reportable and operating segments derive their revenue primarily from the following four business types in the PRC and Hong Kong.

(a) Pharmaceuticals business (Manufacturing segment) - research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products;

(b) Pharmaceuticals business (Distribution segment) - distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies;

(c) Pharmaceutical retail (Retail segment) - operation of retailing of pharmacy stores; and

(d) Other business operations (Others) - manufacturing and sales of medical equipment and property holding.

No operating segments have been aggregated to derive the reportable segments of the Group.

Inter-segment revenue are conducted at prices and terms mutually agreed amongst those operating segments.

The board of directors assess the performance of the operating segments based on a measure of revenue and segment results.

Segment revenue and results

The segment information provided to the board of directors for the reportable segments for the Track Record Periods are as follows:

For the year ended 31 December 2013

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
External sales	20,837,175	91,651,924	2,600,555	1,861,042	—	116,950,696
Inter-segment sales	1,478,221	905,180	—	—	(2,383,401)	—
Segment revenue	22,315,396	92,557,104	2,600,555	1,861,042	(2,383,401)	116,950,696
Segment results	7,125,907	4,185,989	123,531	290,543		11,725,970
Other income						756,322
Other gains and losses						271,324
Administrative expenses						(3,673,505)
Other expenses						(445,518)
Share of results of associates						54,917
Share of results of a joint venture						(5,863)
Finance costs						(1,770,734)
Profit before tax						6,912,913

For the year ended 31 December 2014

	Manufacturing Segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
External sales	19,713,834	111,789,826	3,040,261	1,205,259	—	135,749,180
Inter-segment sales	2,253,166	1,307,939	—	—	(3,561,105)	—
Segment revenue	21,967,000	113,097,765	3,040,261	1,205,259	(3,561,105)	135,749,180
Segment results	6,872,866	5,481,006	140,014	195,982		12,689,868
Other income						917,521
Other gains and losses						518,158
Administrative expenses						(4,246,773)
Other expenses						(886,042)
Share of results of associates						64,640
Finance costs						(2,134,599)
Profit before tax						6,922,773

For the year ended 31 December 2015

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
External sales	21,606,656	121,190,915	3,651,169	119,365	—	146,568,105
Inter-segment sales	2,646,973	1,965,510	—	—	(4,612,483)	—
Segment revenue	24,253,629	123,156,425	3,651,169	119,365	(4,612,483)	146,568,105
Segment results	7,250,850	5,677,168	100,907	58,391		13,087,316
Other income						1,002,378
Other gains and losses						1,160,888
Administrative expenses						(3,844,892)
Other expenses						(1,363,157)
Share of results of associates						58,224
Finance costs						(2,050,462)
Profit before tax						8,050,295

For the six months ended 30 June 2015 (Unaudited)

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
External sales	10,593,750	58,755,733	1,840,948	72,447	—	71,262,878
Inter-segment sales	1,231,874	866,755	—	—	(2,098,629)	—
Segment revenue	11,825,624	59,622,488	1,840,948	72,447	(2,098,629)	71,262,878
Segment results	3,815,903	2,956,653	54,181	35,762		6,862,499
Other income						359,173
Other gains and losses						998,464
Administrative expenses						(1,842,819)
Other expenses						(277,139)
Share of results of associates						20,059
Finance costs						(1,027,731)
Profit before tax						5,092,506

For the six months ended 30 June 2016

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
External sales	10,960,191	62,682,724	1,921,546	51,062	—	75,615,523
Inter-segment sales	1,264,201	984,820	—	—	(2,249,021)	—
Segment revenue	12,224,392	63,667,544	1,921,546	51,062	(2,249,021)	75,615,523
Segment results	3,566,038	3,111,509	73,708	33,607		6,784,862
Other income						451,866
Other gains and losses						186,040
Administrative expenses						(1,743,811)
Other expenses						(552,919)
Share of results of associates						31,832
Listing expenses						(40,000)
Finance costs						(889,096)
Profit before tax						4,228,774

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of other income, other gains and losses, administrative expenses, other expenses, share of results of associates, share of results of a joint venture, listing expenses and finance costs. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

As at 31 December 2013:

	Manufacturing Segment	Distribution Segment	Retail Segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	32,367,259	61,201,585	1,626,466	44,186,937	(34,917,362)	104,464,885
Deferred tax assets						343,746
Taxation recoverable						14,436
Total assets						104,823,067
Segment liabilities	6,898,314	38,040,234	766,279	5,423,056	(12,952,712)	38,175,171
Unallocated liabilities						33,999,202
Total liabilities						72,174,373

As at 31 December 2014:

	Manufacturing Segment	Distribution Segment	Retail Segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	37,190,130	75,844,146	1,501,840	45,786,594	(39,051,852)	121,270,858
Deferred tax assets						513,445
Taxation recoverable						13,299
Total assets						121,797,602
Segment liabilities	7,574,357	46,434,318	1,565,751	6,458,193	(17,325,866)	44,706,753
Unallocated liabilities						39,940,395
Total liabilities						84,647,148

As at 31 December 2015:

	Manufacturing Segment	Distribution Segment	Retail Segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets.	38,565,153	80,089,578	1,598,451	49,252,809	(42,800,561)	126,705,430
Deferred tax assets						422,518
Taxation recoverable						20,651
Total assets.						127,148,599
Segment liabilities	8,011,165	52,150,499	1,273,142	2,956,154	(17,158,682)	47,232,278
Unallocated liabilities . . .						40,070,756
Total liabilities						87,303,034

As at 30 June 2016:

	Manufacturing Segment	Distribution Segment	Retail Segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets.	39,128,503	81,514,172	1,642,586	41,028,971	(37,810,857)	125,503,375
Deferred tax assets						406,694
Taxation recoverable						6,464
Total assets.						125,916,533
Segment liabilities	6,994,169	55,561,133	1,023,765	1,064,964	(18,840,503)	45,803,528
Unallocated liabilities . . .						40,410,612
Total liabilities						86,214,140

For the purposes of monitoring segment performance and allocating resources between segments, all assets (including investments in subsidiaries and the amounts due from group entities within the Group) are allocated to reportable segment assets other than deferred tax assets and taxation recoverable and all liabilities (including the amounts due to group entities within the Group) are allocated to reportable segment liabilities other than taxation payable, deferred tax liabilities, bank borrowings, bonds payable and other non-current liabilities.

The Group did not allocate certain depreciation of property, plant and equipment, amortisation of intangible assets, amortisation of prepaid lease payments and interest income to reportable segments.

Other segment information

For the year ended 31 December 2013:

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss:						
Amortisation of prepaid lease payments	6,134	3,559	—	2,306	—	11,999
Depreciation of property, plant and equipment	532,552	163,377	5,314	34,717	—	735,960
Amounts regularly provided to the board of directors of the Company but not included in the measure of segment profit or loss or segment assets:						
Loss on disposal of prepaid lease payments	196	—	—	—	—	196
Gain arising on change in fair value of investment properties	—	—	—	108,084	—	108,084
Impairment loss recognised on trade and other receivables	4,529	42,544	535	5,355	—	52,963
Allowance for slow-moving and obsolete inventories	5,622	14,952	789	1,111	—	22,474
Impairment loss recognised on property, plant and equipment	9,554	2,835	107	701	—	13,197
Amortisation of prepaid lease payments	25,022	15,280	56	9,603	—	49,961
Depreciation of property, plant and equipment	149,734	39,082	2,342	15,303	—	206,461
Amortisation of intangible assets	104,710	79,640	—	6,966	—	191,316
Capital expenditure	1,871,025	812,584	33,000	58,154	—	2,774,763

For the year ended 31 December 2014:

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss:						
Amortisation of prepaid lease payments	15,626	9,199	—	5,554	—	30,379
Depreciation of property, plant and equipment	588,142	197,824	6,322	26,121	—	818,409
Amortisation of intangible assets	12,134	13,644	—	—	—	25,778
Amounts regularly provided to the board of directors of the Company but not included in the measure of segment profit or loss or segment assets:						
Loss on disposal of prepaid lease payments	175	—	—	—	—	175
Gain arising on change in fair value of investment properties	—	—	—	299,763	—	299,763
Impairment loss recognised on trade and other receivables	4,500	49,828	462	6,792	—	61,582
Allowance for slow-moving and obsolete inventories	9,319	25,024	1,064	171	—	35,578
Impairment loss recognised on property, plant and equipment	11,899	4,513	151	119	—	16,682
Amortisation of prepaid lease payments	23,258	14,126	62	8,377	—	45,823
Depreciation of property, plant and equipment	159,364	53,986	3,165	13,076	—	229,591
Amortisation of intangible assets	112,386	89,772	—	665	—	202,823
Capital expenditure	1,198,301	1,309,887	31,129	43,972	—	2,583,289

For the year ended 31 December 2015:

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss:						
Amortisation of prepaid lease payments	2,351	1,124	—	504	—	3,979
Depreciation of property, plant and equipment	618,030	211,912	5,958	7,145	—	843,045
Amortisation of intangible assets	18,659	11,418	—	330	—	30,407
Amounts regularly provided to the board of directors of the Company but not included in the measure of segment profit or loss or segment assets:						
Gain on disposal of prepaid lease payments	—	—	—	148,542	—	148,542
Gain arising on change in fair value of investment properties	—	—	—	69,334	—	69,334
Impairment loss recognised on trade and other receivables	4,432	45,926	396	5	—	50,759
Allowance for slow-moving and obsolete inventories	22,704	54,674	2,590	—	—	79,968
Impairment loss recognised on property, plant and equipment	16,167	5,165	182	—	—	21,514
Amortisation of prepaid lease payments	31,601	14,862	45	6,745	—	53,253
Depreciation of property, plant and equipment	190,285	49,827	3,249	3,851	—	247,212
Amortisation of intangible assets	103,059	63,068	—	1,824	—	167,951
Capital expenditure	1,216,737	977,706	20,765	2,491	—	2,217,699

For the six months ended 30 June 2015 (Unaudited):

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss:						
Amortisation of prepaid lease payments	1,080	655	—	337	—	2,072
Depreciation of property, plant and equipment	267,722	103,617	3,196	3,815	—	378,350
Amortisation of intangible assets	8,511	6,772	—	187	—	15,470
Amounts regularly provided to the board of directors of the Company but not included in the measure of segment profit or loss or segment assets:						
Gain on disposal of prepaid lease payments	—	—	—	148,542	—	148,542
Impairment loss recognised on trade and other receivables	2,417	27,051	171	—	—	29,639
Allowance for slow-moving and obsolete inventories	3,904	9,400	445	—	—	13,749
Impairment loss recognised on property, plant and equipment	10,856	4,787	133	—	—	15,776
Amortisation of prepaid lease payments	14,300	8,879	30	4,034	—	27,243
Depreciation of property, plant and equipment	74,265	33,887	937	2,018	—	111,107
Amortisation of intangible assets	57,388	26,303	—	911	—	84,602
Capital expenditure	334,420	395,688	7,922	972	—	739,002

For the six months ended 30 June 2016:

	Manufacturing segment	Distribution segment	Retail segment	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss:						
Amortisation of prepaid lease payments	1,335	628	—	348	—	2,311
Depreciation of property, plant and equipment	323,616	104,791	2,686	4,402	—	435,495
Amortisation of intangible assets	10,756	6,467	—	—	—	17,223
Amounts regularly provided to board of directors of the Company but not included in the measure of segment profit or loss or segment assets:						
Gain arising on change in fair value of investment properties	—	—	—	109,140	—	109,140
Impairment loss recognised on trade and other receivables	17,427	57,308	972	—	—	75,707
Allowance for slow-moving and obsolete inventories	1,832	4,413	209	—	—	6,454
Amortisation of prepaid lease payments	21,598	8,405	25	—	—	30,028
Depreciation of property, plant and equipment	96,327	30,772	2,082	—	—	129,181
Amortisation of intangible assets	60,856	32,556	—	—	—	93,412
Capital expenditure	554,076	366,297	4,254	47,662	—	972,289

Capital expenditure comprises mainly additions to prepaid lease payments, investment properties, property, plant and equipment and intangible assets, excluding additions resulting from acquisitions through business combination.

Revenue by products

The information about the Group's revenue by products is not available and the cost to develop it would be excessive.

Geographical information

Revenue by geographical location

The Group's customers are mainly located in the PRC and Hong Kong.

An analysis of the Group's revenue by geographical market based on where the goods are delivered to are as below:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(unaudited)	
The PRC	116,103,664	134,723,595	145,635,048	70,778,335	75,160,877
Hong Kong	847,032	1,025,585	933,057	484,543	454,646
	116,950,696	135,749,180	146,568,105	71,262,878	75,615,523

Non-current assets by geographical location

The Group's operations are mainly located in PRC and substantially all non-current assets are located in the PRC by location of assets.

Information about major customers

No revenue from customers in the Track Record Periods individually contributing over 10% of the total revenue of the Group.

10. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Gain on disposal of associates	28,584	—	41,711	—	—
Gain (loss) on disposal of available-for-sale investments	67,661	6,461	(15,806)	(12,525)	1,574
Gain on disposal of subsidiaries	5,776	5,728	32,033	3,729	28,732
Gain on disposal of subsidiaries classified as held for sale	—	—	840,647	840,647	49,288
Gain (loss) on disposal of property, plant and equipment	3,849	(14,896)	(7,622)	(7,148)	9,817
(Loss) gain on disposal of prepaid lease payments	(196)	(175)	148,542	148,542	—
Impairment loss recognised on property, plant and equipment	(13,197)	(16,682)	(21,514)	(15,776)	—
Impairment loss recognised on intangible assets	—	(1,687)	—	—	—
Impairment loss recognised on trade receivables, net	(38,215)	(45,035)	(54,842)	(27,938)	(59,131)
(Impairment loss) reversal of impairment recognised on other receivables, net	(14,748)	(16,547)	4,083	(1,701)	(16,576)
Impairment loss recognised on goodwill	—	—	(60,109)	—	—
Investment income on available-for-sale investments	130,228	289,136	189,669	99,267	68,982
Gain arising on change in fair value of investment properties	108,084	299,763	69,334	—	109,140
Others	(6,502)	12,092	(5,238)	(28,633)	(5,786)
	271,324	518,158	1,160,888	998,464	186,040

11. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interest on bank borrowings wholly repayable within five years	1,542,800	1,792,611	1,746,652	909,495	689,169
Interest on bonds payable	246,461	368,441	341,182	148,151	223,490
Interest on borrowings from intermediate holding company	15,751	3,385	4,030	2,219	—
Less: Interest capitalised in property, plant and equipment (Note)	(34,278)	(29,838)	(41,402)	(32,134)	(23,563)
	1,770,734	2,134,599	2,050,462	1,027,731	889,096

Note: Borrowing costs capitalised during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016 arose on funds borrowed specifically for the purpose of obtaining qualifying assets and on the general borrowing pool which are calculated by applying a capitalisation rate of 6.2%, 6.3%, 5.6%, 5.5% (unaudited) and 4.9% per annum to expenditure on qualifying assets.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid or payable to the directors and the chief executive officer of the Company during the Track Record Periods are as follows:

	Fee	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2013					
Director:					
Mr. Li Fuzuo	229	4,003	—	107	4,339
Mr. Wei Bin	13	—	—	—	13
Mr. Du Wenmin	—	—	—	—	—
Mr. Yin Rongyan	—	—	—	—	—
Mr. Zhao Jifeng	—	—	—	—	—
Mr. Wang Shouye	—	—	—	—	—
Mr. Huang Daoguo	—	—	—	—	—
Mr. Chen Ying	153	—	—	—	153
Mr. An Guanghe (appointed on 4 May 2013)	—	—	—	—	—
Mr. Song Lin (resigned on 4 May 2013)	—	—	—	—	—
	395	4,003	—	107	4,505

	Fee	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2014					
Director:					
Mr. Li Fuzuo	228	5,676	—	94	5,998
Mr. Wei Bin	—	—	—	—	—
Mr. Yin Rongyan	—	—	—	—	—
Mr. Zhao Jifeng	—	—	—	—	—
Mr. Wang Shouye	—	—	—	—	—
Mr. Chen Ying	152	—	—	—	152
Mr. Wang Yan (appointed on 28 August 2014 and resigned on 31 December 2014)	—	—	—	—	—
Mr. Fu Yuning (appointed on 31 December 2014)	—	—	—	—	—
Mr. Wang Chuncheng (appointed on 31 December 2014)	—	5	—	—	5
Ms. Chen Jisheng (appointed on 31 December 2014)	—	3	—	—	3
Mr. Huang Daoguo (resigned on 28 August 2014)	—	—	—	—	—
Mr. Du Wenmin (resigned on 31 December 2014)	—	—	—	—	—
Mr. An Guanghe (resigned on 31 December 2014)	—	—	—	—	—
	380	5,684	—	94	6,158

	Fee	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2015					
Director:					
Mr. Li Fuzuo	6	2,285	—	—	2,291
Mr. Wei Bin	—	—	—	—	—
Mr. Yin Rongyan	—	—	—	—	—
Mr. Wang Shouye	—	—	—	—	—
Mr. Chen Ying	131	—	—	—	131
Mr. Fu Yuning	—	—	—	—	—
Mr. Wang Chuncheng	—	1,892	—	120	2,012
Ms. Chen Jisheng	30	3,202	—	—	3,232
Mr. Wang Chenyang (appointed on 11 June 2015)	—	—	—	—	—
Mr. Zhao Jifeng (resigned on 11 June 2015)	—	—	—	—	—
	167	7,379	—	120	7,666

	Fee	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Unaudited)					
Six months ended 30 June 2015					
Director:					
Mr. Li Fuzuo	6	—	—	—	6
Mr. Wei Bin	—	—	—	—	—
Mr. Yin Rongyan	—	—	—	—	—
Mr. Wang Shouye	—	—	—	—	—
Mr. Chen Ying	76	—	—	—	76
Mr. Fu Yuning	—	—	—	—	—
Mr. Wang Chuncheng	—	949	—	59	1,008
Ms. Chen Jisheng	—	748	—	—	748
Mr. Wang Chenyang (appointed on 11 June 2015)	—	—	—	—	—
Mr. Zhao Jifeng (resigned on 11 June 2015)	—	—	—	—	—
	82	1,697	—	59	1,838

	Fee	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 June 2016					
Director:					
Mr. Fu Yuning	—	—	—	—	—
Mr. Wang Chuncheng	—	947	—	60	1,007
Mr. Wang Chenyang	—	—	—	—	—
Mr. Li Guohui (appointed on 29 March 2016)	—	254	—	5	259
Mr. Chen Rong (appointed on 10 May 2016)	—	—	—	—	—
Mr. Song Qing (appointed on 10 May 2016)	—	169	—	5	174
Mr. Yu Zhongliang (appointed on 20 June 2016)	—	—	—	—	—
Ms. Wang Jing (appointed on 20 June 2016)	—	—	—	—	—
Mr. Tsang Hing Lin (appointed on 20 June 2016)	—	—	—	—	—
Mr. Kwok Kin Fun (appointed on 20 June 2016)	—	—	—	—	—
Mr. Zhang Kejian (appointed on 20 June 2016)	4	—	—	—	4
Mr. Fu Tingmei (appointed on 20 June 2016)	—	—	—	—	—
Mr. Li Fuzuo (resigned on 29 March 2016)	–	—	—	—	—
Mr. Wei Bin (resigned on 10 May 2016)	—	—	—	—	—
Ms. Chen Jisheng (resigned on 10 May 2016)	30	—	—	—	30
Mr. Yin Rongyan (resigned on 20 June 2016)	—	—	—	—	—
Mr. Wang Shouye (resigned on 20 June 2016)	—	—	—	—	—
Mr. Chen Ying (resigned on 20 June 2016)	—	—	—	—	—
	34	1,370	—	70	1,474

The directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company.

Certain directors have also been employed by CRNC and the payments of their emoluments were borne by CRNC for the Track Record Periods.

Mr. Wang Chuncheng is the chief executive of the Company, and his emoluments disclosed above include those services rendered by him as chief executive.

Employees

The five highest paid individuals of the Group included one, one, nil, nil (unaudited) and nil directors for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, respectively, details of their emoluments are set out above. The emoluments of the remaining four, four, five, five (unaudited) and five individuals for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salaries and other benefit	14,855	14,357	17,840	8,699	7,891
Retirement benefit scheme contributions	80	286	170	99	98
	14,935	14,643	18,010	8,798	7,989

Their emoluments were fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	Number of employees	Number of employees	Number of employees	Number of employees (unaudited)	Number of employees
HK$1,000,001 to HK$1,500,000	—	—	—	4	4
HK$3,000,001 to HK$3,500,000	2	—	3	—	1
HK$3,500,001 to HK$4,000,000	1	4	2	1	—
HK$4,000,001 to HK$4,500,000	1	—	—	—	—
HK$4,500,001 to HK$5,000,000	—	—	—	—	—

During the Track Record Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to joint or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Periods.

13. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Current tax:					
PRC Enterprise Income Tax	1,442,835	1,565,441	1,976,926	1,236,601	957,560
Hong Kong Profits Tax	4,244	21,134	9,864	2,821	2,258
	1,447,079	1,586,575	1,986,790	1,239,422	959,818
(Over) under provisions in previous years/period:					
PRC Enterprise Income Taxs	(187)	(353)	(203)	(203)	57,284
Deferred tax (Note 33):					
Current year	11,394	(155,320)	(18,526)	(8,333)	31,162
	1,458,286	1,430,902	1,968,061	1,230,886	1,048,264

Current tax provision represents provision for PRC Enterprise Income Tax ("PRC EIT") and Hong Kong Profit Tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Periods.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

Certain subsidiaries operating in the PRC were accredited as "High and New Technology Enterprise" by the Science and Technology Bureau of relevant provinces and other authorities for a term of three years, and were registered with the local tax authorities to be eligible to the reduced 15% enterprise income tax rate in period from 2011-2017.

Apart from that, according to the Guo Shui 2012 No. 12 and Cai Shui 2011 No. 58, certain PRC subsidiaries of the Group are engaged in the encouraged business activities under the Development of Western Region Program, and a preferential tax rate of 15% is granted for an extended period from 2011 to 2020. As a result, the tax rate of 15% is used to calculate the amount of current taxation.

The tax charge for the Track Record Periods can be reconciled to the "profit before tax" per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit before tax	6,912,913	6,922,773	8,050,295	5,092,506	4,228,774
Tax at the PRC Enterprise Income Tax rate 25%	1,728,228	1,730,693	2,012,574	1,273,127	1,057,194
Tax effect of share of results of a joint venture and associates	(12,264)	(16,160)	(14,556)	(5,015)	(7,958)
Tax effect of income not taxable for tax purposes	(35,972)	(52,094)	(60,145)	(15,498)	(13,538)
Tax effect of expenses not deductible for tax purpose	101,465	186,167	213,177	130,347	73,616
Special deduction of research and development costs	(24,768)	(48,674)	(46,751)	(11,987)	(16,537)
Income tax on concessionary rate	(564,444)	(389,692)	(280,322)	(141,284)	(168,377)
Effect of different tax rates of group entities operating in Hong Kong	1,634	9,097	66,547	5,757	20,768
Utilisation of tax losses not recognised	(8,096)	(23,983)	(100,444)	(97,183)	(19,361)
Utilisation of deductible temporary differences previously not recognised	(7,408)	(119,049)	(46,156)	(24,156)	(2,694)
Tax effect of tax losses not recoginised	123,139	48,928	144,624	61,489	42,210
Tax effect of deductible temporary differences not recognised	78,034	33,648	10,387	8,377	9,658
(Over) underprovisions in previous years/period	(187)	(353)	(203)	(203)	57,284
Others	78,925	72,374	69,329	47,115	15,999
Tax charge for the year/period	1,458,286	1,430,902	1,968,061	1,230,886	1,048,264

14. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit for the year/period has been arrived at after charging:					
Staff costs					
Directors' remuneration					
- Fees	395	380	167	82	34
- Salaries and other benefits	4,003	5,684	7,379	1,697	1,370
- Retirement benefit schemes contributions	107	94	120	59	70
Salaries and other benefits for other staff	5,099,332	5,790,795	5,870,856	2,809,520	2,871,981
Retirement benefit schemes contributions for other staff	456,310	617,795	603,339	316,883	295,468
Total staff costs	5,560,147	6,414,748	6,481,861	3,128,241	3,168,923
Auditors' remuneration	12,888	12,541	13,330	6,262	6,348
Depreciation of property, plant and equipment	942,421	1,048,000	1,090,257	489,457	564,676
Amortisation of intangible assets	191,316	228,601	198,358	100,072	110,635
Amortisation of prepaid lease payments	61,960	76,202	57,232	29,315	32,339
Allowance for slow-moving and obsolete inventories	22,474	35,578	79,968	13,749	6,454
Cost of inventories recognised as an expense	95,511,648	113,515,044	122,202,090	59,428,101	63,571,446
Research and development expenditure (included in other expenses)	495,870	786,555	708,876	272,875	361,297
Operating lease payments in respect of rented premises	362,898	380,800	462,833	243,109	262,152
Exchange (gain) loss, net	(135,366)	26,426	569,956	(33,339)	156,151
Donations	26,723	28,314	16,797	11,391	4,729
and after crediting:					
Dividend income	6,519	20,669	12,596	463	668
Government grants (Note)	253,664	292,108	255,522	45,405	85,090
Interest income	132,936	145,431	231,957	122,397	130,061
Gross rental income from investment properties	85,504	96,255	88,364	45,387	51,062
Less:					
- direct operating expenses incurred for investment properties that generated rental income during the year/period	(10,364)	(29,167)	(29,973)	(15,314)	(17,455)
	75,140	67,088	58,391	30,073	33,607

Note: Included in government grants, approximately HK$113,530,000, HK$101,073,000 and HK$155,464,000 and HK$11,916,000 (unaudited) and HK$49,450,000 during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, represent compensation for expenses or costs already incurred or for the purpose of giving immediate financial support to the Group with no future related cost or without any conditions and accordingly, recognised in profit or loss during the Track Record Periods. The remaining amounts of HK$140,134,000, HK$191,035,000 and HK$100,058,000 and HK$33,489,000 (unaudited) and HK$35,640,000 during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, respectively, represent government grants in relation to the purchase, construction or acquisition of non-current assets and accordingly, recognised other non-current liabilities, as disclosed in note 34.

15. DIVIDENDS

No dividend has been declared or paid by the Company during the Track Record Periods.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company during the Track Record Periods is based on the following data:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Earnings					
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	2,639,517	2,645,940	2,850,076	2,281,664	1,636,069
Number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,959,591,012	4,629,424,461	4,629,424,461	4,629,424,461	4,629,424,461

No diluted earnings per share are presented for the Track Record Periods as there were no potential ordinary shares outstanding.

17. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings	Machinery and equipment	Leasehold improvements	Motor vehicles	Furniture and fixtures	Medical equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1 January 2013	6,708,189	3,722,542	267,947	365,329	757,615	243,144	1,688,713	13,753,479
Additions	165,572	434,662	54,595	33,014	213,961	11,928	1,475,808	2,389,540
Disposals	(100,704)	(100,933)	(16,117)	(47,332)	(44,998)	(1,769)	(9,198)	(321,051)
Acquisition of subsidiaries (Note 37)	161,678	19,805	—	11,020	10,703	—	33,525	236,731
Disposal of subsidiaries (Note 38)	(57,199)	(25,828)	—	(6,679)	(10,367)	(29)	—	(100,102)
Transfer from investment properties (Note 19)	8,427	—	—	—	—	—	—	8,427
Transfers	495,674	418,314	3,248	193	13,642	—	(931,071)	—
Exchange realignment	233,909	131,325	8,276	11,806	23,238	7,770	73,496	489,820
At 31 December 2013	7,615,546	4,599,887	317,949	367,351	963,794	261,044	2,331,273	16,456,844
Additions	254,237	121,782	76,661	58,335	215,806	—	1,314,050	2,040,871
Disposals	(221,464)	(71,543)	(22,829)	(65,578)	(266,062)	—	(36,351)	(683,827)
Acquisition of subsidiaries (Note 37)	212,135	22,419	5,668	5,410	10,858	—	40,152	296,642
Disposal of subsidiaries (Note 38)	(74,170)	(62,137)	—	(2,062)	(36,061)	—	—	(174,430)
Reclassified as held for sale (Note 39)	(323,900)	(257,962)	(2,274)	(33,239)	(60,032)	(259,031)	(11,569)	(948,007)
Transfer from investment properties (Note 19)	14,502	—	—	—	—	—	—	14,502
Transfers	1,165,246	357,276	1,611	629	117,959	—	(1,642,721)	—
Exchange realignment	(20,795)	(15,247)	(830)	(1,464)	(2,914)	(2,013)	(9,183)	(52,446)
At 31 December 2014	8,621,337	4,694,475	375,956	329,382	943,348	—	1,985,651	16,950,149
Additions	104,724	290,788	11,375	40,166	185,996	—	1,045,221	1,678,270
Disposals	(35,285)	(182,458)	(4,773)	(55,463)	(131,551)	—	(110)	(409,640)
Acquisition of subsidiaries (Note 37)	167,637	115,271	670	6,585	8,728	—	45,477	344,368
Disposal of subsidiaries (Note 38)	(18,746)	(280)	—	(886)	(2,535)	—	—	(22,447)
Reclassified as held for sale (Note 39)	(627,142)	(145,596)	(46,084)	(21,894)	(37,894)	—	(47,939)	(926,549)
Transfer from investment properties (Note 19)	3,042	—	—	—	—	—	—	3,042
Transfer to investment properties	(24,046)	—	—	—	—	—	—	(24,046)
Transfers	993,767	361,566	514	(115)	78,494	—	(1,434,226)	—
Exchange realignment	(436,471)	(137,626)	(15,017)	(19,833)	(53,890)	—	(108,902)	(771,739)
At 31 December 2015	8,748,817	4,996,140	322,641	277,942	990,696	—	1,485,172	16,821,408
Additions	61,490	105,337	—	61,052	98,841	—	505,491	832,211
Disposals	(49,967)	(94,855)	(44,159)	(59,560)	(91,541)	—	(25,183)	(365,265)
Acquisition of subsidiaries (Note 37)	93,271	51,441	1,826	11,708	12,164	—	378	170,788
Disposal of subsidiaries (Note 38)	(4,989)	(4,613)	(1,525)	(3,153)	(994)	—	—	(15,274)
Transfer from investment properties (Note 19)	38,968	—	—	—	—	—	—	38,968
Transfers	94,960	237,054	3,708	806	64,660	—	(401,188)	—
Exchange realignment	(144,267)	(80,209)	(5,870)	(5,689)	(17,043)	—	(26,866)	(279,944)
At 30 June 2016	8,838,283	5,210,295	276,621	283,106	1,056,783	—	1,537,804	17,202,892

	Buildings	Machinery and equipment	Leasehold improvements	Motor vehicles	Furniture and fixtures	Medical equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
DEPRECIATION								
At 1 January 2013	754,310	1,152,153	131,641	155,792	313,597	153,458	—	2,660,951
Provided for the year	148,060	520,775	63,065	60,332	126,173	24,016	—	942,421
Eliminated on disposals	(66,556)	(45,220)	(10,848)	(41,635)	(7,041)	(1,564)	—	(172,864)
Eliminated on disposal of subsidiaries (Note 38)	(10,783)	(13,219)	—	(3,465)	(9,387)	—	—	(36,854)
Exchange realignment	35,888	43,479	4,410	5,482	11,432	5,163	—	105,854
At 31 December 2013	860,919	1,657,968	188,268	176,506	434,774	181,073	—	3,499,508
Provided for the year	579,245	163,608	41,411	67,501	196,195	40	—	1,048,000
Eliminated on disposal	(109,315)	(20,879)	(15,453)	(61,560)	(181,775)	—	—	(388,982)
Eliminated on disposal of subsidiaries (Note 38)	(66,586)	(49,439)	—	(1,835)	(30,389)	—	—	(148,249)
Reclassified as held for sale (Note 39)	(100,186)	(107,898)	(409)	(20,202)	(30,960)	(179,716)	—	(439,371)
Transfer	—	(3,111)	—	(105)	3,216	—	—	—
Exchange realignment	(1,579)	(5,649)	(475)	(734)	(1,615)	(1,397)	—	(11,449)
At 31 December 2014	1,162,498	1,634,600	213,342	159,571	389,446	—	—	3,559,457
Provided for the year	307,340	512,375	30,850	60,724	178,968	—	—	1,090,257
Eliminated on disposals	(23,996)	(141,356)	(2,066)	(33,341)	(31,603)	—	—	(232,362)
Eliminated on disposal of subsidiaries (Note 38)	(5,603)	(22)	—	(108)	(667)	—	—	(6,400)
Reclassified as held for sale (Note 39)	(147,401)	(95,745)	(7,027)	(15,348)	(21,584)	—	—	(287,105)
Transfer to investment properties	(12,092)	—	—	—	—	—	—	(12,092)
Transfer	2,567	(895)	—	(2,531)	859	—	—	—
Exchange realignment	(44,266)	(72,130)	(13,386)	(8,781)	(27,655)	—	—	(166,218)
At 31 December 2015	1,239,047	1,836,827	221,713	160,186	487,764	—	—	3,945,537
Provided for the period	151,442	264,120	19,244	33,006	96,864	—	—	564,676
Eliminated on disposals	(45,571)	(76,107)	(41,671)	(9,371)	(71,310)	—	—	(244,030)
Eliminated on disposal of subsidiaries (Note 38)	(4,895)	(1,385)	—	(3,045)	(278)	—	—	(9,603)
Exchange realignment	(31,845)	(46,684)	(4,429)	(3,143)	(9,664)	—	—	(95,765)
At 30 June 2016	1,308,178	1,976,771	194,857	177,633	503,376	—	—	4,160,815
IMPAIRMENT								
At 1 January 2013	72,276	62,941	—	2,271	115	25,287	252,612	415,502
Recognised for the year	260	3,437	—	222	3,017	—	6,261	13,197
Eliminated on disposals	(3,886)	(7,812)	—	(575)	(132)	—	—	(12,405)
Exchange realignment	2,211	1,912	—	65	53	793	7,846	12,880
At 31 December 2013	70,861	60,478	—	1,983	3,053	26,080	266,719	429,174
Recognised for the year	—	8,467	—	—	33	—	8,182	16,682
Eliminated on disposals	(70,425)	(21,126)	—	(1,964)	(2,970)	—	—	(96,485)
Eliminated on disposal of subsidiaries (Note 38)	—	(140)	—	—	(58)	—	—	(198)
Reclassified as held for sale (Note 39)	—	(4,606)	—	(3)	(2)	(25,879)	—	(30,490)
Exchange realignment	(436)	(273)	—	(16)	(24)	(201)	(857)	(1,807)
At 31 December 2014	—	42,800	—	—	32	—	274,044	316,876
Recognised for the year	—	2,797	8,383	—	10,334	—	—	21,514
Eliminated on disposals	—	(5,549)	(6,536)	—	(10,055)	—	—	(22,140)
Reclassified as held for sale (Note 39)	—	(74)	—	—	—	—	—	(74)
Exchange realignment	—	(1,955)	(408)	—	(311)	—	(15,888)	(18,562)
At 31 December 2015	—	38,019	1,439	—	—	—	258,156	297,614
Eliminated on disposals	—	(2,832)	(1,385)	—	—	—	—	(4,217)
Exchange realignment	—	(832)	(54)	—	—	—	(5,412)	(6,298)
At 30 June 2016	—	34,355	—	—	—	—	252,744	287,099

	Buildings	Machinery and equipment	Leasehold improvements	Motor vehicles	Furniture and fixtures	Medical equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CARRYING VALUE								
At 31 December 2013	6,683,766	2,881,441	129,681	188,862	525,967	53,891	2,064,554	12,528,162
At 31 December 2014	7,458,839	3,017,075	162,614	169,811	553,870	—	1,711,607	13,073,816
At 31 December 2015	7,509,770	3,121,294	99,489	117,756	502,932	—	1,227,016	12,578,257
At 30 June 2016	7,530,105	3,199,169	81,764	105,473	553,407	—	1,285,060	12,754,978

Due to physical damage and technical obsolescence in respect of the Group's certain property, plant and equipment during the Track Record Periods, the carrying values of these property, plant and equipment were fully impaired and impairment losses of HK$13,197,000, HK$16,682,000 and HK$21,514,000, and HK$15,776,000 (unaudited) and nil have been recognised for the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2015 and 2016.

The Group's buildings are all situated in the PRC and are held under medium term leases.

The Group's buildings with carrying value of HK$945,324,000, HK$2,256,281,000, and HK$2,012,506,000 and HK$2,394,438,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016, are still in the process of application of title certificates.

Certain of the Group's buildings with carrying value of HK$493,317,000, HK$171,867,000 and HK$19,507,000 and HK$40,188,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively were pledged to secure certain bank borrowings granted to the Group (Note 31).

The interest expenses of HK$34,278,000, HK$29,838,000 and HK$41,402,000, and HK$32,134,000 (unaudited) and HK$23,563,000 for the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2015 and 2016, were capitalised into construction in progress.

THE COMPANY

	Machinery and equipment	Leasehold improvements	Motor vehicle	Furniture and fixtures	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2013	1,896	2,304	100	552	4,852
Additions	91	254	—	61	406
Disposals	—	—	(101)	(44)	(145)
Exchange realignment	3	19	1	1	24
At 31 December 2013	1,990	2,577	—	570	5,137
Additions	—	—	—	19	19
Disposals	(1)	(1)	—	—	(2)
Exchange realignment	1	1	—	1	3
At 31 December 2014	1,990	2,577	—	590	5,157
Additions	—	346	—	13	359
Exchange realignment	(3)	(23)	—	(1)	(27)
At 31 December 2015	1,987	2,900	—	602	5,489
Additions	105	—	689	—	794
Disposals	(198)	—	—	—	(198)
Exchange realignment	(2)	(3)	—	(1)	(6)
At 30 June 2016	1,892	2,897	689	601	6,079
DEPRECIATION					
At 1 January 2013	1,000	1,421	100	212	2,733
Provided for the year	323	492	—	59	874
Eliminated on disposals	—	—	(101)	(21)	(122)
Exchange realignment	2	11	1	1	15
At 31 December 2013	1,325	1,924	—	251	3,500
Provided for the year	285	476	—	70	831
Exchange realignment	1	1	—	1	3
At 31 December 2014	1,611	2,401	—	322	4,334
Provided for the year	104	74	—	31	209
Exchange realignment	(2)	(20)	—	(1)	(23)
At 31 December 2015	1,713	2,455	—	352	4,520
Provided for the period	40	58	11	28	137
Eliminated on disposals	(198)	—	—	—	(198)
Exchange realignment	(1)	(3)	—	(1)	(5)
At 30 June 2016	1,554	2,510	11	379	4,454
CARRYING VALUE					
At 31 December 2013	665	653	—	319	1,637
At 31 December 2014	379	176	—	268	823
At 31 December 2015	274	445	—	250	969
At 30 June 2016	338	387	678	222	1,625

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, as follows:

Buildings	20 to 35 years or over the relevant lease terms, whichever is shorter
Machinery and equipment	5 to 10 years
Leasehold improvements	5 years or over the relevant lease terms, whichever is shorter
Motor vehicles	5 years
Furniture and fixtures	5 years
Medical equipment	5 to 10 years

18. PREPAID LEASE PAYMENTS

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At the beginning of the year/period	2,345,103	2,591,430	2,788,200	2,674,034
Additions	152,349	259,079	78,663	90,495
Disposals	(20,059)	(6,922)	(65,771)	—
Acquisition of subsidiaries (Note 37)	40,870	44,137	181,428	7,316
Disposal of subsidiaries (Note 38)	(3,160)	(10,669)	—	—
Reclassified as held for sale (Note 39)	—	(81,772)	(134,605)	—
Exchange realignment	76,327	(7,083)	(173,881)	(46,450)
At the end of year/period	2,591,430	2,788,200	2,674,034	2,725,395
AMORTISATION				
At the beginning of the year/period	140,551	199,759	264,005	280,853
Provided for the year/period	61,960	76,202	57,232	32,339
Written off on disposals	(7,153)	(1,304)	(3,216)	—
Disposal of subsidiaries (Note 38)	(418)	(3,415)	—	—
Reclassified as held for sale (Note 39)	—	(7,174)	(19,717)	—
Exchange realignment	4,819	(63)	(17,451)	(5,329)
At the end of the year/period	199,759	264,005	280,853	307,863

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
IMPAIRMENT				
At the beginning of the year/period	15,719	16,211	16,156	15,214
Exchange realignment	492	(55)	(942)	(301)
At the end of the year/period	16,211	16,156	15,214	14,913
CARRYING VALUES				
At the end of the year/period	2,375,460	2,508,039	2,377,967	2,402,619
Analysis by:				
Current portion	61,960	76,202	57,232	63,628
Non-current Portion	2,313,500	2,431,837	2,320,735	2,338,991
Total	2,375,460	2,508,039	2,377,967	2,402,619

The Group's prepaid lease payments comprise leasehold interest in land situated in the PRC on medium term leases.

Certain of the prepaid lease payments with carrying value of HK$100,259,000, HK$99,724,000, HK$43,459,000 and HK$7,400,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively were pledged to secure certain bank borrowings granted to the Group (Note 31).

19. INVESTMENT PROPERTIES

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
FAIR VALUE				
At the beginning of the year/period	651,634	774,358	956,058	1,020,149
Acquisition of subsidiaries (Note 37)	12,720	—	—	—
Additions	334	3,238	40,611	1,528
Disposal	(13,073)	(850)	(730)	—
Increase in fair value recognised in profit or loss	108,084	299,763	69,334	109,140
Transfer from property, plant and equipment	—	—	14,000	—
Transfer to property, plant and equipment (Note 17)	(8,427)	(14,502)	(3,042)	(38,968)
Reclassified as held for sale (Note 39)	—	(96,661)	—	—
Exchange realignment	23,086	(9,288)	(56,082)	(20,161)
At the end of the year/period	774,358	956,058	1,020,149	1,071,688

Fair value measurements and valuation processes

In estimating the fair value of investment properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation technique and inputs to the model.

The fair value of the Group's investment properties as at 31 December 2013, 2014, 2015 and 30 June 2016, have been arrived at on the basis of a valuation carried out on those dates by Vocation (Beijing) International Asset Valuation Co., Ltd, located at Chegongzhuang West Road, Haidian District, Beijing, being independent qualified professional valuers not connected with the Group. As at 31 December 2013, 2014, 2015 and 30 June 2016, the fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighborhood. The discount rate is determined by reference to the yields derived from analysis the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used during the Track Record Periods.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined as at 31 December 2013, 2014, 2015 and 30 June 2016, (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the consolidated statements of financial position	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Relationship of unobservable inputs to fair value**
Commercial property units	Level 3	Income approach	
		The key inputs for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016 are: (1) Average monthly rental: RMB46, RMB54, RMB66 and RMB66 per square meter respectively.	An increase in the monthly rental used would result in an increase in fair value measurement of the investment properties in similar extent, and vice versa.
		(2) Discount rate: 7.0%, 7.0%, 7.5% and 7.5%	A slight increase in discount rate used would result in a significant decrease in fair value measurement to the investment properties, and vice versa.
		(3) Rental yield: 11.0%, 10.1%, 8.7% and 9.4%	A slight increase in rental yield used would result in a significant increase in fair value measurement to investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy at the end of each reporting period are as follows:

2013	Level 3	Fair value as at 31.12.2013
	HK$'000	HK$'000
Commercial property units located in the PRC	774,358	774,358

2014	Level 3	Fair value as at 31.12.2014
	HK$'000	HK$'000
Commercial property units located in the PRC	956,058	956,058

2015	Level 3	Fair value as at 31.12.2015
	HK$'000	HK$'000
Commercial property units located in the PRC	1,020,149	1,020,149

2016	Level 3	Fair value as at 30.06.2016
	HK$'000	HK$'000
Commercial property units located in the PRC	1,071,688	1,071,688

There were no transfers into or out of Level 3 during the Track Record Periods.

20. GOODWILL

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At the beginning of the year/period	13,443,748	14,958,997	15,387,575	16,516,258
Acquisition of subsidiaries/businesses (Note 37)	999,955	482,743	1,604,828	493,016
Reclassified as held for sale (Note 39)	—	(5,002)	(15,892)	—
Exchange realignment	515,294	(49,163)	(460,253)	(366,280)
At the end of the year/period	14,958,997	15,387,575	16,516,258	16,642,994
IMPAIRMENT				
At the beginning of the year/period	64,129	66,137	65,915	121,749
Impairment loss recognised	—	—	60,109	—
Exchange realignment	2,008	(222)	(4,275)	(2,406)
At the end of the year/period	66,137	65,915	121,749	119,343
CARRYING VALUE				
At the end of the year/period	14,892,860	15,321,660	16,394,509	16,523,651

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives (as disclosed in note 21) have been allocated to individual cash generating units ("CGUs") which are grouping into three categories: (1) distribution of pharmaceutical products, (2) manufacturing of pharmaceutical products in the PRC, and (3) retail segment. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to the different CGUs are as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Distribution of pharmaceutical products				
CGU:				
Company A	2,295,008	2,263,070	2,153,648	2,111,085
Company B	1,676,890	1,653,555	1,573,604	1,542,505
Company C	1,135,730	1,119,925	1,065,776	1,044,713
Company D	897,214	884,728	841,951	825,311
Company E	939,973	926,893	822,395	806,142
Company F	592,467	670,274	619,520	607,277
Company G	612,231	603,711	574,521	563,166
Company H	588,412	580,223	552,169	541,256
Company I	419,899	418,496	394,062	386,274
Company J	357,304	356,110	335,319	328,692
Company K	267,676	272,993	257,054	246,241
Company L	248,224	247,395	232,951	228,347
Company M	160,212	198,784	178,346	174,821
Company N	—	76,546	114,177	111,921
Company V	—	—	—	202,936
Others	758,395	1,007,259	1,293,356	1,523,742
Total goodwill under distribution of pharmaceutical products	10,949,635	11,279,962	11,008,849	11,244,429
Manufacturing of pharmaceutical products				
CGU:				
Company O	2,457,654	2,423,453	2,306,277	2,260,697
Company P	—	—	1,221,533	1,197,392
Company Q	391,800	390,491	367,693	360,426
Company R	348,302	347,138	326,871	320,411
Company S	—	—	317,944	311,660
Company T	—	108,390	102,061	100,044
Others	625,793	659,185	635,706	623,143
Total goodwill under manufacturing of pharmaceutical products	3,823,549	3,928,657	5,278,085	5,173,773
Retail segment				
CGU: Company U	119,676	113,041	107,575	105,449
	14,892,860	15,321,660	16,394,509	16,523,651

Distribution of pharmaceutical products

For the purpose of impairment testing, goodwill has been allocated to individual CGUs. The recoverable amount of these CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 7% - 14%, 7% - 13%, 8% - 12% and 8% - 12% per annum as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively. These CGUs' cash flows beyond the 5-year period are extrapolated using a steady growth rate of 6% - 22%, 5% - 22%, 5% - 22% and 5% - 22% as at 31 December 2013, 2014, 2015 and 30 June 2016. The growth rates are based on the relevant industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Except for Company E mentioned below, management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of individual CGUs to exceed respective recoverable amount of CGUs. In the opinion of the directors, no material additional impairment loss of goodwill is identified at the end of the reporting period.

During the year ended 31 December 2015, the Group recognised an impairment loss of HK$60,109,000 in relation to goodwill arising on acquisition of Company E, as the directors of the Company considered the carrying amount exceeded the recoverable amount of this CGU, which amounted to RMB2,493,760,000 (equivalent to HK$2,976,627,000), as at 31 December 2015. The recoverable amount of the CGU is determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 11% per annum as at 31 December 2015 respectively. The CGU's cash flows beyond the 5-year period are extrapolated using a steady 6% growth rate. The budgeted revenue and the annual growth rate are based on the past performance and the management's expectations of the market development. Had Company E's sales growth rate been 0.5% lower than management's estimates, a further impairment of approximately HK$166,000,000 would be required.

Manufacturing of pharmaceutical products

For the purpose of impairment testing, goodwill has been allocated to individual CGUs. The recoverable amount of these CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 7% - 15%, 11% - 12%, 11% - 12% and 11% - 12% per annum as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively. These CGUs' cash flows beyond the 5-year period are extrapolated using a steady growth rate of 10% - 24%, 9% - 25%, 4% - 14% and 4% - 14% as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively. The growth rates are based on the relevant industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of individual CGUs to exceed respective recoverable amount of CGUs. In the opinion of the directors, no material additional impairment loss of goodwill is identified at the end of the reporting period.

Retailing of pharmaceutical products

For the purpose of impairment testing, goodwill has been allocated to the relevant CGU. The recoverable amount of Company U has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 7.9%, 11%, 11% and 11% per annum as at 31 December 2013, 2014. 2015 and 30 June 2016 respectively. The CGU's cash flows beyond the 5-year period are extrapolated using a steady growth rate of 16%, 15%, 10% and 10% as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively. The growth rates are based on the relevant industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount. In the opinion of the directors, no material additional impairment loss of goodwill is identified at the end of the reporting period.

21. INTANGIBLE ASSETS

THE GROUP

	Patents and licences	Non-patent technology	Trademarks	Deferred development costs	Customer relationships	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2013	55,306	134,301	1,422,238	288,022	1,191,581	146,073	3,237,521
Additions	8,134	48,680	—	139,596	—	36,130	232,540
Acquisition of subsidiaries (Note 37)	23,651	—	33,283	—	225,348	—	282,282
Disposal of subsidiaries (Note 38)	(1,668)	(189)	—	—	—	—	(1,857)
Exchange realignment	3,078	5,470	43,290	11,171	38,290	5,131	106,430
At 31 December 2013	88,501	188,262	1,498,811	438,789	1,455,219	187,334	3,856,916
Additions	21,848	67,916	37,892	64,890	—	87,555	280,101
Disposals	(7,009)	(32,148)	(34)	—	—	(6,623)	(45,814)
Reclassified as held for sale (Note 39)	—	(17,748)	(23,851)	(110,202)	—	—	(151,801)
Acquisition of subsidiaries (Note 37)	5,280	—	2,776	—	152,286	—	160,342
Disposal of subsidiaries (Note 38)	—	—	—	—	—	(12,315)	(12,315)
Exchange realignment	(303)	(328)	(4,934)	(1,664)	(4,192)	(319)	(11,740)

	Patents and licences	Non-patent technology	Trademarks	Deferred development costs	Customer relationships	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014	108,317	205,954	1,510,660	391,813	1,603,313	255,632	4,075,689
Additions	37,734	6,202	6,114	217,950	152,139	16	420,155
Disposals	—	(6,740)	—	—	(30,346)	(4,683)	(41,769)
Reclassified as held for sale (Note 39)	(1,429)	(2,521)	—	(116,153)	—	—	(120,103)
Acquisition of subsidiaries (Note 37)	65,660	103,996	—	21,350	515,752	—	706,758
Disposal of subsidiaries (Note 38)	—	—	(45,154)	—	—	—	(45,154)
Exchange realignment	(9,093)	(16,011)	(86,653)	(27,756)	(118,870)	(14,739)	(273,122)
At 31 December 2015	201,189	290,880	1,384,967	487,204	2,121,988	236,226	4,722,454
Additions	—	105	148	27,418	—	20,384	48,055
Acquisition of subsidiaries (Note 37)	—	—	—	—	161,675	—	161,675
Exchange realignment	(3,976)	(5,750)	(5,281)	(10,074)	(40,336)	(5,068)	(70,485)
At 30 June 2016	197,213	285,235	1,379,834	504,548	2,243,327	251,542	4,861,699
AMORTISATION							
At 1 January 2013	20,987	44,258	63,155	36,232	87,744	68,750	321,126
Provided during the year	12,672	29,945	11,173	65,172	60,153	12,201	191,316
Disposal of subsidiaries (Note 38)	(550)	(189)	—	—	—	—	(739)
Exchange realignment	798	1,859	2,155	2,169	3,752	2,347	13,080
At 31 December 2013	33,907	75,873	76,483	103,573	151,649	83,298	524,783
Provided during the year	20,743	69,036	3,487	24,358	82,429	28,548	228,601
Eliminated on disposals	(6,545)	(13,795)	(23)	—	—	(464)	(20,827)
Reclassified as held for sale (Note 39)	—	(14,956)	(10,064)	—	—	—	(25,020)
Disposal of subsidiaries (Note 38)	—	—	—	—	—	(12,315)	(12,315)
Exchange realignment	(60)	(96)	(285)	(247)	(169)	(213)	(1,070)
At 31 December 2014	48,045	116,062	69,598	127,684	233,909	98,854	694,152
Provided during the year	20,633	51,123	57	21,145	91,385	14,015	198,358
Eliminated on disposals	—	(1,348)	—	—	(3,484)	(3,417)	(8,249)
Reclassified as held for sale (Note 39)	(226)	(2,475)	—	(628)	—	—	(3,329)
Disposal of subsidiaries (Note 38)	—	—	(7,264)	—	—	—	(7,264)
Exchange realignment	(3,515)	(8,752)	(3,773)	(8,314)	(17,320)	(6,220)	(47,894)

	Patents and licences	Non-patent technology	Trademarks	Deferred development costs	Customer relationships	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015	64,937	154,610	58,618	139,887	304,490	103,232	825,774
Provided during the period	8,010	30,629	78	12,493	50,020	9,405	110,635
Exchange realignment	(900)	(2,552)	(760)	(2,068)	(4,830)	(1,593)	(12,703)
At 30 June 2016	72,047	182,687	57,936	150,312	349,680	111,044	923,706
IMPAIRMENT							
At 1 January 2013 and 31 December 2013	—	1,382	8,724	—	—	—	10,106
Provided for the year	1,687	—	—	—	—	—	1,687
Reclassified as held for sale (Note 39)	—	—	(8,656)	—	—	—	(8,656)
Exchange realignment	(1)	(5)	(68)	—	—	—	(74)
At 31 December 2014	1,686	1,377	—	—	—	—	3,063
Exchange realignment	(98)	(80)	—	—	—	—	(178)
At 31 December 2015	1,588	1,297	—	—	—	—	2,885
Exchange realignment	(31)	(26)	—	—	—	—	(57)
At 30 June 2016	1,557	1,271	—	—	—	—	2,828
CARRYING VALUES							
At 31 December 2013	54,594	111,007	1,413,604	335,216	1,303,570	104,036	3,322,027
At 31 December 2014	58,586	88,515	1,441,062	264,129	1,369,404	156,778	3,378,474
At 31 December 2015	134,664	134,973	1,326,349	347,317	1,817,498	132,994	3,893,795
At 30 June 2016	123,609	101,277	1,321,898	354,236	1,893,647	140,498	3,935,165

Others mainly represent franchise rights.

The above intangible assets, other than two trademarks with a total carrying value of HK$1,384,953,000, HK$1,387,725,000, HK$1,319,292,000 and HK$1,305,021,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively (which are allocated to the CGU of Company O in note 20), have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Patents and licences	5 - 10 years
Non-patent technology	5 - 10 years
Trademarks	5 - 20 years
Deferred development costs	Not exceeding 5 years
Customer relationships	20 years
Others	5 - 10 years

As stated above, the trademarks with a total carrying value of HK$1,384,953,000, HK$1,387,725,000, HK$1,319,292,000 and HK$1,305,021,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively, are renewable continuously every ten years at minimal costs. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until the useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The Group recognised an impairment loss of nil, HK$1,687,000, nil, nil (unaudited) and nil for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016 on patents and licences.

22. INVESTMENTS IN SUBSIDIARIES

THE COMPANY

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Capital contribution, at cost	6,364,295	6,364,295	6,364,295	11,813,918
Unlisted shares, at cost	2,293,287	2,293,287	2,293,287	2,293,287
	8,657,582	8,657,582	8,657,582	14,107,205

At the end of the Track Record Period, a majority of these subsidiaries operate in the PRC and Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries			
		At 31 December			At 30 June
		2013	2014	2015	2016
Manufacturing segment	PRC	128	129	129	129
Distribution segment	PRC, Hong Kong	96	110	114	109
Retail segment	PRC, Hong Kong	38	41	51	53
Others	PRC, Hong Kong	34	33	15	14

23. INTERESTS IN ASSOCIATES

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Unlisted shares, at cost	215,676	157,025	173,571	179,518
Share of post-acquisition profits, net of dividends received and other comprehensive income	187,720	237,744	267,654	290,152
	403,396	394,769	441,225	469,670

Particulars of the Group's principal associates at 31 December 2013, 2014, 2015 and 30 June 2016 are set out below.

Name of associate	Place of registration and operations	Registered capital	Equity interest held by the subsidiary					Attributable equity interest to the Group					Principal activities
			At 31 December			At 30 June	At date	At 31 December			At 30 June	At date	
			2013	2014	2015	2016	of report	2013	2014	2015	2016	of report	
三九(安國)現代中藥開發有限公司	PRC	RMB9,680,000	49.89%	49.89%	49.89%	49.89%	49.89%	31.73%	31.73%	31.73%	31.73%	31.73%	Manufacturing of pharmaceutical products
河南太新龍醫藥有限公司	PRC	RMB20,000,000	49.00%	49.00%	49.00%	49.00%	49.00%	29.40%	29.40%	29.40%	29.40%	29.40%	Sales of pharmaceutical products
天津新龍藥業有限公司	PRC	RMB30,000,000	49.00%	49.00%	49.00%	49.00%	49.00%	29.40%	29.40%	29.40%	29.40%	29.40%	Sales of pharmaceutical products

Aggregate information of associates that are not individually material

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
The Group's share of profit for the year/period	54,917	64,640	58,224	31,832
The Group's share of other comprehensive income (expense)	10,725	(14,616)	(21,468)	(9,334)
The Group's share of total comprehensive income	65,642	50,024	36,756	22,498
Aggregate carrying amount of the Group's interests in these associates	403,396	394,769	441,225	469,670

24. INTERESTS IN A JOINT VENTURE

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Unlisted shares, at cost	7,553	—	—	—
Share of post-acquisition profits, net of dividends received and other comprehensive income	(5,885)	—	—	—
	1,668	—	—	—

Particulars of the Group's joint venture at 31 December 2013, 2014, 2015 and 30 June 2016 are set out below.

Name of joint venture	Place of registration and operation	Registered capital	Equity interest held by the subsidiary					Attributable equity interest to the Group					Principal activities
			At 31 December			At 30 June	At date of	At 31 December			At 30 June	At date of	
			2013	2014	2015	2016	report	2013	2014	2015	2016	report	
			%	%	%	%	%	%	%	%	%	%	
Beijing Wandong Kulialte Medical Product Co. Ltd ("Beijing Wandong Kulialte")	PRC	USD1,440,000	50	50 (note)	—	—	—	35.45	35.45 (note)	—	—	—	Manufacturing and sales of medical appliances

Note: As at 31 December 2013, the Group held 35.45% effective equity interest in Beijing Wandong Kulialte and accounted for as the investment in a joint venture. During the year ended 31 December 2014, the Group resolved to dispose of a subsidiary which held equity interest in Beijing Wandong Kulialte and accordingly, the interests in a joint venture had been classified as assets held for sale as at 31 December 2014.

Summarised financial information of material joint venture

The summarised financial information in respect of the Group's interests in the joint venture which are accounted for using the equity method is set out below.

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
The Group's share of loss for the year	(5,863)	—	—	—
The Group's share of other comprehensive income	295	—	—	—
The Group's share of total comprehensive expense	(5,568)	—	—	—
The carrying amount of the Group's interests in the joint venture	1,668	—	—	—

25. AVAILABLE-FOR-SALE INVESTMENTS

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments comprise:				
Unlisted investments				
Equity investments	299,965	487,667	188,138	184,419
Others (Note)	2,172,679	5,580,322	6,310,350	4,947,107
	2,472,644	6,067,989	6,498,488	5,131,526
Less: Accumulated impairment losses	(36,811)	(39,917)	(39,838)	(39,050)
Total	2,435,833	6,028,072	6,458,650	5,092,476
Analysed for reporting purposes as:				
Current assets	1,756,644	5,580,322	6,310,350	4,947,107
Non-current assets	679,189	447,750	148,300	145,369
	2,435,833	6,028,072	6,458,650	5,092,476

THE COMPANY

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments comprise:				
Unlisted investments — Others (Note)	—	319,869	—	—
Analysed for reporting purposes as:				
Current assets	—	319,869	—	—

Note:

The Group

Others include structured deposits entered by the Group with the banks and the financial institutions amounted to HK$2,101,524,000, HK$5,580,322,000, HK$6,310,350,000 and HK$4,947,107,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively. These structured deposits do not have any underlying derivative elements and are stated at fair values which, in management's opinion, are approximate to their costs at the end of each reporting period.

The Company

Other represents a structured deposit entered by the Company with a bank amounted to Nil, HK$319,869,000, Nil and Nil as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively. The structured deposit does not have any underlying derivative element and is stated at fair value which, in management's opinion, is approximate to its cost at the end of each reporting period.

The Group's unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC during the Track Record Periods. To the best knowledge of the management of the Company, these unlisted private entities are principally engaged in pharmaceutical products research and development, distribution and related operations. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

26. OTHER NON-CURRENT ASSETS

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Deposits for property, plant and equipment	359,161	431,986	503,114	221,703
Deposits for prepaid lease payments	326,579	474,138	505,955	61,346
Deposits for intangible assets	—	52,110	53,865	53
Others	80,590	44,368	9,300	345
	766,330	1,002,602	1,072,234	283,447

27. INVENTORIES

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Raw materials	1,210,504	970,435	1,244,898	1,750,437
Packaging materials	71,826	25,500	23,880	21,891
Work in progress	1,151,233	756,197	572,686	651,644
Finished goods	9,764,559	13,959,348	13,410,519	13,782,080
	12,198,122	15,711,480	15,251,983	16,206,052

28. TRADE AND OTHER RECEIVABLES

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	26,326,863	32,885,290	36,229,443	42,458,126
Less: Allowance for trade receivables	(444,117)	(370,982)	(376,487)	(426,555)
	25,882,746	32,514,308	35,852,956	42,031,571
Bills receivable	5,166,503	4,585,668	5,464,751	5,518,429
Prepayments	2,926,030	1,385,749	2,166,663	1,640,628
Other receivables	4,343,790	6,907,572	4,154,963	4,392,935
Receivables for disposal of subsidiaries (Note 38)	—	—	19,020	—
Less: Allowance for other receivables	(274,481)	(204,269)	(144,104)	(155,184)
	38,044,588	45,189,028	47,514,249	53,428,379

THE COMPANY

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Other receivables	2,980	4,121	1,979	1,188

The Group generally allows credit periods ranging from 30 to 120 days to its trade customers, which may be extended to 240 days for selected customers depending on their trade volume and settlement terms. The bills receivable have maturity period ranging from 30 to 180 days as at 31 December 2013, 2014, 2015 and 30 June 2016.

The aged analysis of the Group's trade receivables, net of allowance, based on invoice date at the end of each reporting period are as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
0 - 30 days	7,739,050	15,944,991	17,404,182	21,420,544
31 - 60 days	5,205,812	5,532,678	5,560,305	6,888,756
61 - 90 days	4,083,193	3,667,767	3,172,467	3,021,551
91 - 180 days	6,899,444	5,604,885	6,216,369	6,726,656
181 - 365 days	1,819,166	1,644,931	3,332,159	3,592,817
Over 1 year	136,081	119,056	167,474	381,247
	25,882,746	32,514,308	35,852,956	42,031,571

The aged analysis of the Group's bills receivable based on issue date at the end of each reporting period is as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
0 - 30 days	2,552,107	2,085,603	2,267,331	2,612,519
31 - 60 days	727,956	620,804	806,180	715,869
61 - 90 days	612,709	499,444	1,019,972	775,801
91 - 180 days	1,273,731	1,379,817	1,371,268	1,414,240
	5,166,503	4,585,668	5,464,751	5,518,429

Before accepting any new customer, management of the Group estimates the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. Trade receivables that are neither past due nor impaired have no default payment record.

Included in the Group's trade receivables are debtors with a carrying amount of HK$1,962,861,000, HK$1,799,839,000, HK$3,552,394,000 and HK$4,374,217,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 which are past due at the end of the reporting periods but are regarded as not impaired as there has not been a significant change in the credit standing of the debtors. The Group does not hold any collateral over these receivables.

Aging of trade receivables that are past due but not impaired

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Less than 1 year	1,826,780	1,680,783	3,384,920	3,992,970
Over 1 year	136,081	119,056	167,474	381,247
	1,962,861	1,799,839	3,552,394	4,374,217

In determining the recoverability of a receivable, the Group considers whether there has been adverse change in the credit standing of the debtors from the date credit was initially granted. The concentration of credit risk is limited as the Group's customer base comprises of a large number of customers. The directors of the Company believe that there is no further credit provision required in excess of the allowance for doubtful debts already provided for in the Financial Information.

Movement in the allowance for doubtful debts

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables				
At the beginning of the year/period	755,308	444,117	370,982	376,487
Amount written off during the year/period	(387,393)	(25,358)	(23,130)	(160)
Impairment losses recognised	54,396	62,953	125,005	90,058
Impairment losses reversed	(16,181)	(17,918)	(70,163)	(30,927)
Reclassified as held for sale	—	(91,773)	—	—
Exchange realignment	37,987	(1,039)	(26,207)	(8,903)
At the end of the year/period	444,117	370,982	376,487	426,555
Other receivables				
At the beginning of the year/period	329,144	274,481	204,269	144,104
Amount written off during the year/period	(89,833)	(70,629)	(44,679)	(2,484)
Impairment losses recognised	23,520	39,194	27,435	26,791
Impairment losses reversed	(8,772)	(22,647)	(31,518)	(10,215)
Reclassified as held for sale	—	(15,217)	—	—
Exchange realignment	20,422	(913)	(11,403)	(3,012)
At the end of the year/period	274,481	204,269	144,104	155,184

Included in the allowance for doubtful debts are individually impaired receivables due from certain debtors with an aggregate amount of HK$718,598,000, HK$575,251,000, HK$520,591,000 and HK$581,739,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively which have either been placed under liquidation or are in financial difficulties. The Group does not hold any collateral over these receivables.

The Group has pledged trade and bills receivables of HK$3,345,260,000, HK$2,011,642,000, HK$1,998,159,000 and HK$1,722,017,000 to secure certain bank borrowings (Note 31) and pledged bills receivables of HK$420,701,000, HK$410,658,000, HK$322,195,000 and HK$150,645,000 to secure the bills payable (Note 30) as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively.

29. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Pledged bank deposits for bills payable	812,229	1,640,139	2,227,907	2,147,172
Guarantee deposits and other restricted deposits with maturity less than three months	495,158	14,949	13,376	19,579
Total pledged bank deposits	1,307,387	1,655,088	2,241,283	2,166,751

Bank balances of the Group carry interest at market rates ranging from nil to 0.35% per annum as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

Pledged bank deposits of the Group represent deposits pledged to banks to secure banking facilities including bills payable and carry interest at market rates ranging from 0.35% to 0.42% per annum as at 31 December 2013, 2014, 2015 and 30 June 2016. There is no pledged bank deposits of the Company during the Track Record Periods.

30. TRADE AND OTHER PAYABLES

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	21,315,208	24,330,626	22,990,426	25,242,912
Bills payables	3,406,216	6,474,113	10,421,985	11,147,551
Receipts in advance	1,235,047	1,204,649	1,171,250	497,271
Accrued salaries	894,737	933,628	993,211	752,549
Interest payables	163,100	251,598	257,623	355,441
Other taxes payable	340,228	471,961	469,335	568,789
Other accrued expenses	2,520	8,371	2,214	2,514
Other payables	7,325,284	6,935,905	4,753,314	4,603,150
Dividend payables to non-controlling shareholders	645,225	534,816	578,608	1,281,808
Payables for acquisition of additional interests in subsidiaries	1,521,130	1,230,997	—	—
Payables for acquisition of subsidiaries (Note 37)	544,350	162,925	315,124	851,745
	37,393,045	42,539,589	41,953,090	45,303,730

THE COMPANY

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	12,884	20,689	18,358	50,891

The average credit period on purchases of goods ranging from 30 to 120 days. The bills payables have maturity period ranging from 30 to 180 days. The Group's bills payable of HK$1,232,930,000, HK$1,338,928,000, HK$2,223,683,000 and HK$2,206,132,000 were secured by the Group's bills receivables (Note 28) with carrying amount of HK$420,701,000, HK$410,658,000, HK$322,195,000 and HK$150,645,000 and pledged bank deposits (Note 29) of HK$812,229,000, HK$1,640,139,000, HK$2,227,907,000 and HK$2,147,172,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively.

Aging analysis of the Group's trade payables based on invoice date at the end of each reporting period is as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
0 - 30 days	10,038,759	15,694,946	15,616,403	14,543,884
31 - 60 days	3,711,156	2,787,390	2,533,050	3,411,058
61 - 90 days	2,363,108	1,565,735	1,281,868	2,620,876
Over 90 days	5,202,185	4,282,555	3,559,105	4,667,094
	21,315,208	24,330,626	22,990,426	25,242,912

Aging analysis of the Group's bills payables based on issue date at the end of each reporting period is as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
0 - 30 days	1,088,060	3,745,822	6,481,880	9,080,517
31 - 60 days	673,483	799,214	720,584	482,807
61 - 90 days	503,317	1,054,704	702,922	651,721
Over 90 days	1,141,356	874,373	2,516,599	932,506
	3,406,216	6,474,113	10,421,985	11,147,551

31. BANK BORROWINGS

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans				
Secured	3,931,885	2,184,737	1,844,792	2,219,024
Unsecured	19,781,810	26,966,979	27,138,693	22,171,899
	23,713,695	29,151,716	28,983,485	24,390,923
Fixed rate borrowings	3,667,125	2,716,054	2,159,132	3,702,928
Floating rate borrowings	20,046,570	26,435,662	26,824,353	20,687,995
	23,713,695	29,151,716	28,983,485	24,390,923
Carrying amount repayable (based on scheduled repayment terms):				
Within one year	18,189,732	17,749,101	21,335,485	19,699,411
More than one year, but not more than two years	732,296	3,388,987	883,729	1,110,322
More than two years, but not more than five years	4,791,667	8,013,628	6,764,271	3,581,190
	23,713,695	29,151,716	28,983,485	24,390,923
Less: Amount due shown under current liabilities:				
Due within one year	(18,189,732)	(17,749,101)	(21,335,485)	(19,699,411)
Due after one year but contain a repayment on demand clause	(700,000)	(700,000)	(3,000,000)	—
	(18,889,732)	(18,449,101)	(24,335,485)	(19,699,411)
Amount due after one year shown under non-current liabilities	4,823,963	10,702,615	4,648,000	4,691,512

Certain of the Group's bank borrowings were secured by:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Prepaid lease payments	100,259	99,724	43,459	7,400
Buildings	493,317	171,867	19,507	40,188
Trade and bills receivables	3,345,260	2,011,642	1,998,159	1,722,017
	3,938,836	2,283,233	2,061,125	1,769,605

The average effective interest rates of the Group's floating rate bank borrowings were 3.53%, 3.66%, 2.51% and 2.55% per annum, and fixed rate borrowings were 5.42%, 5.68% and 4.54% and 4.35% per annum as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

Included in the carrying amount of the Group's bank borrowings were transaction costs of HK$36,855,000, HK$59,796,000, HK$52,280,000 and HK$45,269,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 which are amortised over the relevant loan period.

THE COMPANY

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Unsecured bank loans	6,429,157	8,681,604	12,199,508	9,653,632
Fixed rate borrowings	—	494,066	495,313	495,938
Floating rate borrowings	6,429,157	8,187,538	11,704,195	9,157,694
	6,429,157	8,681,604	12,199,508	9,653,632
Carrying amount repayable (based on scheduled repayment terms):				
Within one year	4,736,840	673,550	5,656,468	5,868,311
More than one year, but not more than two years	—	1,697,117	599,475	299,925
More than two years, but not more than five years	1,692,317	6,310,937	5,943,565	3,485,396
	6,429,157	8,681,604	12,199,508	9,653,632
Less: Amount due shown under current liabilities:				
Due within one year	(4,736,840)	(673,550)	(5,656,468)	(5,868,311)
Due after one year but contain a repayment on demand clause	(700,000)	(700,000)	(3,000,000)	—
	(5,436,840)	(1,373,550)	(8,656,468)	(5,868,311)
Amount due after one year shown under non-current liabilities	992,317	7,308,054	3,543,040	3,785,321

The average effective interest rates of the Company's floating rate bank borrowings were 1.62%, 1.91%, 1.44% and 1.33% per annum, and fixed rate borrowings were nil, 3.54%, 3.54% and 3.54% per annum as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

Included in the carrying amount of the Company's bank borrowings were transaction costs of HK$20,844,000, HK$29,841,000, HK$30,769,000 and HK$28,277,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 which are amortised over the relevant loan period.

32. BONDS PAYABLE

THE GROUP

On 8 August 2012, a subsidiary of the Company, CR Pharmaceutical Holdings, issued unsecured non-listed bonds in an aggregate amount of RMB3,000,000,000 ("Bonds 1"). Bonds 1 were priced at par at RMB100 each, carry interest of a fixed rate of 4.48% per annum, will mature on 8 August 2017 and the interest is payable annually on 8 August. The issue fee of this bond amounted to RMB9,000,000.

On 22 March 2013, CR Pharmaceutical Holdings, further issued unsecured non-listed Bonds 1 in an aggregate amount of RMB1,400,000,000 at par at RMB100 each, carry interest of a fixed rate of 4.94% per annum which will mature on 22 March 2018 and the interest is payable annually on 22 March. The issue fee of this bond amounted to RMB4,200,000.

On 5 June 2013, CR Pharmaceutical Holdings, issued unsecured short-term non-listed bonds ("Bonds 2") in an aggregate amount of RMB1,000,000,000 at par at RMB100 each, carry interest of a fixed rate of 4.05% per annum and RMB1,000,000,000 (equivalent to HK$1,262,500,000) was wholly settled at maturity date on 5 June 2014. The issue fee of this bond amounted to RMB2,000,000.

On 9 May 2013, another subsidiary of the Company, CR Sanjiu Pharmaceutical issued unsecured corporate bonds ("Bonds 3") in an aggregate amount of RMB500,000,000 which are listed on the Shenzhen Stock Exchange. Bonds 3 were priced at par at RMB100 each, carry interest of a fixed coupon rate of 4.60% per annum. The issuer can elect to increase a basis point on the fixed coupon rate (the "revised coupon rate") or maintain the existing coupon rate at the end of the third year that the bondholders would then have an option to request for redemption of the bonds. The Bonds 3 will mature on 9 May 2018 as no early redemption exercised and the interest is payable annually on 9 May. The issue fee of this bond amounted to RMB2,000,000.

On 21 October 2014, CR Pharmaceutical Holdings issued unsecured non-listed bonds ("Bonds 4") in an aggregate amount of RMB1,500,000,000 at par at RMB100 each, carried interest of a fixed rate of 4.20% per annum and was fully settled at maturity date on 21 January 2015. The issue fee of this bond amounted to RMB820,000.

On 9 July 2015, CR Pharmaceutical Holdings issued unsecured non-listed bonds ("Bonds 5") in an aggregate amount of RMB2,000,000,000 at par at RMB100 each, carry interest of a fixed rate of 4.20% per annum which will mature on 8 July 2020 and the interest is payable annually on 8 July. The issue fee of this bond amounted to RMB210,000.

On 2 March 2016, CR Pharmaceutical Holdings issued unsecured non-listed bonds ("Bonds 6") in an aggregate amount of RMB1,500,000,000 at par at RMB100 each, carry interest of a fixed rate of 2.59% per annum which will mature on 28 November 2016. The issue fee of this bond amounted to RMB2,250,000.

On 23 March 2016, CR Pharmaceutical Holdings issued unsecured non-listed bonds ("Bonds 7") in an aggregate amount of RMB1,000,000,000 at par at RMB100 each, carry interest of a fixed rate of 2.65% per annum which will mature on 19 December 2016. The issue fee of this bond amounted to RMB1,500,000.

On 25 April 2016, CR Pharmaceutical Holdings issued unsecured non-listed bonds ("Bonds 8") in an aggregate amount of RMB2,000,000,000 at par at RMB100 each, carry interest of a fixed rate of 2.90% per annum which will mature on 20 January 2017. The issue fee of this bond amounted to RMB3,000,000.

The fair value of the Bonds 1 is amounting to RMB4,499,680,000 (equivalent to HK$5,723,098,000), RMB4,400,000,000 (equivalent to HK$5,577,616,000), RMB4,400,000,000 (equivalent to HK$5,251,972,000) and RMB4,400,000,000 (equivalent to HK$5,148,176,000) as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively. The carrying amount of Bonds 1 approximates its fair value.

The fair value of the Bonds 2 at 31 December 2013 was RMB907,052,000 (equivalent to HK$1,153,670,000). The carrying amount of Bond 2 approximates its fair value. The Bond 2 was matured on 5 June 2014.

The fair value of the Bonds 3 is amounting to RMB491,500,000 (equivalent to HK$625,134,000), RMB501,676,000 (equivalent to HK$635,945,000), RMB499,000,000 (equivalent to HK$595,621,000) and RMB499,203,000 (equivalent to HK$584,088,000) as at 31 December 2013, 2014, 2015 and 30 June 2016. The fair value is determined using the market price of the Bonds 3 as at 31 December 2013, 2014, 2015 and 30 June 2016.

The fair value of the Bonds 4 at 31 December 2014 is amounted to RMB1,496,931,000 (equivalent to HK$1,897,569,000). The carrying amount of Bonds 4 approximates its fair value. The bond was matured on 21 January 2015.

The fair value of the Bonds 5 at 31 December 2015 and 30 June 2016 is amounting to RMB2,000,000,000 (equivalent to HK$2,387,260,000) and RMB2,000,000,000 (equivalent to HK$2,340,080,000). The carrying amount of Bonds 5 approximates its fair value.

The fair value of the Bonds 6 at 30 June 2016 is amounting to RMB1,500,000,000 (equivalent to HK$1,755,060,000). The carrying amount of Bonds 6 approximates its fair value.

The fair value of the Bonds 7 at 30 June 2016 is amounting to RMB1,000,000,000 (equivalent to HK$1,170,040,000). The carrying amount of Bonds 7 approximates its fair value.

The fair value of the Bonds 8 at 30 June 2016 is amounting to RMB2,000,000,000 (equivalent to HK$2,340,080,000). The carrying amount of Bonds 8 approximates its fair value.

The interest payables of the bonds are included in other payables in note 30.

The movement of these bonds during the Track Record Periods is set out below:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount as at the beginning of the year/period	3,699,810	7,501,902	8,111,130	8,234,853
Proceeds received from issued bonds	3,686,232	1,893,750	2,491,369	5,300,523
Repayment	—	(1,262,500)	(1,868,160)	—
Exchange realignment	115,860	(22,022)	(499,486)	(197,852)
Carrying amount as at the end of the year/period	7,501,902	8,111,130	8,234,853	13,337,524
Amount represented as:				
Within one year	1,271,890	1,901,460	—	5,265,180
In the first year to second years	—	—	3,580,890	3,510,120
In the second to fifth years	6,230,012	6,209,670	4,653,963	4,562,224
	7,501,902	8,111,130	8,234,853	13,337,524

33. DEFERRED TAXATION

THE GROUP

The followings are the major deferred tax balances recognised and movements thereon the Track Record Periods:

Deferred tax assets

	Impairment of assets	Tax losses	Provision and accruals	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	101,245	44,000	100,425	22,000	267,670
Credited (charged) during the year	10,825	1,000	(1,926)	46,394	56,293
Acquisition of subsidiaries (Note 37)	2,027	—	8,350	1,884	12,261
Disposal of subsidiaries (Note 38)	(950)	—	—	—	(950)
Exchange realignment	2,638	810	3,247	1,777	8,472
At 31 December 2013	115,785	45,810	110,096	72,055	343,746
Credited during the year	11,900	94,260	45,606	43,482	195,248
Acquisition of subsidiaries (Note 37)	1,017	—	—	199	1,216
Disposal of subsidiaries (Note 38)	—	—	(325)	(12)	(337)
Reclassified as held for sale (Note 39)	(17,512)	—	—	(8,012)	(25,524)
Exchange realignment	(305)	(100)	(290)	(209)	(904)
At 31 December 2014	110,885	139,970	155,087	107,503	513,445
Credited (charged) during the year	8,986	(95,334)	54,766	(15,661)	(47,243)
Reclassified as held for sale (Note 39)	—	—	—	(12,767)	(12,767)
Exchange realignment	(6,153)	(8,564)	(9,967)	(6,233)	(30,917)
At 31 December 2015	113,718	36,072	199,886	72,842	422,518
Credited (charged) during the period	37,647	(747)	(64,968)	20,271	(7,797)
Acquisition of subsidiaries (Note 37)	—	—	—	323	323
Exchange realignment	(2,247)	(713)	(3,950)	(1,440)	(8,350)
At 30 June 2016	149,118	34,612	130,968	91,996	406,694

Deferred tax liabilities

	Revaluation of investment properties	Fair value adjustment arising from acquisition of subsidiaries	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	37,684	489,878	27,953	555,515
Charged during the year	42,403	25,046	238	67,687
Acquisition of subsidiaries (Note 37)	—	80,548	—	80,548
Exchange realignment	—	15,980	879	16,859
At 31 December 2013	80,087	611,452	29,070	720,609
Charged (credited) during the year	78,975	(8,057)	(30,990)	39,928
Acquisition of subsidiaries (Note 37)	—	46,215	11,321	57,536
Reclassified to assets held for sale (Note 39)	—	—	(115)	(115)
Exchange realignment	(268)	(2,043)	(97)	(2,408)
At 31 December 2014	158,794	647,567	9,189	815,550
Charged (credited) during the year	17,333	(102,686)	19,584	(65,769)
Acquisition of subsidiaries (Note 37)	—	154,187	—	154,187
Exchange realignment	(3,271)	(37,808)	(536)	(41,615)
At 31 December 2015	172,856	661,260	28,237	862,353
Charged (credited) during the period	32,352	(34,909)	25,922	23,365
Acquisition of subsidiaries (Note 37)	—	20,416	—	20,416
Exchange realignment	(3,941)	(13,049)	(33)	(17,023)
At 30 June 2016	201,267	633,718	54,126	889,111

The Group had unused tax losses of HK$1,962,451,000, HK$2,438,871,000, HK$2,200,000,000 and HK$2,285,556,000 as at 31 December 2013, 2014, 2015 and 30 June 2016. A deferred tax asset has been recognised in respect of HK$183,240,000, HK$559,880,000 and HK$144,288,000 and HK$138,448,000 of such losses for the Group as at 31 December 2013, 2014, 2015 and 30 June 2016. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$1,779,211,000, HK$1,878,991,000, HK$2,055,712,000 and HK$2,147,108,000 due to the unpredictable profit stream as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively. Include in unused tax losses are loss of HK$149,172,000, HK$175,994,000, HK$203,831,000 and HK$216,262,000 that may be carried forward indefinitely. Other tax losses will be expired in the following years:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
2014	8,570	—	—	—
2015	83,700	30,946	—	—
2016	134,146	41,356	58,112	52,854
2017	608,150	315,951	264,280	261,085
2018	795,473	767,780	544,045	527,084
2019	—	546,964	434,783	406,250
2020	—	—	550,661	527,164
2021	—	—	—	156,409
	1,630,039	1,702,997	1,851,881	1,930,846

The aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$7,574,987,000, HK$9,723,500,000, HK$12,807,455,000 and HK$13,584,881,000 as at 31 December 2013, 2014, 2015 and 30 June 2016. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Group has deductible temporary differences of HK$1,711,921,000, HK$1,370,315,000, HK$1,227,239,000 and HK$1,255,094,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 in relation to impairment recognised on property, plant and equipment, trade and other receivables and inventories. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Company did not have any significant unrecognised deductible temporary differences as at 31 December 2013, 2014, 2015 and 30 June 2016.

34. OTHER NON-CURRENT LIABILITIES

THE GROUP

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Compensation for demolition	250,458	18,071	—	—
Government grants	762,008	737,253	728,974	768,066
Provision for restructuring of business	403,216	668,251	554,577	515,975
Others	86,200	23,250	50,481	86,794
	1,501,882	1,446,825	1,334,032	1,370,835

During the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016, the Group received new government grants from the government authorities amounting to HK$12,037,000, HK$337,095,000, HK$176,234,000 and HK$138,589,000 respectively to subsidise the construction of certain research and development centres and purchases of property, plant and equipment of the Group. The Group has complied with the conditions attached to the grants as at the end of the reporting periods and will transfer the grants to profit or loss over the useful lives of the related assets. The Group recognised these government grants to profit or loss amounting to HK$140,134,000, HK$191,035,000, HK$100,058,000, HK$33,489,000 (unaudited) and HK$35,640,000 during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, respectively.

The movement of the provision for restructuring of business during the Track Record Periods is set out below:

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount as at the beginning of this year/period	422,877	403,216	668,251	554,577
Additions	—	344,634	—	—
Utilisation during the year/period	(20,056)	(79,523)	(76,070)	(28,098)
Currency realignment	395	(76)	(37,604)	(10,504)
Carrying amount as at the end of the year/period	403,216	668,251	554,577	515,975

The provision for restructuring of business represents funds set aside for the retirement of employees in restructuring of Beijing Pharmaceutical starting from 25 September 2004.

35. SHARE CAPITAL

THE GROUP AND THE COMPANY

	Number of shares				Share capital			
	At 31 December			At 30 June	At 31 December			At 30 June
	2013	2014	2015	2016	2013	2014	2015	2016
					HK$'000	HK$'000	HK$'000	HK$'000
Ordinary shares of HK$1 each/with no par value								
Authorised:								
At beginning of year/period	3,980,000,000	5,000,000,000	N/A	N/A	3,980,000	5,000,000	N/A	N/A
Increased in authorised share capital	1,020,000,000	—	N/A	N/A	1,020,000	—	N/A	N/A
Abolition of authorised share capital (Note 1)	—	(5,000,000,000)	—	—	—	—	—	—
At the end of year/period	5,000,000,000	N/A	N/A	N/A	5,000,000	N/A	N/A	N/A
Issued and fully paid:								
At beginning of year/period	3,910,000,000	4,629,424,461	4,629,424,461	4,629,424,461	3,910,000	4,629,424	12,473,920	12,473,920
Transfer from share premium upon abolition of par value (Note 2)	—	—	—	—	—	7,844,496	—	—
Issue of shares (Note 3)	719,424,461	—	—	—	719,424	—	—	—
At end of year/period	4,629,424,461	4,629,424,461	4,629,424,461	4,629,424,461	4,629,424	12,473,920	12,473,920	12,473,920

Notes:

(1) Under the new Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

Under the Articles of Association of the Company then in force, the maximum number of shares which the Company may have in issuance are 5,000,000,000 ordinary shares. This maximum number may be changed by alteration in the articles by ordinary resolution.

(2) In accordance with the transitional provisions set out in section 37 of schedule 11 to new Hong Kong Companies Ordinance (Cap.622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(3) On 9 December 2013, the Company issued 517,985,612 ordinary shares of HK$1 each at HK$6.95 each to CRHP and 201,438,849 ordinary shares of HK$1 each at HK$8.35 each to Beijing Equity Investment Development Fund. As a result, additional 719,424,461 ordinary shares issued are recorded in 2013. The new shares issued rank pari passu in all respects with the then existing shares.

36. NON-CONTROLLING INTERESTS

THE GROUP

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests					Profit allocated to non-controlling interests					Accumulated non-controlling interests			
		At 31 December			At 30 June		Year ended 31 December			Six months ended 30 June		At 31 December			At 30 June
		2013	2014	2015	2015	2016	2013	2014	2015	2015	2016	2013	2014	2015	2016
		%	%	%	%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(unaudited)					(unaudited)					
Dong-E-E-Jiao	PRC	86.90	86.90	86.90	86.90	82.24	1,329,819	1,506,607	1,774,671	851,624	816,161	5,633,165	6,657,365	7,357,780	7,129,628
CR Double-Crane	PRC	50.88	50.88	40.01	50.88	40.01	558,103	350,307	334,089	214,210	219,922	3,455,452	3,669,544	3,306,980	3,394,793
CR Sanjiu Pharmaceutical	PRC	36.41	36.41	36.41	36.41	36.41	547,430	521,927	598,204	312,226	284,059	3,041,251	3,418,663	3,412,956	3,563,946
華潤湖北醫藥有限公司	PRC	40.00	40.00	40.00	40.00	40.00	41,641	44,557	26,705	17,162	17,907	346,761	376,181	346,474	375,382
華潤廣東醫藥有限公司	PRC	30.00	30.00	30.00	30.00	30.00	109,490	108,976	157,481	61,076	95,958	354,902	336,660	376,250	337,053
華潤天津醫藥有限公司	PRC	30.00	30.00	30.00	30.00	30.00	27,055	41,963	42,869	19,987	18,685	157,725	183,404	157,073	172,350
Others							201,572	271,594	298,139	103,671	91,749	1,671,183	1,992,318	2,385,817	2,131,576
Total							2,815,110	2,845,931	3,232,158	1,579,956	1,544,441	14,660,439	16,634,135	17,343,330	17,104,728

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Dong-E-E-Jiao

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	5,091,493	6,879,044	7,678,646	7,838,197
Non-current assets	2,514,060	2,577,456	2,597,334	2,629,809
Current liabilities	(1,015,415)	(1,719,990)	(1,736,743)	(1,737,998)
Non-current liabilities	(123,487)	(96,659)	(84,737)	(79,330)
Non-controlling interests	(104,163)	(133,322)	(82,586)	(86,205)
Equity attributable to owners of Dong-E-E-Jiao	6,362,488	7,506,529	8,371,914	8,564,473

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	5,028,493	5,061,215	6,787,229	3,180,738
Expenses	(3,501,384)	(3,328,770)	(4,747,430)	(2,189,477)
Profit for the year/period	1,527,109	1,732,445	2,039,799	991,261
Profit attributable to owners of Dong-E-E-Jiao	1,506,028	1,723,950	2,023,874	985,923
Profit attributable to the non-controlling interests	21,081	8,495	15,925	5,338
Profit for the year/period	1,527,109	1,732,445	2,039,799	991,261
Other comprehensive income (expense) attributable to owners of Dong-E-E-Jiao	11	(2,798)	7,370	—
Other comprehensive income attributable to the non-controlling interests	—	—	—	—
Other comprehensive income (expense) for the year/period	11	(2,798)	7,370	—
Total comprehensive income attributable to owners of Dong-E-E-Jiao	1,506,039	1,721,152	2,031,244	985,923
Total comprehensive income attributable to the non-controlling interests	21,081	8,495	15,925	5,338
Total comprehensive income for the year/period	1,527,120	1,729,647	2,047,169	991,261
Dividends paid to non-controlling interests	43,724	17,029	18,091	511,758
Net cash inflow (outflow) from operating activities	1,100,643	829,570	1,217,555	(1,081,468)
Net cash (outflow) inflow from investing activities	(1,502,320)	506,544	(1,744,165)	891,854
Net cash outflow from financing activities	(567,081)	(533,219)	(583,575)	(13,931)
Exchange difference	—	(437)	169	35
Net cash (outflow) inflow	(968,758)	802,458	(1,110,016)	(203,510)

CR Double-Crane

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	4,920,782	4,970,510	4,487,267	4,836,514
Non-current assets	3,295,230	3,420,375	4,779,011	4,627,369
Current liabilities	(1,281,590)	(1,047,515)	(1,318,065)	(1,333,064)
Non-current liabilities	(147,330)	(137,635)	(268,507)	(240,158)
Non-controlling interests	(4,437)	(6,649)	(390,613)	(396,299)
Equity attributable to owners of CR Double-Crane	6,782,655	7,199,086	7,289,093	7,494,362

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	8,557,024	5,404,542	6,399,563	3,384,783
Expenses	(7,463,453)	(4,718,187)	(5,571,568)	(2,855,546)
Profit for the year/period	1,093,571	686,355	827,995	529,237
Profit attributable to owners of CR Double-Crane	1,090,122	684,137	823,315	515,610
Profit attributable to the non-controlling interests	3,449	2,218	4,680	13,627
Profit for the year/period	1,093,571	686,355	827,995	529,237
Other comprehensive income (expense) attributable to owners of CR Double-Crane	—	—	1,287	(1,114)
Other comprehensive income attributable to the non-controlling interests	—	—	—	—
Other comprehensive income (expense) for the year/period	—	—	1,287	(1,114)
Total comprehensive income attributable to owners of CR Double-Crane	1,090,122	684,137	824,602	514,496
Total comprehensive income attributable to the non-controlling interests	3,449	2,218	4,680	13,627
Total comprehensive income for the year/period	1,093,571	686,355	829,282	528,123
Dividends paid to non-controlling interests	—	—	—	63,784
Net cash inflow from operating activities	683,904	906,922	873,485	365,981
Net cash inflow (outflow) from investing activities	123,785	(444,795)	(884,430)	173,760
Net cash outflow from financing activities	(138,593)	(517,292)	(727,204)	(48,363)
Exchange difference	(531)	—	184	13
Net cash inflow (outflow)	668,565	(55,165)	(737,965)	491,391

CR Sanjiu Pharmaceutical

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	6,292,324	6,494,522	6,222,776	6,499,841
Non-current assets	6,395,745	7,027,701	8,123,772	7,976,108
Current liabilities	(3,657,876)	(3,385,975)	(3,940,680)	(3,705,911)
Non-current liabilities	(1,148,792)	(1,268,446)	(1,245,784)	(1,205,787)
Non-controlling interests	(269,906)	(298,625)	(122,299)	(128,326)
Equity attributable to owners of CR Sanjiu Pharmaceutical	7,611,495	8,569,177	9,037,785	9,435,925

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	9,131,329	9,186,398	9,839,212	5,091,278
Expenses	(7,701,125)	(7,832,861)	(8,251,651)	(4,326,102)
Profit for the year/period	1,430,204	1,353,537	1,587,561	765,176
Profit attributable to owners of CR Sanjiu Pharmaceutical	1,388,228	1,307,769	1,555,837	756,592
Profit attributable to the non-controlling interests	41,976	45,768	31,724	8,584
Profit for the year/period	1,430,204	1,353,537	1,587,561	765,176
Other comprehensive income (expense) attributable to owners of CR Sanjiu Pharmaceutical	2,338	(4,090)	273	4,320
Other comprehensive expense attributable to the non-controlling interests	—	—	—	—
Other comprehensive income (expense) for the year/period	2,338	(4,090)	273	4,320
Total comprehensive income attributable to owners of CR Sanjiu Pharmaceutical	1,390,566	1,303,679	1,556,110	760,912
Total comprehensive income attributable to the non-controlling interests	41,976	45,768	31,724	8,584
Total comprehensive income for the year/period	1,432,542	1,349,447	1,587,834	769,496
Dividends paid to non-controlling interests	—	12,372	—	63,583
Net cash inflow from operating activities	1,683,621	1,495,293	1,569,053	845,764
Net cash outflow from investing activities	(1,862,621)	(1,160,972)	(983,671)	(514,964)
Net cash inflow (outflow) from financing activities	146,921	(396,653)	(800,216)	(27,954)
Exchange difference	(1,836)	(314)	1,753	608
Net cash (outflow) inflow	(33,915)	(62,646)	(213,081)	303,454

華潤湖北醫藥有限公司

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	2,763,725	3,024,226	2,889,732	3,226,483
Non-current assets	665,093	670,062	617,431	592,449
Current liabilities	(2,566,512)	(2,758,416)	(2,664,968)	(2,928,960)
Non-current liabilities	(32,439)	(32,330)	(9,752)	(12,758)
Non-controlling interests	(24,690)	(24,607)	(22,495)	(40,828)
Equity attributable to owners of 華潤湖北醫藥有限公司	805,177	878,935	809,948	836,386

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	7,576,914	8,608,491	8,064,158	4,210,421
Expenses	(7,473,396)	(8,497,688)	(7,996,339)	(4,166,681)
Profit and total comprehensive income for the year/period	103,518	110,803	67,819	43,740
Profit and total comprehensive income attributable to owners of 華潤湖北醫藥有限公司	103,128	110,410	68,524	43,055
Profit (loss) and total comprehensive income (expense) attributable to the non-controlling interests	390	393	(705)	685
Profit and total comprehensive income for the year/period	103,518	110,803	67,819	43,740
Dividends paid to non-controlling interests	2,766	—	—	—
Net cash inflow (outflow) from operating activities	198,735	196,609	510,945	(120,749)
Net cash outflow from investing activities	(60,185)	(66,118)	(83,818)	(3,085)
Net cash (outflow) inflow from financing activities	(259,769)	(257,097)	(445,877)	122,165
Net cash outflow	(121,219)	(126,606)	(18,750)	(1,669)

華潤廣東醫藥有限公司

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	5,432,506	7,183,796	7,548,676	9,471,341
Non-current assets	69,717	144,742	217,925	477,314
Current liabilities	(4,319,216)	(6,206,339)	(6,512,435)	(8,928,871)
Non-current liabilities	—	—	—	(23,323)
Non-controlling interests	—	—	—	(54,450)
Equity attributable to owners of 華潤廣東醫藥有限公司	1,183,007	1,122,199	1,254,166	942,011

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	11,381,440	16,722,897	19,248,096	11,520,012
Expenses	(11,016,474)	(16,359,643)	(18,723,159)	(11,210,890)
Profit and total comprehensive income for the year/period	364,966	363,254	524,937	309,122
Profit and total comprehensive income attributable to owners of 華潤廣東醫藥有限公司	346,966	363,254	524,937	304,519
Profit and total comprehensive income attributable to the non-controlling interests	—	—	—	4,603
Profit and total comprehensive income for the year/period	346,966	363,254	524,937	309,122
Dividends paid to non-controlling interests	—	94,386	95,663	189,868
Net cash (outflow) inflow from operating activities	(760,531)	884,011	1,097,613	851,086
Net cash (outflow) inflow from investing activities	(109,344)	73,585	(150,638)	(184,970)
Net cash inflow (outflow) from financing activities	342,191	(842,772)	(1,045,432)	(654,318)
Net cash (outflow) inflow	(527,684)	114,824	(98,457)	11,798

華潤天津醫藥有限公司

	At 31 December			At 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	2,377,602	2,670,873	3,046,079	3,357,863
Non-current assets	84,820	32,821	41,459	42,278
Current liabilities	(1,920,612)	(2,089,832)	(2,561,595)	(2,825,640)
Non-current liabilities	(16,059)	(2,514)	(2,367)	—
Equity attributable to owners of 華潤天津醫藥有限公司	525,751	611,348	523,576	574,501

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	4,114,321	5,086,638	5,871,741	3,019,251
Expenses	(4,024,139)	(4,946,761)	(5,728,843)	(2,956,967)
Profit and total comprehensive income for the year/period	90,182	139,877	142,898	62,284
Dividends paid to non-controlling interests	—	—	59,171	—
Net cash inflow (outflow) from operating activities	98,401	3,981	57,167	(185,765)
Net cash outflow from investing activities	(3,978)	(14,275)	(15,276)	(3,774)
Net cash inflow (outflow) from financing activities	8,159	(393,535)	(62,403)	178,226
Net cash inflow (outflow)	102,582	(403,829)	(20,512)	(11,313)

37. ACQUISITION OF SUBSIDIARIES/BUSINESSES

THE GROUP

For the year ended 31 December 2013

During the year ended 31 December 2013, the Group acquired nine companies which were engaged in manufacture and sale of pharmaceutical products from independent third parties for an aggregated cash consideration of RMB1,452,212,000 (equivalent to HK$1,797,494,000). Those transactions had been accounted for using the acquisition method.

Name of entity	Date of acquisition	% of interest acquired
華潤南通醫藥有限公司	January 2013	100.00%
華潤洛陽醫藥有限公司	January 2013	100.00%
桂林天和藥業有限公司	February 2013	97.76%
廣東益建健康產業有限公司	March 2013	51.00%
上海申威實業有限公司	March 2013	70.00%
華潤湖南瑞格醫藥有限公司	March 2013	60.00%
東阿聖水水療有限公司	May 2013	55.34%
華潤遼寧朝陽醫藥有限公司	August 2013	100.00%
華潤周口醫藥有限公司	September 2013	100.00%

The information for these acquisitions was disclosed on an aggregated basis as they were individually immaterial to the Group.

	Amount recognised at the date of acquisition
	HK$'000
Fair value of net identifiable assets of the subsidiaries acquired:	
Property, plant and equipment	236,731
Intangible assets	282,282
Prepaid lease payments	40,870
Investment properties	12,720
Deferred tax assets	12,261
Inventories	449,356
Trade and other receivables (Note)	1,660,219
Bank balances and cash	813,742
Trade and other payables	(1,905,444)
Taxation payable	(45,133)
Bank and other borrowings	(396,948)
Other non-current liabilities	(41,550)
Deferred tax liabilities	(80,548)
	1,038,558

Note: The receivables acquired in these transactions with a fair value of HK$1,660,219,000 had gross contractual amount of HK$1,660,219,000 at the relevant dates of acquisition. No amount at acquisition date of the contractual cash flows is not expected to be collected.

	HK$'000
Consideration transferred, satisfied by cash	1,797,494
Plus: Non-controlling interests	230,368
Less: Net assets acquired	(1,038,558)
Previously held interest in an associate before the acquisition	4,578
Previously held interest in a joint venture before the acquisition	6,073
Goodwill arising on acquisition	999,955
Net cash outflow on acquisition of subsidiaries:	
Cash consideration	(1,797,494)
Deposits paid and included in other non-current assets in prior year	36,998
Amounts unpaid and included in other payables	544,350
Cash and cash equivalent acquired	813,742
	(402,404)

The non-controlling interests recognised at the dates of acquisitions were measured by reference to the proportionate share of the recognised value of the net identifiable assets of the respective subsidiaries of the acquirees at the dates of acquisitions and amounted to HK$230,368,000.

Goodwill arose in the acquisitions because the cost of the combination included the benefit of expected synergies, revenue growth, future market development, the assembled workforce and the control premium of the acquirees as the acquirees are engaged in various areas relating to the manufacturing, distribution and retail in the pharmaceutical and medication industry. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions was expected to be deductible for tax purposes.

Included in the profit for the year was HK$185,654,000 attributable to the additional business generated by the acquirees. Revenue for the year included HK$5,036,185,000 generated from the acquirees.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been HK$117,567,058,000, and profit for the year would have been HK$5,507,301,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2013, nor was it intended to be a projection of future results.

For the year ended 31 December 2014

During the year ended 31 December 2014, the Group acquired eleven companies which were engaged in manufacture and sale of pharmaceutical products from independent third parties for an aggregated cash consideration of RMB642,882,000 (equivalent to HK$811,526,000). Those transactions had been accounted for using the acquisition method.

Name of entity	Date of acquisition	% of interest acquired
桂林越美包裝有限公司	January 2014	100.00%
華潤張家港百禾醫藥有限公司	January 2014	73.68%
華潤(遼寧)醫療器械有限公司	March 2014	100.00%
華潤無錫醫藥有限公司	March 2014	100.00%
華潤福建醫藥有限公司	April 2014	51.00%
青海華源醫藥有限公司	June 2014	60.00%
西豐縣吉園鹿產品加工有限公司	June 2014	51.00%
吉林華潤和善堂人參有限公司	August 2014	100.00%
安徽華源盛銘藥業有限公司	September 2014	51.00%
杭州老桐君製藥有限公司	November 2014	100.00%
青島惠友大藥房有限責任公司	December 2014	100.00%

The information for these acquisitions was disclosed on an aggregated basis as they were individually immaterial to the Group.

	Amount recognised at the date of acquisition
	HK$'000
Fair value of net identifiable assets of the subsidiaries acquired:	
Property, plant and equipment	296,642
Intangible assets	160,342
Prepaid lease payments	44,137
Deferred tax assets	1,216
Inventories	244,993
Trade and other receivables (Note)	541,421
Bank balances and cash	179,809
Trade and other payables	(720,965)
Taxation payable	(12,941)
Bank and other borrowings	(159,403)
Other non-current liabilities	(19,891)
Deferred tax liabilities	(57,536)
	497,824

	HK$'000
Consideration transferred, satisfied by cash	811,526
Plus: Non-controlling interests	169,041
Less: Net assets acquired	(497,824)
Goodwill arising on acquisition	482,743
Net cash outflow on acquisition of subsidiaries:	
Cash consideration	(811,526)
Amounts unpaid and included in other payables	162,925
Cash and cash equivalent acquired	179,809
	(468,792)

Note: The receivables acquired in these transactions with a fair value of, HK$541,421,000 had gross contractual amount of HK$541,421,000 at the relevant dates of acquisition. No amount at acquisition date of the contractual cash flows is not expected to be collected.

The non-controlling interests recognised at the dates of acquisitions were measured by reference to the proportionate share of the recognised value of the net identifiable assets of the respective subsidiaries of the acquirees at the dates of acquisitions and amounted to HK$169,041,000.

Goodwill arose in the acquisitions because the cost of the combination included the benefit of expected synergies, revenue growth, future market development, the assembled workforce and the control premium of the acquirees as the acquisition allow the group to expand its business throughout the northern-east region of the PRC. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions was expected to be deductible for tax purposes.

Included in the profit for the year was HK$81,561,000 attributable to the additional business generated by the acquirees. Revenue for the year included HK$1,925,627,000 generated from the acquirees.

Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been HK$136,347,494,000, and profit for the year would have been HK$5,581,033,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2014, nor was it intended to be a projection of future results.

For the year ended 31 December 2015

During the year ended 31 December 2015, the Group acquired four companies which are engaged in manufacture and sale of pharmaceutical products from independent third parties for an aggregated cash consideration of RMB2,013,448,000 (equivalent to HK$2,502,467,000). Those transactions have been accounted for using the acquisition method.

Name of entity	Date of acquisition	% of interest acquired
中山市健亞醫藥經營有限公司	May 2015	100.00%
浙江眾益製藥有限公司	August 2015	100.00%
北京百奧特生物工程有限公司	August 2015	100.00%
華潤雙鶴利民藥業(濟南)有限公司(formerly known as 濟南利民製藥有限責任公司)	November 2015	60.00%

The information for these acquisitions is disclosed on an aggregated basis as they are individually immaterial to the Group.

	Amount recognised at the date of acquisition
	HK$'000
Fair value of net identifiable assets of the subsidiaries acquired:	
Property, plant and equipment	344,368
Intangible assets	706,758
Prepaid lease payments	181,428
Inventories	208,020
Trade and other receivables (Note)	303,027
Other non-current assets	9,458
Bank balances and cash	46,296
Trade and other payables	(237,709)
Taxation payable	(60,522)
Bank and other borrowings	(78,894)
Deferred tax liabilities	(154,187)
	1,268,043

	HK$'000
Consideration transferred, satisfied by cash	2,502,467
Add: Non-controlling interests	370,404
Less: Net assets acquired	(1,268,043)
Goodwill arising on acquisition	1,604,828
Net cash outflow on acquisition of subsidiaries:	
Cash consideration	(2,502,467)
Amounts unpaid and included in other payables	315,124
Cash and cash equivalent acquired	46,296
	(2,141,047)

Note: The receivables acquired in these transactions with a fair value of HK$303,027,000 had gross contractual amount of HK$303,027,000 at the relevant dates of acquisition. No amount at acquisition date of the contractual cash flows is not expected to be collected.

The non-controlling interests recognised at the dates of acquisitions were measured by reference to the proportionate share of the recognised value of the net identifiable assets of the respective subsidiaries of the acquirees at the dates of acquisitions and amounted to HK$370,404,000.

Goodwill arose in the acquisitions because the cost of the combination included the benefit of expected synergies, revenue growth, future market development, the assembled workforce and the control premium of the acquirees as the acquirees are engaged in manufacturing, distribution and retail of pharmaceutical, healthcare and Chinese medicines products. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Included in the profit for the year is HK$36,619,000 attributable to the additional business generated by the acquirees. Revenue for the year includes HK$515,454,000 generated from the acquirees.

Had the acquisition been completed on 1 January 2015, the Group's revenue for the year would have been HK$147,117,728,000, and profit for the year would have been HK$6,162,027,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

For the six months ended 30 June 2016

During the six months ended 30 June 2016, the Group acquired ten companies and businesses which are engaged in distribution of pharmaceutical products from independent third parties for an aggregated cash consideration of RMB851,379,000 (equivalent to HK$1,011,600,000). Those transactions have been accounted for using the acquisition method.

Name of entity	Date of acquisition	% of interest acquired
華潤東莞醫藥有限公司 (formerly known as 廣東振東泰捷醫藥物流有限公司)	March 2016	70.00%
浙江溫州醫藥商業集團有限公司	May 2016	70.00%
泉州市東大醫藥有限公司	May 2016	70.00%
江蘇永恆藥業有限公司	May 2016	70.00%
無錫中潤醫藥有限公司	May 2016	80.00%

Business acquired from the following companies	Date of acquisition
滄洲市寶康醫藥藥材有限公司	March 2016
安徽紅業醫藥有限公司	March 2016
本溪市醫藥總公司	January 2016
萊蕪潤華醫藥有限公司	January 2016
煙臺金益醫藥有限公司	January 2016

The information for these acquisitions is disclosed on an aggregated basis as they are individually immaterial to the Group.

	Amount recognised at the date of acquisition
	HK$'000
Fair value of net identifiable assets of the subsidiaries and businesses acquired:	
Property, plant and equipment	170,788
Intangible assets	161,675
Prepaid lease payments	7,316
Inventories	246,315
Trade and other receivables (Note)	1,136,525
Deferred tax assets	323
Bank balances and cash	139,510
Trade and other payables	(808,660)
Taxation payable	(14,251)
Bank and other borrowings	(380,651)

	Amount recognised at the date of acquisition
	HK$'000
Other non-current liabilities	(11,098)
Deferred tax liabilities	(20,416)
	627,376
Consideration transferred, satisfied by cash	1,011,600
Add: Non-controlling interests	108,792
Less: Net assets acquired	(627,376)
Goodwill arising on acquisition	493,016
Net cash outflow on acquisition of subsidiaries and businesses:	
Cash consideration	(1,011,600)
Amount unpaid and included in other payables	536,621
Cash and cash equivalent acquired	139,510
	(335,469)

Note: The receivables acquired in these transactions with a fair value of HK$1,136,525,000 had gross contractual amount of HK$1,136,525,000 at the relevant dates of acquisition. No amount at acquisition date of the contractual cash flows is not expected to be collected.

The non-controlling interests recognised at the dates of acquisitions were measured by reference to the proportionate share of the recognised value of the net identifiable assets of the respective subsidiaries and businesses of the acquirees at the dates of acquisitions and amounted to HK$108,792,000.

Goodwill arose in the acquisitions because the cost of the combination included the benefit of expected synergies, revenue growth, future market development, the assembled workforce and the control premium of the acquirees as the acquirees are engaged in distribution of pharmaceutical, healthcare and Chinese medicines products. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Included in the profit for the period is HK$42,095,000 attributable to the additional business generated by the acquirees. Revenue for the period includes HK$1,077,784,000 generated from the acquirees.

Had the acquisition been completed on 1 January 2016, the Group's revenue for the six months ended 30 June 2016 would have been HK$76,734,435,000, and profit for the six months ended 30 June 2016 would have been HK$3,224,033,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

38. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2013

In 2013, the Group disposed its entire equity interests in five subsidiaries to independent third parties for an aggregated consideration of RMB16,024,000 (equivalent to HK$19,894,000).

	2013
	HK$'000
Net assets disposed of:	
Property, plant and equipment	63,248
Prepaid lease payment	2,742
Intangible assets	1,118
Deferred tax assets	950
Bank balances and cash	18,599
Available-for-sale investments	618
Inventories	79,980
Trade and other receivables	146,084
Trade and other payables	(277,032)
Taxation payable	(4,263)
	32,044
Non-controlling interests	(17,926)
Gain on disposal of subsidiaries	5,776
Consideration, satisfied by cash	19,894
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	19,894
Cash and cash equivalents disposed of	(18,599)
	1,295

For the year ended 31 December 2014

In 2014, the Group disposed of its entire equity interests in five subsidiaries to independent third parties for an aggregated consideration of RMB8,920,000 (equivalent to HK$11,307,000).

	2014
	HK$'000
Net assets disposed of:	
Property, plant and equipment	25,983
Prepaid lease payments	7,254
Deferred tax assets	337
Bank balances and cash	12,499
Inventories	7,465
Trade and other receivables	18,521
Trade and other payables	(54,014)
Taxation payable	(401)
	17,644
Non-controlling interests	(12,065)
Gain on disposal of subsidiaries	5,728
Consideration, satisfied by cash	11,307
Net cash outflow on disposal of subsidiaries:	
Cash consideration received	11,307
Cash and cash equivalents disposed of	(12,499)
	(1,192)

For the year ended 31 December 2015

In 2015, the Group disposed of its entire equity interests in two subsidiaries to independent third parties for an aggregated consideration of RMB35,597,000 (equivalent to approximately HK$44,244,000).

	2015
	HK$'000
Net assets disposed of:	
Property, plant and equipment	16,047
Intangible assets	37,890
Inventories	998
Bank balances and cash	218
Trade and other receivables	11,404
Trade and other payables	(30,830)
Taxation payable	(26)
	35,701
Non-controlling interests	(23,490)
Gain on disposal of subsidiaries	32,033
Consideration, satisfied by cash, net	44,244
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	44,244
Amount not received and included in other receivables	(19,020)
Cash and cash equivalents disposed of	(218)
	25,006

For the six months ended 30 June 2016

During the six months ended 30 June 2016, the Group disposed of its entire equity interest in a subsidiary to a fellow subsidiary for a consideration of RMB360,493,000 (equivalent to HK$428,335,000).

	Six months ended 30 June 2016
	HK$'000
Net assets disposed of:	
Property, plant and equipment	5,671
Other non-current assets	456,437
Trade and other receivables	79,826
Bank balances and cash	37,687
Taxation recoverable	1,193
Trade and other payables	(5,632)
Amount due to a shareholder	(175,579)
	399,603
Gain on disposal of a subsidiary	28,732
Consideration receivable, amount not received and included in amount due from a fellow subsidiary	428,335
Net cash outflow on disposal of subsidiary:	
Cash and cash equivalents disposed of	(37,687)

During the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, these subsidiaries being disposed of did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

39. ASSETS CLASSIFIED AS HELD FOR SALE

For the year ended 31 December 2014

On 16 September 2014, Beijing Pharmaceutical entered into a sale and purchase agreement with an independent third party to dispose of 51.51% equity interest in 華潤萬東醫療裝備股份有限公司 ("CR Wandong Pharmaceutical"), which is engaged in manufacture and sales of medical appliances, for a consideration of approximately RMB1,142,227,000 (equivalent to HK$1,422,575,000). Subsequently, Beijing Pharmaceutical entered into supplementary agreement with the purchaser and agreed to bear additional severance payment to be incurred by the purchaser for the staff laid off after the completion of the disposal and the amount of RMB208,000,000 (equivalent to HK$258,990,000) would reduce the cash consideration received. As a result, the net cash consideration received by Beijing Pharmaceutical was approximately RMB934,227,000 (equivalent to HK$1,163,585,000). On 15 February 2015, the transaction had been completed.

On 16 September 2014, CR Pharmaceutical Investment entered into a sale and purchase agreement with the independent third party to dispose of 100% equity interest in 上海醫療器械(集團)有限公司 ("Shangxie Jituan"), which is engaged in sales of medical appliances, for a consideration of approximately RMB691,495,000 (equivalent to HK$861,122,000). On 2 April 2015, the transaction had been completed.

For the year ended 31 December 2015

On 17 December 2015, the shares of 安徽華源醫藥股份有限公司 Anhui Huayuan Pharmaceutical Co., Ltd ("Anhui Huayuan"), which is engaged in sales of medical products, was being registered on 上海聯合產權交易所 for public sale. On 28 January 2016, Beijing Pharmaceutical entered into an equity transfer agreement with an independent third party to dispose of the Group's entire 60% equity interest in Anhui Huayuan for a consideration of approximately RMB269,343,000 (equivalent to HK$334,760,000) and on 9 February 2016, the transaction had been completed.

These subsidiaries did not have any significant contribution to the results and cash flows of the Group during the Track Record Periods. The major classes of assets and liabilities at the end of the reporting period are as follows:

	2014	2015
	CR Wandong Pharmaceutical and Shangxie Jituan	Anhui Huayuan
	HK$'000	HK$'000
Property, plant and equipment (Note 17)	478,146	639,370
Investment properties (Note 19)	96,661	—
Prepaid lease payments (Note 18)	74,598	114,888
Goodwill (Note 20)	5,002	15,892
Intangible assets (Note 21)	118,125	116,774
Other non-current assets	333,736	—
Interests in a joint venture	1,668	—
Inventories	470,292	136,550
Trade and other receivables	639,522	2,982,191
Bank balances and cash	303,371	822,964
Available-for-sale investments	—	97,324
Other current assets	55,227	38,339
Deferred tax assets (Note 33)	25,524	12,767
Assets classified as held for sale	2,601,872	4,977,059
Trade and other payables	714,418	2,974,820
Bank borrowings	255,049	1,354,770
Taxation payable	19,024	45,980
Deferred tax liabilities	115	—
Deferred revenue	9,966	18,753
Other non-current liabilities	34,735	5,979
Liabilities associated with assets classified as held for sale	1,033,307	4,400,302
Net assets classified as held for sale	1,568,565	576,757

Gain on disposal of subsidiaries classified as held for sale recognised for the year/period ended 31 December 2015 and 30 June 2016 are as follows:

	Year ended 31 December 2015	Six months ended 30 June 2016
	HK$'000	HK$'000
Consideration, satisfied by cash	2,024,707	334,760
Less:		
Net assets classified as held for sale	1,568,565	576,757
Non-controlling interests	(384,505)	(291,285)
Gain on disposal of subsidiaries classified as held for sale	840,647	49,288
Net cash inflow on disposal of assets classified as held for sale:		
Cash consideration	2,024,707	334,760
Less: cash and cash equivalent disposed of	(303,371)	(822,964)
	1,721,336	(488,204)

40. CONTINGENT LIABILITIES

(a) As at 31 December 2015 and 30 June 2016, the Group provided financial guarantees to 章丘市農村信用合作聯社 amounting to RMB11,500,000 (equivalent to HK$13,786,000) and RMB11,500,000 (equivalent to HK$13,514,000), respectively in respect of banking facilities granted to third parties for the period from 24 July 2014 to 20 July 2016. As at 31 December 2015 and 30 June 2016, RMB7,000,000 (equivalent to HK$8,355,000) and RMB7,000,000 (equivalent to HK$8,190,000) facilities has been utilised, respectively. No such financial guarantees as at 31 December 2013 and 2014.

The amounts for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount as stated here and (c) below if that amounts are claimed by the counterparties to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparties claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

(b) As at 31 December 2013, 2014, 2015 and 30 June 2016, certain subsidiaries of the Group were involved in a number of litigations with third parties for which the trials are still proceeding. The directors of the Company are in the opinion that the financial impact to the Group is not significant, accordingly, no material provision has been made in the Financial Information.

(c) As at 31 December 2013, a subsidiary of CR Wandong Pharmaceutical has provided a cross guarantee to a bank for banking facilities granted to an independent third party of RMB30,000,000 (equivalent to HK$36,998,000) with an utilised amount of RMB3,120,000 (equivalent to HK$3,968,000) as at 31 December 2013. Such arrangement was terminated during the year ended 31 December 2014.

(d) During the Track Record Periods, the Group (i) endorsed certain bills receivable for the settlement of trade and other payables; and (ii) discounted certain bills receivable to banks for raising of cash. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivable, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were not recognised on the Financial Information. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Settlement of trade and other payables	8,715,867	12,183,943	9,135,645	7,238,718
Discounted bills for raising of cash	617,018	2,126,029	3,847,055	4,194,703
Outstanding endorsed and discounted bills receivable with recourse	9,332,885	14,309,972	12,982,700	11,433,421

The outstanding endorsed and discounted bills receivable are aged within 180 days at the end of each reporting period.

The directors of the Company consider that the carrying amounts of the endorsed and discounted bills receivable approximate their fair values.

41. OPERATING LEASE COMMITMENTS

THE GROUP

As lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	84,930	58,081	47,541	40,056
In the second to fifth year inclusive	62,510	53,694	38,891	38,545
Over five years	104,695	76,831	66,882	62,662
	252,135	188,606	153,314	141,263

Operating leases are negotiated for lease terms principally ranged from 1 to 10 years.

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	270,562	378,264	371,637	350,753
In the second to fifth year inclusive	460,684	442,833	624,152	601,089
Over five years	64,185	168,766	255,786	193,756
	795,431	989,863	1,251,575	1,145,598

Operating leases are negotiated for lease terms principally ranged from 1 to 20 years.

THE COMPANY

As lessee

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	807	3,677	3,677	3,064
In the second to fifth year inclusive	—	4,902	1,226	—
	807	8,579	4,903	3,064

The Group and the Company leases certain of its offices and warehouses under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

42. COMMITMENTS

THE GROUP

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Contracted but not provided for in relation to the acquisition of:				
— property, plant and equipment, intangible assets and prepaid lease payments	446,224	1,812,668	1,099,084	1,089,835
— equity interests in subsidiaries/ associate	110,336	173,793	425,965	125,130

The Company had no commitments during the Track Record Periods.

43. RELATED PARTY DISCLOSURES

(I) Significant transactions with related parties

The Group entered into the following transactions with related parties during the Track Record Periods:

Sales

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Fellow subsidiaries	54,110	100,116	83,002	35,446	57,968
Associates	—	—	—	10	63
Companies held by non-controlling interests	1,915	—	—	—	—
	56,025	100,116	83,002	35,456	58,031

Purchases

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Fellow subsidiaries	7,039	13,208	30,494	10,134	10,841
Associates	—	73	—	—	1,432
Non-controlling interests	64,228	108,531	74,575	—	33,614
Companies held by non-controlling interests	23,343	33,442	22,183	—	3,788
	94,610	155,254	127,252	10,134	49,675

Interest expenses paid

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Intermediate holding company	15,751	3,385	4,030	2,219	—

Management fee paid

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Fellow subsidiaries	3,323	2,071	2,095	1,128	992

Management fee received

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Non-controlling interests	3,769	23,968	16,287	9,266	8,511
Companies held by non-controlling interests	6,298	10,211	8,366	3,601	206
	10,067	34,179	24,653	12,867	8,717

Service fee paid

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Fellow subsidiary	9,066	10,786	11,917	6,888	9,036

Operating lease payments

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Fellow subsidiaries	51,051	61,414	53,380	23,713	22,218

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments with related parties under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	61,414	53,380	9,764	12,218
In the second to fifth year inclusive	72,122	18,742	8,978	6,734
	133,536	72,122	18,742	18,952

The Group leases certain of its offices and warehouses under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

The purchase and sales of finished goods, management fee paid and received, service fee paid and rental expenses are all at the terms agreed between the relevant parties.

Gain on disposal of a subsidiary to a fellow subsidiary

During the six months ended 2016, the Group disposed of a subsidiary to a fellow subsidiary at a consideration of RMB360,493,000 (equivalent to HK$428,335,000) and resulted in a gain on disposal of HK$28,732,000 credited to profit or loss. Details are set out in note 38.

(II) **Significant balances with related parties**

The Group had the following significant balances with its related parties:

THE GROUP

Amounts due from related parties

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	4,276	9,198	9,878	4,165
Other receivables	230,282	21,493	72,819	689,328
Prepayments	4,749	1,585	22,767	—
	239,307	32,276	105,464	693,493

Trade receivables

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Fellow subsidiaries	4,276	9,198	9,878	4,153
Associate	—	—	—	12
	4,276	9,198	9,878	4,165

The aged analysis of the Group's trade receivables with related parties based on invoice date at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
0 - 30 days	2,140	4,746	6,384	2,559
31 - 60 days	136	566	1,141	241
61 - 90 days	1,106	621	308	508
91 - 180 days	18	2,175	134	214
Over 180 days	876	1,090	1,911	643
	4,276	9,198	9,878	4,165

Other receivables

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Fellow subsidiaries	212,120	3,762	50,856	669,120
Immediate holding company	17,934	17,462	17,944	17,961
Associates	221	269	3,108	2,247
Non-controlling interests	7	—	911	—
	230,282	21,493	72,819	689,328

The amounts are unsecured, interest-free and repayable on demand.

Prepayments

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Fellow subsidiaries	1,590	1,585	22,767	—
Non-controlling interests	2,442	—	—	—
Companies held by non-controlling interests	717	—	—	—
	4,749	1,585	22,767	—

Amounts due to related parties

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	52,742	52,563	23,740	19,664
Other payables	715,384	779,727	373,021	364,593
Loans from intermediate holding company	—	301,567	—	—
Loans from fellow subsidiaries	14,000	—	482,125	115,541
	782,126	1,133,857	878,886	499,798

Trade payables

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Fellow subsidiaries	38,071	29,322	1,014	3,810
Associates	—	—	569	1,561
Non-controlling interests	14,586	19,075	16,798	12,701
Companies held by non-controlling interests	85	4,166	5,359	1,592
	52,742	52,563	23,740	19,664

The aging analysis of the Group's trade payables with related parties based on invoice date at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
0 - 90 days	14,671	23,241	23,740	19,664
91 - 365 days	38,071	29,322	—	—
	52,742	52,563	23,740	19,664

Other payables

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Fellow subsidiaries	715,384	779,727	373,021	364,593

The amounts are unsecured, interest-free and repayable on demand.

Loans from intermediate holding company

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Intermediate holding company	—	301,567	—	—

During the year ended 31 December 2013, the Group borrowed several new loans with principal amount of RMB500,000,000, RMB500,000,000 and RMB200,000,000 (equivalent to HK$627,705,000, HK$628,385,000 and HK$252,248,000), respectively, from the intermediate holding company which are unsecured, interest bearing at 3% per annum and all of these new loans were fully repaid during the year ended 31 December 2013.

During the year ended 31 December 2014, the Group borrowed a new loan of HK$300,000,000 in which the loan was unsecured, interest bearing at range from 2-months' Hong Kong Interbank Offered Rate ("HIBOR") plus 1.45% to 3-months' HIBOR plus 1.4% per annum and the principal amount was fully repaid on 15 January 2015.

During the year ended 31 December 2015, the Group borrowed several new loans with principal amount of HK$100,000,000, HK$300,000,000 and HK$400,000,000 from the intermediate holding company which are unsecured, interest bearing at range from 4-months' HIBOR plus 0.9% to 6-months' HIBOR plus 1.40% per annum and all of these new loans are fully repaid during the year ended 31 December 2015.

Loans from fellow subsidiaries

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Fellow subsidiaries	14,000	—	482,125	115,541

The amounts are unsecured, interest-free and repayable on demand.

THE COMPANY

Amounts due from related parties

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets				
Immediate holding company	17,934	17,462	17,944	17,961
Fellow subsidiaries	1,503	906	906	906
Subsidiaries	8,127,734	10,731,284	12,275,767	5,550,281
	8,147,171	10,749,652	12,294,617	5,569,148

The amounts are unsecured, interest-free and repayable on demand.

Amounts due to related parties

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Loans from intermediate holding company (note 1)	—	301,567	—	—
Other payables to fellow subsidiaries (note 2)	12	21	323	—
Loan from fellow subsidiary (note 3)	—	—	—	115,541
	12	301,588	323	115,541

Notes:

1. During the year ended 31 December 2013, the Company borrowed several new loans with principal amount of RMB500,000,000, RMB500,000,000 and RMB200,000,000 (equivalent to HK$627,705,000, HK$628,385,000 and HK$252,248,000), respectively, from the intermediate holding company which are unsecured, interest bearing at 3% per annum and all of these new loans were fully repaid during the year ended 31 December 2013.

   During the year ended 31 December 2014, the Company borrowed a new loan of HK$300,000,000 in which the loan was unsecured, interest bearing at range from 2-months' HIBOR plus 1.45% to 3-months' HIBOR Rate plus 1.4% per annum and the principal amount was fully repaid on 15 January 2015.

   During the year ended 31 December 2015, the Company borrowed several new loans with principal amount of HK$100,000,000, HK$300,000,000 and HK$400,000,000 from the intermediate holding company which are unsecured, interest bearing at range from 4-months' HIBOR plus 0.9% to 6-months' HIBOR plus 1.40% per annum and all of these new loans are fully repaid during the year ended 31 December 2015.

2. The amounts as at 31 December 2013, 2014 and 2015 are unsecured, interest-free and repayable on demand.

3. During the six months ended 30 June 2016, the Company took up the loans from fellow subsidiaries amounted to RMB395,000,000 (equivalent to HK$482,125,000) from its subsidiary, in which the amounts was unsecured, interest-free and repayable on demand. Partial settlement of RMB296,250,000 (equivalent to HK$366,584,000) was made to the fellow subsidiaries. As a result, an outstanding balance of RMB98,750,000 (equivalent to HK$115,541,000) is resulted as at 30 June 2016.

(III) **Transactions/balances with other PRC government controlled entities**

In addition, the Group has entered into various transactions, including deposits placement, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the natures of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

(IV) **The remuneration of directors of the Company and other members of key management was as follows:**

Compensation of key management personnel

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salaries, allowances and bonuses	16,519	24,185	18,466	4,273	3,892
Retirement benefit schemes contributions	469	460	503	252	222
Total compensation paid to key management personnel	16,988	24,645	18,969	4,525	4,114

The remuneration of key management personnel is determined by the management of the Company having regarding to the performance of individuals and market trends.

44. RESERVES OF THE COMPANY

	Share premium	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	3,281,906	—	(161,738)	3,120,168
Loss for the year	—	—	(23,676)	(23,676)
Exchange differences arising on translation	—	(39,330)	—	(39,330)
Total loss and comprehensive expense for the year	—	(39,330)	(23,676)	(63,006)
Issue of shares	4,562,590	—	—	4,562,590
At 31 December 2013	7,844,496	(39,330)	(185,414)	7,619,752
Loss for the year	—	—	(150,647)	(150,647)
Exchange differences arising on translation	—	9,015	—	9,015
Total loss and comprehensive expense for the year	—	9,015	(150,647)	(141,632)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	(7,844,496)	—	—	(7,844,496)
At 31 December 2014	—	(30,315)	(336,061)	(366,376)
Loss for the year	—	—	(718,080)	(718,080)
Exchange differences arising on translation	—	(281,747)	—	(281,747)
Total loss and comprehensive expense for the year	—	(281,747)	(718,080)	(999,827)
At 31 December 2015	—	(312,062)	(1,054,141)	(1,366,203)
Loss for the period	—	—	(239,313)	(239,313)
Exchange differences arising on translation	—	(94,443)	—	(94,443)
Total loss and comprehensive expense for the period	—	(94,443)	(239,313)	(333,756)
At 30 June 2016	—	(406,505)	(1,293,454)	(1,699,959)

Note: The Company's shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

45. RETIREMENT BENEFIT SCHEMES

PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the local government in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. Total cost charged to profit or loss of HK$455,530,000, HK$616,885,000, HK$602,733,000, HK$316,640,000 (unaudited) and HK$295,116,000 during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, respectively, represent contributions paid to the state-managed retirement benefit schemes by the Group in respect of the current year.

HONG KONG

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Hong Kong Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group based on a specified percentage of the employee's basic salary, depending on the length of service with the Group. Where there are employees who leave the ORSO Scheme prior to vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contributions were utilised in this manner during the Track Record Periods.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs or at monthly maximum cap of HK$1,500 each person (before 1 June 2014: HK$1,250 each person) to the scheme, which contribution is matched by the employees.

The total cost charged to profit or loss of HK$887,000, HK$1,004,000, HK$726,000, HK$302,000 (unaudited) and HK$422,000 during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, represents contributions paid to the ORSO scheme and the MPF scheme by the Group in respect of the current year.

At 31 December 2013, 2014, 2015 and 30 June 2016, the amount of forfeited contributions available to reduce contributions payable in the future years is insignificant.

B. HOLDING COMPANY

In the opinion of the directors of the Company, the Company's ultimate holding company is China Resources National Corporation, which is a state-owned enterprise established in the PRC.

C. DIRECTORS' REMUNERATION

Save as disclosed in Note 12, no remuneration has been paid or is payable by the Group to the directors of the Company during the Track Record Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2016, excluding discretionary bonus, if any, is estimated to be approximately HK$13,000,000.

D. SUBSEQUENT EVENTS

Save as disclosed below, the following transactions took place subsequent to 30 June 2016:

(i) The Company's subsidiary, CR Sanjiu Pharmaceutical is going to acquire 100% equity interest in Kunming Shenghuo Pharmaceutical Group Co., Ltd. at a consideration of RMB1.89 billion. The transaction is expected to complete by the end of 2016.

(ii) On 9 October 2016, a special pre-listing dividend distribution plan has been approved by the Company's shareholders and the Company will distribute a special cash dividend to 2 shareholders in the amount of approximately HK$2,227,828,000 after the Company has attained sufficient distributable profits within 24 months after the Listing subject to compliance with applicable laws, regulations, accounting standards and consent from lenders (if required).

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to 30 June 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 December 2015 and the six months ended 30 June 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), 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 out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group as if the Global Offering had taken place on 30 June 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 30 June 2016 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2016 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2016	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share**
	HK$'000 **Note 1**	**HK$'000** **Note 2**	**HK$'000**	**HK$** **Note 3**
Based on a minimum offer price of HK$8.45 per Share .	3,806,391	12,728,775	16,535,166	2.68
Based on a maximum offer price of HK$10.15 per Share	3,806,391	15,299,446	19,105,837	3.10

Notes:

(1) The amount is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2016 of HK$22,597,665,000, extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus and adjusted for goodwill and intangible assets of approximately HK$15,602,106,000 and HK$3,189,168,000, respectively.

(2) The estimated net proceeds from the Global Offering are based on 1,543,141,500 Shares to be issued at a minimum offer price of HK$8.45 or a maximum offer price of HK$10.15 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 30 June 2016 (HK$40 million of listing expenses has been expensed prior to 30 June 2016) and does not take into account of any Shares which may be alloted and issued upon the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of 6,172,565,961 Shares in total, assuming that 1,543,141,500 Shares were issued pursuant to the Global Offering and had been completed on 30 June 2016. It is without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2016.

(5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2016 do not take into account the special pre-listing dividend distribution plan, details of which are disclosed in the section headed "Financial Information — Dividend Policy" in this prospectus. The Company preliminarily estimated that the special dividend to be declared would amount to approximately HK$2,227.8 million after the Company has attained sufficient distributable profits within 24 months after the Listing subject to compliance with applicable laws, regulations, accounting standards and consent from lenders (if required). Had the declaration of special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share would be reduced to HK$2.32 based on an Offer Price of HK$8.45 per Offer Share and HK$2.73 based on an Offer Price of HK$10.15 per Offer Share.

B. ASSURANCE REPORT FROM INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINACIAL INFORMAITON

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Resources Pharmaceutical Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Resources Pharmaceutical Group 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 unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 17 October 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering on the Group's financial position as at 30 June 2016 as if the global offering had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the three years ended 31 December 2015 and the six months ended 30 June 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") 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" issued by the HKICPA 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 unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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 unaudited 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 unaudited 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or 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 event or transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited 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 event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited 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 unaudited 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 purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 17 October 2016

The existing Articles of Association were adopted by our Company on June 20, 2016. The following is a summary of certain provisions of the Articles of Association. A copy of the Articles of Association is available for inspection at the address specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus.

CHANGES IN CAPITAL

The Company may from time to time alter its share capital as permitted by Section 170 of the Companies Ordinance. As permitted by the Companies Ordinance or any other applicable ordinance, statute, act or law, the Company may from time to time buy back its own shares or to give directly or indirectly, by means of loan, guarantee, provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company. Should our Company buy back our own shares, the share buy-back shall not be required to be made ratably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such share buy-back or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Hong Kong Stock Exchange or the SFC from time to time.

Subject to the provisions of the Companies Ordinance, our Company may from time to time by ordinary resolution:

(a) consolidate all of its shares into smaller number of shares than its existing number;

(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, or have been forfeited in accordance with the Articles of Association; and

(c) sub-divide its shares into larger number of shares than its existing number subject nevertheless to the provisions of the Companies Ordinance, 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 restrictions as compared with the others as our Company has power to attach to the new shares.

Our Company may by special resolution reduce its share capital subject to any conditions prescribed by law.

MODIFICATION OF RIGHTS

Without prejudice to any special rights conferred on the holders of any existing shares, the shares in the original or any increased capital of our Company may, as permitted by the Companies Ordinance, be divided into different classes of shares as our Company may from time to time determine by a special resolution in general meeting.

All or any of the special rights (unless otherwise provided by the terms of issue) attached to the shares or any class of the shares (if the capital is divided into different classes of shares) may, subject to the provisions of Section 180 of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of not less than 75% of the total voting rights of the holders of the shares or shares of that class (if the capital is divided into different classes of shares) or with the sanction of a special resolution passed at a general meeting of the holders of the shares or at a separate general meeting of the holders of the shares of that class (if the capital is divided into different classes of shares). To every such separate general meeting the provisions of the Articles of Association relating to general meeting shall *mutatis mutandis* apply, but so that the necessary quorum shall be not less than two persons holding or representing by proxy one-third of the total voting rights of holders of shares of that class, and at an adjourned meeting one person holding shares of that class or his proxy, and that any holder of shares of the class present in person or by proxy may demand a poll.

TRANSFERS OF SHARES

All transfer of shares may be effected by transfer in writing in the usual common form or in such other form as the Board may accept. All instruments of transfer must be kept at the registered office of our Company or at such other place as the Board may appoint.

The instrument of transfer by or on behalf of the transferor and by or on behalf of the transferee, or shall be executed with a manual signature or machine imprinted signature in accordance with the Articles of Association. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

The Board may, in its absolute discretion without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists. The Board may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The Board may also decline to recognize any instrument of transfer unless:

(a) a fee of such amount of not more than the maximum amount as may from time to time be permitted under the rules prescribed by the Hong Kong Stock Exchange or such lesser sum as the Board may from time to time require is paid to our Company in respect of such instrument of transfer;

(b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(c) the instrument of transfer is in respect of only one class of share;

(d) the shares concerned are free of any lien in favor of our Company;

(e) the instrument of transfer is properly stamped; and

(f) the shares concerned are fully paid up.

If the Board shall refuse to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal provided that if any of the transferor or transferee should request for a statement of the reasons for the refusal, the Board must within 28 days after receiving the request send the statement of the reasons or register the transfer.

No transfer of share (not being a fully paid up share) shall be made to an infant or to a person of unsound mind or under other legal disability.

GENERAL MEETINGS

Our Company shall hold annual general meetings within such period as required by the Companies Ordinance. Subject to the Articles of Association, the annual general meeting shall be convened by the Board to be held at such time and place as it thinks fit. General meetings include other meetings of shareholders which are not annual general meetings.

The Board may, whenever it thinks fit, convene a general meeting. The Board shall convene a general meeting on requisition from shareholders in accordance with the Companies Ordinance, or, in default, a meeting may be convened by the requisitionists in accordance with the Companies Ordinance.

NOTICE OF GENERAL MEETINGS

An annual general meeting shall be called by at least 21 clear days' notice in writing, and all other general meetings of our Company shall be called by at least 14 clear days' notice in writing. The notice shall specify the place (if the meeting is held at two or more places, the principal place of the meeting and other place(s) of meeting), the day and the hour of meeting, and shall be given, in manner hereinafter mentioned or in such other manner (if any) as may be prescribed by our Company in

general meeting, to such persons as are entitled to receive such notices from our Company under the Articles of Association; however, subject to the provisions of the Companies Ordinance, a meeting of our Company shall, notwithstanding that it is called by shorter notice than that specified in the Articles of Association, be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and

(b) in the case of any other general meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all shareholders.

In the case of a meeting convened for passing a special resolution, the notice shall specify the intention to propose the resolution as a special resolution. In the case of an annual general meeting, the notice shall also specify the meeting as such.

The accidental omission to give any notice or to send any instrument of proxy to, or the non-receipt of any notice or any instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.

VOTING AT GENERAL MEETINGS

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (and as permitted by the Companies Ordinance) a poll is demanded before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll:

(a) by the Chairman of the meeting (if the Chairman, before or on the declaration of the result on a show of hands, knows from the proxies received by our Company that the result on a show of hands will be different from that on a poll, the Chairman must demand a poll); or

(b) by at least three shareholders present in person or by proxy for the time being entitled to vote at the meeting; or

(c) by any shareholder(s) present in person or by proxy and representing not less than 5% of the total voting rights of all the shareholders having the right to attend and vote at the meeting; or

(d) by any shareholder(s) present in person or by proxy having the right to attend and vote at the meeting and representing one-tenth or more of the total amount of capital that have been paid up of all shareholders having the right to attend and vote at the meeting.

Subject to any special rights, privileges or restrictions as to voting for the time attached to any class or classes of shares (if any), at any general meeting on a show of hands, every shareholder who is present in person or by proxy or by representative duly authorized under Section 606 of the Companies Ordinance shall have one vote. On a poll every shareholder present in person or by proxy shall have one vote for every share of which he is the holder.

Where any shareholder 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 shareholder in contravention of such requirement or restriction shall not be counted.

Any corporation which is a shareholder of our Company may, by resolution of its directors or other governing body or by power of attorney, authorize such person as it thinks fit to act as its representative at any general meeting or meeting of the holders of shares of any class of our Company, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise as if it were an individual shareholder.

If a clearing house (or its nominee(s)) is a shareholder of our Company, it may authorize or appoint such person(s) as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of our Company or at any general meeting or meeting of the holders of shares of any class of our Company, provided that, if more than one person is so authorized or appointed, the authorization or instrument of proxy shall specify the number and class of shares in respect of which each such person is so authorized or appointed. A person so authorized or appointed shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee(s)) which he represents as that clearing house (or its nominee(s)) could exercise as if such person were an individual shareholder including, where applicable, the right to vote individually on a show of hands notwithstanding any contrary provisions contained in the Articles of Association.

APPOINTMENT, ROTATION AND REMOVAL OF DIRECTORS

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at an annual general meeting. Our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) or such higher number of Directors to be determined by the Board, or a number determined by such other manner of rotation as may be required by the Listing Rules or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time shall retire from office. Subject to the provisions in relation to rotation and retirement of directors under the Listing Rules, each Director shall retire by rotation every three years at the annual general meeting. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. Our Company at any general meeting at which any Directors retire in manner aforesaid may fill the vacated office by electing a like number of persons to be Directors.

Notwithstanding the Articles of Association or any agreements entered into between our Company and the Directors may provide otherwise, a Director shall vacate his office even before the expiration of his term:

(a) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or

(b) if he becomes a lunatic or of unsound mind; or

(c) if he absents himself from the meetings of the Board during a continuous period of 30 days, without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office; or

(d) if he becomes prohibited from being a Director by laws; or

(e) if by notice in writing delivered to our Company at its registered office that he resigns his office; or

(f) if he shall be removed from office by notice in writing served upon him signed by all his co-Directors; or

(g) if he shall be removed from office by an ordinary resolution of our Company, provided that the Director shall be entitled to the rights to protest against the removal pursuant to the Companies Ordinance, including the right to be heard on the resolution at the general meeting at which the resolution relating to his removal is voted on.

QUALIFICATION OF DIRECTORS

A Director shall not be required to hold any qualification shares but shall nevertheless be entitled to attend and speak at all general meeting or meeting of the holders of shares of any class of our Company.

BORROWING POWERS

The Board may from time to time at its discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum(s) of money for our Company and to mortgage or charge our Company's undertaking, property and uncalled capital or any part thereof.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

DIRECTORS' REMUNERATION AND EXPENSES

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 our Company in general meeting.

The Directors shall also be entitled to be reimbursed all travelling, hotel accommodation and other expenses reasonably incurred by them respectively in or about 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 our Company or in the discharge of their duties as Directors.

The Board may grant special remuneration to any Director who, at the request of our Company, shall perform any special or extra services to our 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 arranged.

DIRECTORS' INTERESTS

Subject to the Companies Ordinance and the Articles of Association, no Director or intending Director shall be disqualified from his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other mater whatsoever, nor shall any Director so contracting be liable to account to our Company or the shareholders for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or of fiduciary relationship thereby established.

A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office with our Company or any other company in which our Company is interested (including the variation of the terms or the termination thereof).

A Director or any of his connected entities who is in any way, whether directly or indirectly, interested in a transaction, contract or arrangement (or a proposed transaction, contract or arrangement) with our Company that is significant in relation to our Company's business shall declare the nature and extent of his interest (or the connected entity's interest, as the case may be) at the meeting of the Board at which the question of entering into the transaction, contract or arrangement is first taken into consideration, or in any other case by notice in writing and sent to other Directors, or by general notice sent to the Board or our Company, in each case in accordance with the Companies Ordinance.

Subject to the Listing Rules and save as otherwise provided by the Articles of Association, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any transaction, contract or arrangement in which he or any of his close associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

(a) any transaction, contract or arrangement for the giving by our Company to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(b) any transaction, contract or arrangement for the giving by our Company of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether solely or jointly under a guarantee or indemnity or by giving of security;

(c) any transaction, contract or arrangement concerning an offer of the shares or debentures or other securities of or by our Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder of that company, or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the shares of any class of such company or of the voting rights;

(e) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries, including:

  (i) the adoption, modification or operation of any employee's share scheme or any share incentive or share option scheme of our Company or its subsidiaries under which the Director or his close associate(s) may benefit; or

  (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme of our Company or its subsidiaries, which relates to the Director or his close associate(s) and employees of our Company or any of its subsidiaries and does not accord to any Director or his close associate(s) as such any privilege or advantage not generally accorded to persons to whom such arrangement relates; and

(f) any contract, transaction or arrangement in which the Director or any of his close associates is interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his or their interest in shares or debentures or other securities of our Company.

Where a company in which a Director and any of his close associates in aggregate own 5% or more (within the meaning as described above) is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.

As permitted by the Companies Ordinance and the Listing Rules, in respect of any transaction, contract or arrangement between our Company and its connected person(s) (as defined in the Listing Rules), where a Director or his close associate(s) only holds office with our Company and/or any of its subsidiaries and does not have any other relationship with such connected person(s), then the Director shall not been deemed to interested in such transaction, contract or arrangement by virtue only of the relevant office.

DIVIDENDS

Our Company in general meeting may declare dividends in any currency, but no dividends shall exceed the amount recommended by the Board. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be in the interest of our Company and, in particular if at any time the capital of our Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of our Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend. Provided that the Board acts *bona fide*, the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights. The Board may also pay half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if it is of the opinion that the profits justify the payment.

With the sanction of an ordinary resolution or on the recommendation of the Board, the payment of dividend may 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 our Company or any other company, or in any one or more of such ways, with or without offering any rights to shareholders to elect to receive such dividend in cash.

The Board may resolve elect to receive further shares in respect of all (or some part) of any dividend specified by the ordinary resolution (the "**scrip dividend**") in the general meeting of our Company in accordance with the Articles of Association. The basis of such allotment shall be determined by the Board and the Board shall give notice in writing to the shareholders of their rights of election in respect of the scrip dividend and shall specify the procedures to be followed and the place at which and the latest date and time by which the duly completed forms for election must be

lodged. The further shares allotted shall rank *pari passu* in all respects with the other shares save only as regards participation in the relevant dividend or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed, and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

UNTRACEABLE SHAREHOLDERS

Without prejudice to the rights of our Company and the provisions under the Articles of Association, our Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise the 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.

Our Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:

(a) all cheques or warrants for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorized by the Articles of Association of our Company have remained uncashed for a total of not less than three times;

(b) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or otherwise; and

(c) our Company has caused an advertisement to be inserted in an English language newspaper and a Chinese language newspaper giving notice of its intention to sell such shares and has notified the Hong Kong Stock Exchange of such intention and a period of three months has elapsed since the date of such advertisement.

For this purpose, "relevant period" means the period commencing 12 years before the date of publication of the relevant advertisement and ending at the expiry of the period referred to in that paragraph.

To give effect to any such sale, the Board may authorize any person to transfer the said shares. The purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to our Company and upon receipt by our Company of such net

proceeds it shall become indebted to the former shareholder for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it, and our Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of our Company or as it thinks fit.

WINDING UP

If our Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the shareholders in specie or kind the whole or any part of the assets of our Company and whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.

INDEMNITY

Every Director or other officer of our Company shall be entitled to be indemnified out of the assets of our Company against all losses or liabilities (including any such liability as mentioned in Section 468(4) of the Companies Ordinance) which he may sustain or incur in the execution of the duties of his office or otherwise in relation thereto. So far as may be permitted by the Companies Ordinance, if any Director or other person shall become personally liable for the payment of any sum primarily due from our Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of our Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

So far as may be permitted by the Companies Ordinance, our Company may purchase and maintain for any officer of our Company:

(a) insurance against any liability to our Company, an associated company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to our Company or an associated company; and

(b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to our Company or an associated company.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was incorporated in Hong Kong under the Companies Ordinance as a private company with limited liability on May 10, 2007 under the name of Far Glory Holdings Limited. On August 9, 2007, the name of our Company was changed to "China Resources Medications Group Limited 華潤醫藥集團有限公司". Since December 15, 2011, our name has been changed to "China Resources Pharmaceutical Group Limited 華潤醫藥集團有限公司". Our registered office is at 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, and our principal place of business in Hong Kong is at Room 4104-05, 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

As our Company is incorporated in Hong Kong, we are subject to the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance. We are also regulated by our Articles of Association, a summary of which is set out in Appendix III to this prospectus.

B. Changes in the Share Capital of Our Company

As of the date of our incorporation, our Company had an initial registered share capital of HK$10,000 (divided into 10,000 Shares, then with a nominal value of HK$1 each), and one Share was allotted and issued to Harefield Limited, our initial subscriber. Harefield Limited transferred its one Share to CRH (Pharmaceutical) (formerly known as Sky Joy Investments Limited), one of our existing Shareholders, on July 23, 2007.

Beijing Pharmaceutical Investment and BEID Fund, our other existing Shareholders, became Shareholders in 2011 and 2013, respectively, through subscription of Shares. See "History, Restructuring and Corporate Structure — Restructuring with Beijing Pharmaceutical Investment and Issue of Shares to BEID Fund" in this prospectus for details of the subscription of Shares by Beijing Pharmaceutical Investment and BEID Fund in our Company.

Following the Companies Ordinance becoming effective from March 3, 2014, provisions in our Articles of Association concerning (among others) the authorized share capital and par value of Shares were abolished.

Except as disclosed above, there has been no change in our share capital within two years immediately preceding the date of this prospectus.

Assuming the Global Offering becomes unconditional and the issue of Shares is made pursuant thereto (assuming that the Over-allotment Option is not exercised), the share capital of our Company immediately following the completion of the Global Offering will comprise 6,172,565,961 Shares.

Assuming the Global Offering becomes unconditional and the issue of Shares is made pursuant thereto (assuming that the Over-allotment Option is exercised in full), the share capital of our Company immediately following the completion of the Global Offering will comprise 6,404,036,961 Shares.

C. Changes in the Share Capital of Our Principal Subsidiaries

Our principal subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following changes in the share capital of our principal subsidiaries have taken place within two years immediately preceding the date of this prospectus:

CR Nantong Pharmaceutical

On August 20, 2014, China Resources Nantong Pharmaceutical Company Limited increased its registered share capital from RMB4,500,000 to RMB30,000,000.

CR Hubei Pharmaceutical

On August 26, 2014, CR Hubei Pharmaceutical increased its registered share capital from RMB152,000,000 to RMB352,000,000.

Shenzhen CR Jiuxin

On August 25, 2015, Shenzhen CR Jiuxin increased its registered share capital from RMB74,019,000 to RMB500,000,000 (of which RMB497,019,000 was paid-up capital).

China Resources Xinlong (Shanxi) Pharmaceutical Company Limited (華潤新龍(山西)醫藥有限公司)

On January 25, 2016, China Resources Xinlong (Shanxi) Pharmaceutical Company Limited increased its registered share capital from RMB46,000,000 to RMB51,000,000.

China Resources Hebei Pharmaceutical Co., Ltd. (華潤河北醫藥有限公司)

On May 25, 2016, China Resources Hebei Pharmaceutical Co., Ltd. increased its registered share capital from RMB80,000,000 to RMB330,000,000.

CR Pharmaceutical Holdings

On June 29, 2016, CR Pharmaceutical Holdings increased its registered share capital from RMB5,385,000,000 to RMB10,000,000,000.

D. Written Resolutions Passed by Our Shareholders

Pursuant to the written resolutions passed by our Shareholders on June 20, 2016, among others:

(a) the Articles of Association were conditionally approved and adopted;

(b) conditional on all the conditions set out in the paragraph headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus being fulfilled:

(i) the Listing, the Global Offering and the grant of the Over-allotment Option were approved and the Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or under the Global Offering, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, Shares with an aggregate number of not exceeding the sum of (aa) 20% of the total number of Shares immediately following completion of the Global Offering but excluding (where applicable) any shares which may be issued pursuant to the exercise of the Over-allotment Option and (bb) the number of Shares which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (iii) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Ordinance to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

(iii) a general unconditional mandate was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate number of not exceeding 10% of the total number of Shares immediately following the completion of the Global Offering but excluding (where applicable) any shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Ordinance to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(iv) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (iii) above.

E. Repurchase of Our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing are on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, some of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Hong Kong Stock Exchange by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to the written resolutions passed by our Shareholders on June 20, 2016, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Hong Kong Stock Exchange of Shares representing up to 10% of the number of our Shares immediately following completion of the Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option, at any time until the earlier of the conclusion of the next annual general meeting of our Company or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting.)

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of Hong Kong. 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) *Shares to be repurchased*

The Shares which are proposed to be repurchased must be fully paid up.

(iv) *Status of repurchased shares*

The listing of the Shares repurchased by our Company shall be cancelled upon purchase and our Company shall apply for listing of any further issues of that type of Shares in the normal way. Furthermore, our Company shall ensure that the documents of title of purchased Shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds of our Company legally available for such purpose in accordance with the Articles of Association and the applicable laws of Hong Kong.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or our gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

On the basis that there are 6,172,565,961 Shares immediately after the listing of our Shares assuming that the Over-allotment Option is not exercised, a full exercise of the Buyback Mandate could accordingly result in up to 617,256,596 Shares being repurchased by our Company during the period in which the Buyback Mandate remains in force.

(e) General

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

None of our Directors nor, to the best of their knowledge, having made all reasonable inquiries, any of their respective close associates, have any present intention, if the Buyback Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Code**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

Our Directors will not exercise the Buyback Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material, and a copy of each has been delivered to the Registrar for registration:

(a) a purchase agreement dated July 7, 2015 entered into between CR Double-Crane as purchaser and Beijing Pharmaceutical as vendor, whereby Beijing Pharmaceutical agreed to transfer 100% equity interest in China Resources Saike Pharmaceutical Company Limited (華潤賽科藥業有限責任公司) to CR Double-Crane at a total consideration of RMB3,538,980,600 to be settled by the issuance and allotment of 152,774,683 shares in CR Double-Crane and cash consideration of RMB530,847,100;

(b) an equity transfer agreement dated August 26, 2015 entered into between Shenzhen CR Jiuxin as transferee, and Zhou Yicheng (周益成), Wang Wanqin (王皖秦), Lishui Zhongcheng Investment (Limited Partnership) (麗水市眾誠投資中心(有限合夥)), Zhu Juhong (朱菊紅) and Wang Xiaodong (王曉東) (collectively, the "**Shareholders in Zhejiang Zhongyi**") as transferors, whereby the Shareholders in Zhejiang Zhongyi agreed to transfer 62.9% equity interest in Zhejiang Zhongyi to Shenzhen CR Jiuxin at a consideration of RMB817,700,000;

(c) an equity transfer agreement dated August 26, 2015 entered into between Shenzhen CR Jiuxin as transferee, and Zhou Yicheng (周益成), Wang Yaping (王亞平) and Wang Liping (王利平) (collectively, the "**Shareholders in Beijing Bai Ao Te**") as transferors, whereby the Shareholders in Beijing Bai Ao Te agreed to transfer 100% equity interest in Beijing Bai Ao Te Biotech Engineering Company Limited (北京百奧特生物工程有限公司) to Shenzhen CR Jiuxin at a consideration of RMB482,300,000;

(d) an equity transfer agreement dated November 16, 2015 entered into between CR Double-Crane as transferee, and 21 individuals (collectively, the "**Shareholders in Jinan Limin**") as transferors, whereby the Shareholders in Jinan Limin agreed to transfer 60% equity interest in Jinan Limin to CR Double-Crane at a consideration of RMB713,400,000;

(e) a Non-competition Agreement dated September 14, 2016 entered into between our Company and China Resources Holdings, pursuant to which China Resources Holdings provided certain non-compete undertakings to our Company;

(f) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, Hengjian International Investment Holding (Hong Kong) Limited, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which Hengjian International Investment Holding (Hong Kong) Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of US$340.0 million at the Offer Price;

(g) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, China Life Insurance Company Limited, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which China Life Insurance Company Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of US$100.0 million at the Offer Price;

(h) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, China Life Insurance (Group) Company, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which China Life Insurance (Group) Company agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of US$50.0 million at the Offer Price;

(i) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, China Life Franklin Asset Management Co., Limited, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which China Life Franklin Asset Management Co., Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of US$50.0 million at the Offer Price;

(j) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, Fujifilm Corporation, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which Fujifilm Corporation agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of HK$820.0 million at the Offer Price;

(k) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, Nordea Investment Management AB, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which Nordea Investment Management AB agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of HK$700.0 million at the Offer Price;

(l) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, London International Trading (Asia) Limited, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which London International Trading (Asia) Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of US$50.0 million at the Offer Price;

(m) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, China Chengtong Holdings Group Limited, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which China Chengtong Holdings Group Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of US$50.0 million at the Offer Price;

(n) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, Anbang Investment Holdings Co. Limited, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which Anbang Investment Holdings Co. Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of US$50.0 million at the Offer Price;

(o) a cornerstone investment agreement dated October 12, 2016 entered into between our Company, High Action Limited, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Merrill Lynch International, pursuant to which High Action Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the amount of HK$234.0 million at the Offer Price; and

(p) the Hong Kong Underwriting Agreement.

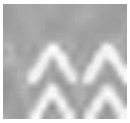
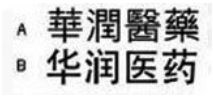
B. Our Intellectual Property Rights

(a) *Intellectual Property Rights under the IP License Agreement*

As of the Latest Practicable Date, our Group has been granted a non-exclusive right to use the following trademarks, trade names and logos in our operations, which are considered to be material to our business:

Trademark registrations

Trademark	Trademark registration no.	Place of registration	Class	Expiry date
華潤 与您携手 改变生活	3345258	PRC	5	March 20, 2020
	3345253	PRC	10	April 6, 2025
	3346105	PRC	35	May 13, 2024
	3346101	PRC	39	May 20, 2024
华润医药	9364613	PRC	5	May 13, 2022
	9364740	PRC	10	May 6, 2022
	9358780	PRC	35	May 6, 2022
華潤堂 CRcare	5361413	PRC	5	September 27, 2019
華潤堂 CRcare 爱生活 爱健康	5361414	PRC	5	September 27, 2019
華潤堂 CRcare	5361415	PRC	5	September 27, 2019

Trademark	Trademark registration no.	Place of registration	Class	Expiry date
	5361416	PRC	5	September 27, 2019
	4943953	PRC	44	May 27, 2019
	4943954	PRC	35	May 27, 2019
	4943955	PRC	44	May 27, 2019
	4943956	PRC	35	May 27, 2019
	4943957	PRC	44	May 27, 2019
	4943958	PRC	35	May 27, 2019
	4943959	PRC	44	May 27, 2019
	4943960	PRC	35	May 27, 2019
	3345148	PRC	5	May 27, 2024
	3345143	PRC	10	March 20, 2024
	3346116	PRC	35	May 13, 2024
	3346112	PRC	39	May 20, 2024
	301914624	Hong Kong	5, 10, 35, 44	May 11, 2021
	199915612	Hong Kong	5	May 8, 2025
	200406838AA	Hong Kong	5, 35, 39	March 3, 2020

Trademarks application

Trademark	Trademark application no.	Place of application	Class
	303804066	Hong Kong	5, 10, 35, 39, 44

Trade names

"华润"
"華潤"
"China Resources"
"CHINA RESOURCES"

Logos

1. 


2. 


3. 

4. 

(b) *Trademarks*

As of the Latest Practicable Date, we have registered the following trademarks, which we consider as or may be material to our business:

Trademark		Trademark registration no.	Place of registration	Class	Proprietor	Expiry date
1.	毓婷	1297759	PRC	5	CR Zizhu	July 27, 2019
2.	紫竹	3841406	PRC	5	CR Zizhu	June 27, 2026
3.		1775608	PRC	5	CR Zizhu	May 27, 2022
4.	朴美	11542753	PRC	5	CR Zizhu	February 27, 2024
5.	至爱	7121168	PRC	10	CR Zizhu	July 6, 2020

	Trademark	Trademark registration no.	Place of registration	Class	Proprietor	Expiry date
6.	金毓婷	4926487	PRC	5	CR Zizhu	February 20, 2019
7.	金毓婷	5077484	PRC	10	CR Zizhu	January 13, 2019
8.	灵光	1700445	PRC	5	CR Zizhu	January 20, 2022
9.	起立	1736519	PRC	5	CR Zizhu	March 27, 2022
10.		3031457	PRC	5	CR Double-Crane	January 27, 2024
11.		3031483	PRC	5	CR Double-Crane	March 6, 2024
12.	双鹤	3356711	PRC	5	CR Double-Crane	July 27, 2024
13.		7091202	PRC	5	CR Double-Crane	August 6, 2020
14.		513706	PRC	5	CR Double-Crane	March 9, 2020

	Trademark	Trademark registration no.	Place of registration	Class	Proprietor	Expiry date
15.		1790680	PRC	5	CR Double-Crane	June 20, 2022
16.		9284532	PRC	5	CR Double-Crane	April 13, 2022
17.		12099264	PRC	35	Beijing Saike Changsheng Pharmaceutical Co., Ltd	July 13, 2024
18.		1708470	PRC	5	CR Dong-E	February 6, 2022
19.		8655968	PRC	5	CR Dong-E	September 27, 2021
20.		8655969	PRC	5	CR Dong-E	September 27, 2021
21.		3126060	PRC	5	CR Dong-E	July 27, 2024
22.		3126059	PRC	5	CR Dong-E	July 27, 2024
23.		3126057	PRC	35	Shandong Dong-E-E-Jiao Company Limited	October 20, 2025

	Trademark	Trademark registration no.	Place of registration	Class	Proprietor	Expiry date
24.	东阿阿胶 DONG E E JIAO	01079489	Taiwan	5	Shandong Dong-E-E-Jiao Company Limited	December 31, 2023 (December 31, ROC 112)
25.	东阿阿胶 DEEJ	01524317	Taiwan	5	Shandong Dong-E-E-Jiao Company Limited	June 30, 2022
26.	东阿阿胶 DONG E E JIAO	IDM000003026	Indonesia	5	Shandong Dong-E-E-Jiao Company Limited	April 23, 2023
27.		465526	Indonesia	5	Shandong Dong-E-E-Jiao Company Limited	November 19, 2019
28.	东阿阿胶	101461	Vietnam	5	Shandong Dong-E-E-Jiao Company Limited	December 13, 2016
29.	東阿阿膠	101463	Vietnam	5	Shandong Dong-E-E-Jiao Company Limited	December 13, 2016
30.	東阿阿胶	5107606	Japan	5	Shandong Dong-E-E-Jiao Company Limited	January 25, 2018
31.	东阿阿胶 DEEJ	010268548	EU	5	Shandong Dong-E-E-Jiao Company Limited	September 15, 2021
32.	东阿阿胶 DEEJ	1449490	Australia	5	Shandong Dong-E-E-Jiao Company Limited	September 19, 2021

	Trademark	Trademark registration no.	Place of registration	Class	Proprietor	Expiry date
33.		849483	New Zealand	5	Shandong Dong-E-E-Jiao Company Limited	September 19, 2021
34.		2014-059437	Japan	5	Shandong Dong-E-E-Jiao Company Limited	November 14, 2024
35.		1110423	PRC	5	CR Sanjiu	September 27, 2017
36.		616972	PRC	5	CR Sanjiu	November 9, 2022
37.		1790551	PRC	5	CR Sanjiu	June 20, 2022
38.		1790553	PRC	5	CR Sanjiu	June 20, 2022
39.		1520414	PRC	5	CR Sanjiu	February 13, 2021
40.		4777496	PRC	5	CR Sanjiu	August 6, 2020

(c) *Patents*

As of the Latest Practicable Date, we have registered the following patents, which we consider as or may be material to our business:

Patent registrations

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
1.	CR Double-Crane	Tian Xiaoming; Chen Shangqing	A medicine composition for treating osseous arthritis, and its preparation method	Invention	ZL200310115333.0	November 19, 2003	May 27, 2009
2.	CR Double-Crane	Wuhao; Hu Guoping; Du Xiaoxing; Li Ge	A method for preparing pitavastatin calcium raw material drug	Invention	ZL200510026641.5	June 10, 2005	July 1, 2009
3.	CR Double-Crane	Kou Tongxin;Yang Xiaoshan;Zhang Yu; Yu Shunting; Zhou Yisui	Application of clay material, ceramic material and glass material in preparation of pulmonary surfactant extract of calf, pig or other mammals	Invention	ZL201110261440.9	September 6, 2011	November 19, 2014
4.	CR Double-Crane	Yu Shunting; Kou Tongxin; Lu Wenchao; Zhao Haixing; Qin Xiaojun; Hu Jinyan;Wang Mengde	Composition of pulmonary surfactant extract and pulmonary surfactant-associated protein A, preparation method and pharmaceutical application thereof	Invention	ZL201210067896.6	March 15, 2012	November 6, 2013
5.	CR Zizhu	Wei Tao, Wang Huanqin	Bacterial stain of bacillus subtilis and application thereof	Invention	ZL97117032.0	September 26, 1997	October 18, 2000
6.	CR Zizhu	Wei Tao, Wang Huanqin	Preparation of living bacillus subtilis and preparation method thereof	Invention	ZL97117033.9	September 16, 1997	December 6, 2000
7.	CR Zizhu	Song Chen, Lin Xingshi	Compound injection for curing ischemic eye disease	Invention	ZL97120175.7	November 18, 1997	February 23, 2000

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
8.	CR Zizhu	Lu Mengting, Tao Yongxian, etc.	Use of anisodine in preparing medicament for treating amblyopia	Invention	ZL200810006924.7	January 25, 2008	December 1, 2010
9.	Shanghai Modern pharmaceutical Preparations Engineering Research Center Co., Ltd.、Beijing Zizhu Pharmaceutical Co., Ltd.	Luo Huafei, Yin Xuying, etc.	Independently controllable contraceptive transdermal patch containing progestogen and estrogen and preparation method thereof	Invention	ZL200910197845.3	October 28, 2009	January 25, 2012
10.	CR Zizhu	Jiang Bin, Hu Biao, Wang Hai	Steroid compound and application thereof	Invention	ZL200910249720.0	December 1, 2009	May 23, 2012
11.	CR Zizhu	Gao Zhilei, Zuo Haiyan, etc.	Preparation process of desogestrel and novel intermediate compound thereof	Invention	ZL201010208944.X	June 25, 2010	December 12, 2012
12.	CR Zizhu	Wang Hai, Tian Weixue, etc.	Steroid compound, and preparation method and application thereof	Invention	ZL201010552779.X	November 22, 2010	August 13, 2014
13.	CR Zizhu	Yao Fangyao, Zhang Junlin, etc.	A stable ulipristal acetate preparation	Invention	ZL201110086973.8	April 08, 2011	May 28, 2014
14.	CR Zizhu	Liang Jixuan, Jiang Bin, etc.	Preparation method of tibolone crystal form I	Invention	ZL201210397862.3	October 19, 2012	December 2, 2015
15.	CR Zizhu	Jiang Bin; Zhang Chong; Wang Baojiang; Xu Dan	Steroid compound, preparation method and uses thereof	Invention	ZL201210077607.0	March 22, 2012	January 20, 2016
16.	CR Zizhu	Tang Sihua; Ding Xiaoyong; Xie Shu; Li Zhenlong;Yangliu; Zhao Na	Method for refining estriol	Invention	ZL201310596504.X	November 25, 2013	April 13, 2016
17.	CR Zizhu	Yangliu; Zhao Na; Xu Naiqian; Xie Shu; Zhao Hongxin; Tang Sihua; Ding Xiaoyong	Analysis method of estriol	Invention	ZL201310596499.2	November 25, 2013	April 13, 2016
18.	CR Sanjiu	Xi Kai	Packing box (999 compound dexamethasone acetate ointment 20g packaged)	Design	ZL200730170802.8	June 26, 2007	June 25, 2008

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
19.	CR Sanjiu	Xi Kai	Packing box (999 compound dexamethasone acetate aluminium tube 20g packaged)	Design	ZL200730171338.4	July 16, 2007	July 2, 2008
20.	CR Sanjiu	Xi Kai	Packing box (999 compound dexamethasone acetate ointment 20g packaged)	Design	ZL200730343611.7	December 26, 2007	September 23, 2009
21.	CR Sanjiu	Xi Kai	Packing box (Bupi Yichang pills 90g packaged)	Design	ZL200730170803.2	June 26, 2007	June 25, 2008
22.	CR Sanjiu	Xi Kai	Packing box (Bu Pi Yi Chang pill 6g/bag	Design	ZL200730174015.0	September 21, 2007	October 15, 2008
23.	CR Sanjiu	Xi Kai	Packing box (Zhengtianwan 6g *10 bags packaged)	Design	ZL200730171336.5	July 16, 2007	July 2, 2008
24.	Sanjiu Pharmaceutical Co., Ltd.	Xi Kai	Packing box (Sanjiuweitai capsule)	Design	ZL200730170801.3	June 26, 2007	June 18, 2008
25.	CR Sanjiu	Xi Kai	Packing box (999 non-sugar Weitai grain)	Design	ZL200730172423.2	August 21, 2007	September 10, 2008
26.	CR Sanjiu	Xi Kai	Packing box (Sanjiuweitai capsule 12 granules packaged)	Design	ZL200730171337.X	July 16, 2007	June 18, 2008
27.	CR Sanjiu	Xi Kai	Packing box (Zhuangguguanjie pills 60g packaged)	Design	ZL200730170700.6	June 26, 2007	June 11, 2008
28.	CR Sanjiu	Xi Kai	Packing box (Capsule for cold 12 granules packaged)	Design	ZL200730172424.7	August 21, 2007	July 2, 2008
29.	CR Sanjiu	Xi Kai	Packing box (Ganmaoling grain 10g*9 bag)	Design	ZL200730171339.9	July 16, 2007	July 23, 2008
30.	CR Sanjiu	Liu Hui	Medicine packing box (Zhengtian pill)	Design	ZL200730149259.3	July 11, 2007	November 5, 2008
31.	CR Sanjiu	Liu Hui	Medicine packing box (999 zhengtian pill)	Design	ZL200730004976.7	February 26, 2007	April 30, 2008

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
32.	CR Sanjiu	Liu Hui	Medicine packing box (Stomach-recovering capsule)	Design	ZL200730149261.0	July 11, 2007	November 5, 2008
33.	CR Sanjiu	Liu Hui	Medicine packing box (999 Pediatric cold particles)	Design	ZL200830199861.2	September 19, 2008	October 7, 2009
34.	CR Sanjiu	Liu Hui	Medicine packing box (999 Zheng Tian capsule)	Design	ZL200830199532.8	September 12, 2008	September 23, 2009
35.	CR Sanjiu	Jia Ziqi	Medicine packing box (Wenweishu capsule)	Design	ZL201430080696.4	April 8, 2014	September 17, 2014
36.	CR Sanjiu	Jia Ziqi	Medicine packing box (Wenweishu particles)	Design	ZL201430080419.3	April 8, 2014	September 17, 2014
37.	CR Sanjiu	Jia Ziqi	Medicine packing box (Yangweishu capsule)	Design	ZL201430080296.3	April 8, 2014	September 17, 2014
38.	CR Sanjiu	Jia Ziqi	Medicine packing box (Yangweishu particles)	Design	ZL201430080412.1	April 8, 2014	September 17, 2014
39.	CR Sanjiu	Jia Ziqi	Medicine packing box (Yangweishu particles low-sugar type)	Design	ZL201430082686.4	April 9, 2014	September 17, 2014
40.	CR Sanjiu	Jia Ziqi	Medicine packing box (999 Pediatric cold particles)	Design	ZL201430082709.1	April 9, 2014	September 17, 2014
41.	CR Sanjiu	Yang Biao, Hong Ming, Li Ping	Traditional Chinese compound medicine for treating acute and chronic faucitis and amygdalitis	Invention	ZL03104822.6	February 20, 2003	April 5, 2006
42.	CR Sanjiu	Tan Pei, Han Zhengzhou, Liu Zhigang,He Jian, Ran Fanrong, Zhao Fenglin	Chinese medicinal capsule for treating ulcerative colitis	Invention	ZL200510114587.X	October26, 2005	May 12, 2010
43.	CR Sanjiu	Song Qing, Dan Ying, Tan Pei, Li Ming, Ma Subing, Han Zhengzhou, Wang Yong	Traditional Chinese medicine composition detection method	Invention	ZL200610152158.6	September 15, 2006	May 19, 2010

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
44.	CR Sanjiu	Song Qing, Dan Ying, Tan Pei, Li Ming, Ma Subing, Han Zhengzhou, Wang Yong	Traditional Chinese medicine composition for treating headache and preparation method thereof	Invention	ZL200610086968.6	June 21, 2006	December 8, 2010
45.	CR Sanjiu	Zhou Xiaoming	Traditional Chinese medicine composition for treating headache and preparation method thereof	Invention	ZL200610159781.4	October 8, 2006	October 26, 2011
46.	CR Sanjiu	Zhou Xiaoming	Osteoarthrosis treating Chinese medicine composition and preparation method thereof	Invention	ZL200610159784.8	October 8, 2006	April 6, 2011
47.	CR Sanjiu	Song Qing, Dan Ying, Tan Pei, Li Ming, Ma Subing, Han Zhengzhou, Wang Yong	Pharmaceutical compositions for treating chronic gastritis and preparation process thereof	Invention	ZL200710062784.0	January 17, 2007	December 7, 2011
48.	CR Sanjiu	Liu Zhigang, Han Zhengzhou, Dan Ying, Tan Pei, Ma Subing	Propolis powder and preparation method thereof	Invention	ZL200810118480.6	August 26, 2008	May 2, 2012
49.	CR Sanjiu	Chen Zhouquan, Wei Weifeng, Dan Ying, Tan Pei, Ma Subing	Solid dispersion and preparation method thereof	Invention	ZL200910078141.4	February 18, 2009	July 18, 2012
50.	CR Sanjiu	Chen Zhouquan, Wei Weifeng, Dan Ying, Tan Pei, Ma Subing	Method for measuring total triterpenes content in solid dispersion	Invention	ZL200910078142.9	February 18, 2009	June 6, 2012
51.	CR Sanjiu	Wang Jing, Han Zhengzhou, Liu Zhigang, Li Qiongya, Dan Ying, Tan Pei, Ma Subing	Method for measuring murrayone content in murraya paniculata medicinal materials	Invention	ZL200910089643.7	July 24, 2009	July 4, 2012
52.	CR Sanjiu	He Jian, Zhao Fenglin, Han Zhengzhou, Dan Ying, Tan Pei, Ma Subing	Compound dexamethasone acetate gel and preparation method thereof	Invention	ZL200910083095.7	April 30, 2009	September 5, 2012

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
53.	CR Sanjiu	Zhou Yingjun, Dan Ying, Tan Pei, Xu Bing, Chen Zhouquan	Mulberry leaf total alkali extract and preparation method and application thereof	Invention	ZL201110285534.X	September 23, 2011	March 27, 2013
54.	CR Sanjiu	Li Hong, Pu Jiang, Wang Xiangwen, Chen Jing	Method for testing pharmaceutical compositions	Invention	ZL201110053683.3	March, 7, 2011	September 4, 2013
55.	CR Sanjiu	Zhang Jun, Zhang Xiaoqi, Li Runmei, Tang Yi, Ye Wencai, Lai Xiaoping	Method for testing extract from radix ilicis asprellae total saponins	Invention	ZL201010120930.2	March 4, 2010	November 7, 2012
56.	CR Sanjiu	Tan Xiaomei,Liu Huihui, Chen Feilong, Tan Pei, Wang Xinyu, Zhang Hui	Method for measuring calcium and phosphate content in animal or mineral traditional Chinese medicine	Invention	ZL201110442685.1	December 24, 2011	January 8, 2014
57.	CR Sanjiu	Han Zhengzhou; Dan Ying, Zhan Ruoting, Zhang Shourong, Yang Tiechui, Lai Zhiming, Ma Qing, Chen Weixuan, Chen Beibei, Xing Jianyong, Ma Penggang	Method for seeding and planting radix ilicis asprellae	Invention	ZL201310396896.5	September 4, 2013	August 13, 2014
58.	CR Sanjiu	Liu Jiawei, Dan Ying, Ye Yushan,Han Zhengzhou, Chen Weiwen,Zhan Ruoting, Qiu Junxin, Yang Tiechui, Ma Penggang, Li Wuguo	New application of 8-methoxy-dihydro chelerythrine chloride in preparation of STAT3 signal pathway inhibitors	Invention	ZL201310282439.3	July 5, 2013	April 22, 2015
59.	CR Sanjiu	Liu Jiawei, Dan Ying, Ye Yushan, Han Zhengzhou, Chen Weiwen,Zhan Ruoting, Qiu Junxin, Yang Tiechui, Ma Penggang	New application of 8-methoxy-dihydro chelerythrine chloride in preparation of medicine for treating burn and scald inflammation	Invention	ZL201310589586.5	November 20, 2013	April 22, 2015
60.	CR Sanjiu	Dan Ying, Wang Yong, Hu Limin, Dai Zhi, Chen Hongying, Zhai Fuming,Gao Xiumei, Tan Pei, Ma Penggang, Ma Subing	Application of traditional Chinese medicine compositions in preparation of medicine for treating vascular dementia	Invention	ZL201310538468.1	November 4, 2013	August 12, 2015

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
61.	CR Sanjiu	Li Qiongya, Lin Lina, Zhang Yuefei, Ma Penggang	Fingerprint detecting method for Ganmaoling Granules	Invention	ZL201410431650.1	August 28, 2014	December 2, 2015
62.	CR Sanjiu	Han Zhengzhou, Lai Maoxiang, Dan Ying, Yang Tiechui, Ma Penggang	Method for storage of zanthoxylum nitidum seeds	Invention	ZL201210006027.2	January 9, 2012	November 25, 2015
63.	CR Sanjiu; Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences	Soang Zhangjun, Liu Huihui, Yu Min, Tan Pei, Zheng Zhizeng, Hu Ying	Electronic dosage cabinet and system for traditional Chinese medicine granules	Invention	ZL201210246592.6	July 17, 2012	January 6, 2016
64.	China Resources Sanjiu (Nanchang) Medical& Pharmaceutical Co., Ltd	Li Jun, Wu Zerong, Xu Yuqin, Ai Maotao, Yuan Yangliang	Mometasone furoate gel and preparation method thereof	Invention	ZL201110297265.9	September 30, 2011	December 12, 2012
65.	China Resources Sanjiu (Nanchang) Medical& Pharmaceutical Co., Ltd	Li Jun, Wu Zerong, Xu Yuqin, Cao Yuanxia	Mometasone furoate cream and preparation method thereof	Invention	ZL201010549407.1	November 18, 2010	May 30, 2012
66.	China Resources Sanjiu (Nanchang) Medical& Pharmaceutical Co., Ltd	Li Jun, Wu Zerong, Xu Yuqin, Ye Bangwei	Brucea avanica oil soft capsules and new process thereof	Invention	ZL200910186745.0	December 18, 2009	November 10, 2010
67.	Yaan Sanjiu Chinese Herbal Medicine Technology Industry Co., Ltd.	Tian Mengliang, Xu Panhui, Yuan Jichao, Fan Qiaojia, Zheng Shunlin, Tangli, Liu Tiancheng, Wang Qiao, Hu Dan, Hu Yingying	Identification of nucleotide sequence of genuine cyathula officinalis medicinal materials and method thereof	Invention	ZL200810148091.8	December 29, 2008	September, 14 2011
68.	Yaan Sanjiu Chinese Herbal Medicine Technology Industry Co., Ltd.	Tang Li, Tian Mengliang, Yang Hua, Wu Ximing, Zhang Xiaoqin, Liu Tiancheng, Guan Hua, Wang Qiao, Hu Dan, Hu Yingying	Method for cultivation and quick reproduction of monkshood-tuber	Invention	ZL200810306725.8	December 31, 2008	August 22, 2012
69.	Yaan Sanjiu Chinese Herbal Medicine Technology Industry Co., Ltd.	Fan Qiaojia, Yuan Jichao, Xu Panhui, Zheng Shunliang, Tian Mengliang, Tang Li, Yang Shimin, Liu Tiancheng, Wang Qiao, Shun Lei, Hu Dan, Hu Yingying	Method for building finger-print of cyathula officinalis medicinal materials	Invention	ZL200910060056.5	July 20, 2009	May 18, 2011

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
70.	Yaan Sanjiu Chinese Herbal Medicine Technology Industry Co., Ltd.	Tian Mengliang, Xu Panhui, Tang Li, Zheng Shunlin, Wang Qiao, Yang Hua, Liu Fan, Liu Tiancheng, Hu Yingying, Hu Dan	Method for improving germination rate of aconite seeds	Invention	ZL200910312695.6	December 30, 2009	August 22, 2012
71.	Yaan Sanjiu Chinese Herbal Medicine Technology Industry Co., Ltd.	Wang Qiao, Tang Li, Tian Mengliang, Xu Panhui, Yang Hua, Liu Tiancheng, Zheng Shunlin,Hu Yingying, Liu Fan, Hu Dan	Method for breeding cyathula officinalis	Invention	ZL201010616309.5	December 31, 2010	August 22, 2012
72.	Yaan Sanjiu Chinese Herbal Medicine Technology Industry Co., Ltd.	Wang Qiao	Drying system with external heating	Invention	ZL201420623307.2	October 24, 2014	March 11, 2015
73.	Shenzhen CR Jiuxin	Hu Changqin, Zhang Dousheng, Huang Quanhua, Tong Junwei, Su Junquan, He Ting	Preparation method of lovastatin acid, composition and preparation method and application thereof	Invention	ZL201310722852.7	December 24, 2013	November 18, 2015
74.	Shenzhen CR Jiuxin	Hu Changqin, Zhang Dousheng, Huang Quanhua, Tong Junwei, Su Junquan, He Ting	Preparation method of simvastatin acid, composition and preparation method and application thereof	Invention	ZL201310722787.8	December 24, 2013	November 11, 2015
75.	Shenzhen CR Jiuxin	Huang Quanhua, Yang Zhanao, Dai Lijun	Composition of cefazolin sodium pentahydrate and tazobactam sodium or its hydrate	Invention	ZL201110174367.1	June 10, 2011	April 22, 2015
76.	Tianjin University / Shenzhen CR Jiuxin	Wang Jingkang, Qian Yixin, Zhang Meijing, Wu Jiehua, Yang Zhanao	Method for assembly and preparation of cefazolin sodium pentahydrate crystal structure and crystal molecular	Invention	ZL200510016123.5	November 16, 2005	June 4, 2008
77.	National Institute for the Control of Pharmaceutical and Biological Products; Shenzhen CR Jiuxin	Hu Changqin, Chen Zhong, Yi Lihui, Lang Yaning	Cephalosporin with chelating crystalline hydrate and preparation method thereof	Invention	ZL03123813.0	May 15, 2003	March 29, 2006

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
78.	Zhejiang Zhongyi	Zhu Juhong, Jin Xin, Xu Lijian, Hu Hongfeng	Magaldrate chewable tablets and preparation method thereof	Invention	ZL201110458968.5	December 30, 2011	January 16, 2013
79.	Zhejiang Zhongyi	Zhu Juhong, Qian Yanfen, Jin Xin, Wang Dan, Zhou Yicheng	Macrolide antibiotics enteric micropelets and coating solution thereof	Invention	ZL201110218316.4	August 1, 2011	August 20, 2014
80.	Zhejiang Zhongyi	Jin Xin, Zhu Juhong, Wang Dan, Qian Yanfen, Zhou Yicheng	Erythromycin enteric-pellets capsules, medicine compounds	Invention	ZL201110156050.5	June 10, 2011	September 5, 2012
81.	Zhejiang Zhongyi	Zhou Yicheng, Fu Xuemeng, Li Tienan	Azithromycin Enteric-coated Capsules, medicine compounds	Invention	ZL200810305491.5	November 12, 2008	April 21, 2010
82.	Zhejiang Zhongyi	Wang Xinghua, Wang Honghua, Hu Hongfeng, Tang Xiansun, Man Minhong, Wu Lanyan	Xidi iodine compound	Invention	ZL200410000389.6	January 13, 2004	August 8, 2007
83.	Shenzhen CR Jiuxin, Shenyang Sanjiu Pharmaceutical Co., Ltd	Huang Quanhua, Su Junquan	Special solvent for cefpirome sulfate	Invention	ZL200910163049.8	August 21, 2009	July 4, 2012
84.	Shenzhen CR Jiuxin, Shenyang Sanjiu Pharmaceutical Co., Ltd	Zhong Zhirong , Jiang Xiongjie, Huang Quanhua, Su Junquan, Yi Xia, Gao Shunqing, Zhang Yuanxing, Hu Yijing	Method for purification of ceftazidime	Invention	ZL201210404082.7	October 22, 2012	July 2, 2014
85.	Shandong Dong-E-E-Jiao Company Limited	Qin Yufeng, You Jinhua, Zhou Xiangshan, Tian Shousheng, Zhang Yan, Zhang Lu, Shi Zhaosong, Zhu Haifang	Application of compound E-Jiao slurry in preparation of medicine for preventing or treating human granulocytic anaplasmosis	Invention	ZL201310184481.1	May 17, 2013	January 20, 2016
86.	Dong-E-E-Tiao	Qin Yufeng	Packing box (Taohuaji)	Design	ZL201230666494.9	December 23, 2012	June 19, 2013
87.	Shandong Dong-E-E-Jiao Company Limited	Shi Zhaosong, You Jinhua, Qin Yufeng, Tian Shousheng, Hao Xianghui, Zhang Yan, Gu Jianjun	Method for quick identification of donkey skin	Invention	ZL201210061560.9	March 9, 2012	October 28, 2015

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
88.	Shandong Dong-E-E-Jiao Company Limited	Qin Yufeng, You Jinhua, Zhou Xiangshan, Fang Zhe	Active small-molecule E-Jiao mixture and preparation method and application thereof	Invention	ZL201110450564.1	December 29, 2011	August 27, 2014
89.	Shandong Dong-E-E-Jiao Company Limited	You Jinhua, Tian Shousheng, Zhang Yan, Zhang Shouyuan, Li Shidong, Gu Jianjun	Traditional Chinese medicine composition for rehabilitation of tumor patients after radiotherapy and chemotherapy, and preparation method thereof	Invention	ZL201110403842.8	December 7, 2011	December 24, 2014
90.	Shandong Dong-E-E-Jiao Company Limited	Qin Yufeng, You Jinhua, Tian Shousheng, Zhang Yan, Shi Zhaosong	E-Jiao raw powder and preparation method thereof	Invention	ZL201010618178.4	December 31, 2010	June 18, 2014
91.	Dong-E-E-Jiao	Qin Yufeng	Packaging box (E-Jiao)	Design	ZL201030544778.1	September 28, 2010	April 20, 2011
92.	Dong-E-E-Jiao	Qin Yufeng	Packaging box (Taohuaji Guyuan cake)	Design	ZL201030544788.5	September 28, 2010	April 6, 2011
93.	Dong-E-E-Jiao	Qin Yufeng	Packaging box (E-Jiao)	Design	ZL201030544798.9	September 28, 2010	April 6, 2011
94.	Shandong Dong-E-E-Jiao Company Limited	Qin Yufeng, You Jinhua, Tian Shousheng, Zhang Yan, Zhang Shouyuan	Method for drying gelatin type traditional Chinese medicine	Invention	ZL200910261257.1	December 24, 2009	October 3, 2012
95.	Shandong Dong-E-E-Jiao Company Limited	You Jinhua, Tian Shousheng, Qin Yufeng, Zhang Shouping, Zhang Yan	Preparation method of traditional Chinese medicine emulsion	Invention	ZL200910226225.8	November 20, 2009	October 3, 2012
96.	Shandong Dong-E-E-Jiao Company Limited	You Jinhua, Tian Shousheng	Chinese medicament composition for treating insomnia and preparation method thereof	Invention	ZL200910128489.X	February 23, 2009	July 4, 2012
97.	Shandong Dong-E-E-Jiao Company Limited	Qin Yufeng, Wang Zhongcheng, Wen Daixin, Wang Bing, Ren Shangru, Ma Guangjie	Automatic cake boiling machine	Invention	ZL201410332244.X	July 14, 2014	February 10, 2016

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
98.	Shandong Dong-E-E-Jiao Company Limited	Zhou Xiangshan, Qin Yufeng, Tian Shousheng, Zhang Yan, Zhang Lu, Chen Huihui	Novel compound E-Jiao pulp and preparation process thereof	Invention	ZL201310598108.0	November 21, 2013	November 11, 2015
99.	Shandong Dong-E-E-Jiao Company Limited	Zhou Xiangshan, Qin Yufeng, Tian Shousheng, Zhang Yan, Zhang Lu, Chen Huihui	Compound E-Jiao pulp with functions of nourishing yin and supplementing blood and preparation process thereof	Invention	ZL201410019999.4	January 16, 2014	January 20, 2016
100.	Shandong Dong-E-E-Jiao Company Limited	Zhang Shouyuan, Hu Yongshui, You Jinhua, Qi Jingjing, Zhang Yan, Sun Fangyu, Zhang Xianpiao	Production technology for removing bad smell of E-Jiao	Invention	ZL201310530427.8	October 31, 2013	July 8, 2015
101.	Shandong Dong-E-E-Jiao Company Limited	Wen Daixin, Qin Yufeng, Wang Zhongcheng, Wang Bing, Liu Li, Qu Li, Liu Yongchao, Liu Huandong, Su Shuxiang	Equipment for evaporating and concentrating compound E-Jiao slurry extracting	Utility Model	ZL201320678163.6	October 30, 2013	April 2, 2014
102.	Shandong Dong-E-E-Jiao Company Limited	Wang Zhongcheng, Qin Yufeng, Wen Daixin, Wang Bing, Liu Yongchao, Diao Yuanyuan, Wei Shixin	Automatic scum extraction machine for extracting E-Jiaoliquid impurities	Utility Model	ZL201320613960.6	September 30, 2013	March 19, 2014
103.	Shandong Dong-E-E-Jiao Company Limited	Zhang Lu, Zhang Yan, Zhou Xiangshan, Tian Shousheng, Wang Chunyan, Li Shidong	Inflammation-preventing traditional Chinese medicine composition containing E-Jiao as well as preparation method thereof	Invention	ZL201310455373.3	September 29, 2013	April 13, 2016
104.	Shandong Dong-E-E-Jiao Company Limited/ Zhejiang University	Qin Yufeng, You Jinhua, Tian Shousheng, Zhou Xiangshan, Qu Haibin, Li Wenlong, Han Haifan, Zhang Yan, Zhang Lu	A method for quick measurement of total saponin content in compound E-Jiao slurry with near infrared spectrum	Invention	ZL201310162814.0	May 6, 2013	August 31, 2016
105.	Shandong Dong-E-E-Jiao Company Limited	Qin Yufeng, You Jinhua, Zhou Xiangshan, Nie Hongxia, Fang Zhe	Composition of compound E-Jiao for promoting blood health and preparation method and application thereof	Invention	ZL201310187802.3	May 20, 2013	August 31, 2016

No.	Patentee	Inventor	Name of patent	Type of patent	Patent no.	Application date	Date of proclamation
106.	Shandong Dong-E-E-Jiao Company Limited	Wang Bing, Qin Yufeng, Wang Zhongcheng, Wen Daixin, Diao Yuanyuan, Ren Shangru, Liu Qiuli, Fu Hong	Automatic feeder for small-capacity vials	Invention	ZL201410225740.5	May 26, 2014	August 31, 2016

Patent Applications

No.	Applicant	Name of patent	Type of patent	Patent application no.	Application date
1.	CR Double-Crane	4 - a epimer of aliskiren and preparation and application thereof	Invention	201410070646.7	February 28, 2014
2.	CR Double-Crane	Busulfan injection and preparation method thereof	Invention	201410790407.9	December 17, 2014
3.	CR Double-Crane	A kind of compound antihypertensive pharmaceutical compositions	Invention	201310124458.3	April 11, 2013
4.	CR Double-Crane	Compound reserpine triamterene tablets and preparation method thereof	Invention	201510043520.5	January 28, 2015
5.	CR Double-Crane	Compound drug products containing atenolol and amlodipine	Invention	201310124329.4	April 11, 2013
6.	CR Zizhu	A kind of impurity in estrone medicinal materials and preparation method thereof and application as standard products	Invention	201410512926.9	September 30, 2014
7.	CR Zizhu	A kind of impurity in estrone medicinal materials and preparation method thereof and application as standard products	Invention	201410512820.9	September 30, 2014
8.	CR Zizhu	A method for analysis of dydrogesterone intermediate	Invention	201410512819.6	September 30, 2014
9.	CR Zizhu	A method for separation and purification of steroidal ethyl hydroxide	Invention	201410829381.4	December 29, 2014
10.	CR Zizhu	Steroids and preparation and application thereof	Invention	201510078765.1	January 9, 2012

No.	Applicant	Name of patent	Type of patent	Patent application no.	Application date
11.	CR Zizhu	Method for analysis of various kinds of vitamin tablets	Invention	201510367648.7	June 30, 2015
12.	CR Zizhu	Preparation method of difluprednate β-crystal	Invention	201510745060.0	November 5, 2015
13.	CR Zizhu	A kind of API impurity in acetic acid and preparation method thereof and its application as standard products	Invention	201510745121.3	November 5, 2015
14.	Shandong Dong-E-E-Jiao Company Limited	A method for identification of animal skin	Invention	201510649274.8	October 9, 2015
15.	Dong-E-E-Jiao	A method for identification of E-Jiao manufactured by different plants in different regions	Invention	201510579532.X	September 11, 2015
16.	Dong-E-E-Jiao	A kind of medicine for treating insomnia and preparation method thereof	Invention	201510277500.4	May 27, 2015
17.	Shandong Dong-E-E-Jiao Company Limited	A kind of improved E-Jiao cake preparation process and method	Invention	201410396355.7	August 13, 2014
18.	Shandong Dong-E-E-Jiao Company Limited	A kind of automatic E-Jiao dates feeding device	Invention	201410366245.6	July 29, 2014
19.	Shandong Dong-E-E-Jiao Company Limited	A kind of film coating materials and small-molecule E-Jiao pure powder tablets using them and preparation method thereof	Invention	201410299649.8	June 27, 2014
20.	Shandong Dong-E-E-Jiao Company Limited	A kind of small-molecule E-Jiao pure powder tablets and preparation method thereof	Invention	201410301513.6	June 27, 2014
21.	Shandong Dong-E-E-Jiao Company Limited/ Sichuan University	A drying method of donkey skin, medicinal materials for E-Jiao (a traditional Chinese medicine)	Invention	201410220426.8	May 23, 2014

No.	Applicant	Name of patent	Type of patent	Patent application no.	Application date
22.	Shandong Dong-E-E-Jiao Company Limited	A preparation method of donkey skin used to prepare E-Jiao, a traditional Chinese medicine	Invention	201410214435.6	May 21, 2014
23.	Shandong Dong-E-E-Jiao Company Limited	A method for inspection and acceptance of donkey skin, medicinal material for E-Jiao (a traditional Chinese medicine)	Invention	201410214914.8	May 21, 2014
24.	Shandong Dong-E-E-Jiao Company Limited	Compound E-Jiao slurry and preparation process thereof	Invention	201410001302.0	January 2, 2014
25.	Shandong Dong-E-E-Jiao Company Limited/ National Chinese Gelatine Medicine Technology Research Center	A type of traditional Chinese medicine composition and preparation method thereof	Invention	201310751731.5	December 31, 2013
26.	Shandong Dong-E-E-Jiao Company Limited	A method for quick testing of water content in E-Jiao	Invention	201310744919.7	December 30, 2013
27.	Shandong Dong-E-E-Jiao Company Limited/ Zhejiang University	A method for quick measurement of soluble solid in compound E-Jiao slurry with near infrared spectrum	Invention	201310165079.9	May 7, 2013
28.	Shandong Dong-E-E-Jiao Company Limited	Application of compound E-Jiao slurry in preparation of medicine for preventing or treating epidemic hemorrhagic fever	Invention	201310150743.2	April 26, 2013

(d) *Copyrights*

As of the Latest Practicable Date, we have registered the following copyrights, which we consider as or may be material to our business:

Copyrights

Name of copyright		Place of registration	Date of registration	Copyright holder
1.	Double-crane symbol (雙鶴徽記)	PRC	November 8, 2013	CR Double-Crane
2.	Business promotion slogan (企業宣傳廣告語)	PRC	January 5, 2010	Shandong Dong-E-E-Jiao Co., Ltd.
3.	Business logo 1 (企業標誌1)	PRC	January 5, 2010	Shandong Dong-E-E-Jiao Co., Ltd.

Name of copyright		Place of registration	Date of registration	Copyright holder
4.	Business logo 2 (企業標誌2)	PRC	January 5, 2010	Shandong Dong-E-E-Jiao Co., Ltd.
5.	Business logo 3 (企業標誌3)	PRC	January 5, 2010	Shandong Dong-E-E-Jiao Co., Ltd.
6.	Business logo 4 (企業標誌4)	PRC	January 5, 2010	Shandong Dong-E-E-Jiao Co., Ltd.
7.	Business promotion slogan 1 (企業宣傳廣告語 1)	PRC	May 26, 2011	Shandong Dong-E-E-Jiao Co., Ltd.
8.	Business logo 1 (企業標誌1)	PRC	January 16, 2013	Shandong Dong-E-E-Jiao Co., Ltd.
9.	Business logo 2 (企業標誌2)	PRC	January 16, 2013	Shandong Dong-E-E-Jiao Co., Ltd.
10.	Zi yang shen ming zi ren shen huo (滋養生命滋潤生活)	PRC	May 27, 2013	Shandong Dong-E-E-Jiao Co., Ltd.
11.	Tao hua ji (shu fa ti) 桃花姬(書法體)	PRC	July 8, 2013	Shandong Dong-E-E-Jiao Co., Ltd.
12.	Tao hua ji (dai tao hua ji shu fa ti) 桃花姬(帶桃花姬書法體)	PRC	July 8, 2013	Shandong Dong-E-E-Jiao Co., Ltd.
13.	"Xiao-fen-zi e-jiao" packing (小分子阿膠外包裝盒)	PRC	October 22, 2014	Shandong Dong-E-E-Jiao Co., Ltd.
14.	"Zi-bu-guo-bao dong-e-e-jiao" (滋補國寶東阿阿膠)	PRC	October 8, 2014	Shandong Dong-E-E-Jiao Co., Ltd.
15.	Tao-hua-ji mask (桃花姬臉譜)	PRC	January 20, 2014	Shandong Dong-E-E-Jiao Co., Ltd.
16.	"Xia-ji-qing-xin-gao " (夏季清心糕)	PRC	June 25, 2014	Shandong Dong-E-E-Jiao Co., Ltd.
17.	"Xia-ji-qing-xin-gao 1" (夏季清心糕 1)	PRC	June 25, 2014	Shandong Dong-E-E-Jiao Co., Ltd.
18.	"Qu-shui-tu" (取水圖)	PRC	August 13, 2014	Shandong Dong-E-E-Jiao Co., Ltd.
19.	"Sun-si-miao-tu"(孫思邈圖)	PRC	August 13, 2014	Shandong Dong-E-E-Jiao Co., Ltd.
20.	"Shen-nong-tu" (神農圖)	PRC	August 13, 2014	Shandong Dong-E-E-Jiao Co., Ltd.
21.	"Tao-hung-ji-tu" (陶弘景圖)	PRC	August 13, 2014	Shandong Dong-E-E-Jiao Co., Ltd.

Name of copyright	Place of registration	Date of registration	Copyright holder
22. Product name and packing decoration of "Tianhe" Gutong (「天和」骨通產品名稱及包裝裝璜)	PRC	October 20, 1995	Guilin Tianhe Pharmaceutical Factory
23. Product name and packing decoration of "Tianhe" Zhuifeng ointment (「天和」追風膏產品名稱及包裝裝璜)	PRC	October 20, 1995	Guilin Tianhe Pharmaceutical Factory
24. "Tianhe" service trademark image (「天和」服務商標圖案)	PRC	October 20, 1995	Guilin Tianhe Pharmaceutical Factory
25. Product name and packing decoration of "Tianhe" refined absorbent cotton (「天和」精製脱脂棉產品名稱及包裝裝璜)	PRC	October 20, 1995	Guilin Tianhe Pharmaceutical Factory
26. Product packing decoration of Tianhe anti-inflammatory elastic band-aid (天和消炎彈性創可貼產品包裝裝璜)	PRC	November 8, 1995	Guilin Tianhe Pharmaceutical Factory
27. "Tianhe" service trademark image (「天和」服務商標圖案)	PRC	July 23, 1999	Guilin Tianhe Pharmaceutical Company Limited
28. Product packing decoration of Tianhe anti-inflammatory elastic band-aid (天和消炎彈性創可貼產品包裝裝璜)	PRC	July 30, 1999	Guilin Tianhe Pharmaceutical Company Limited
29. Product name and packing decoration of "Tianhe" Zhuifeng ointment (「天和」追風膏產品名稱及包裝裝璜)	PRC	July 23, 1999	Guilin Tianhe Pharmaceutical Company Limited
30. Product name and packing decoration of "Tianhe" refined absorbent cotton (「天和」精製脱脂棉產品名稱及包裝裝璜)	PRC	July 23, 1999	Guilin Tianhe Pharmaceutical Company Limited
31. Product name and packing decoration of "Gutong patch" (6x2 patches/pack/box) (「骨通貼膏」(6x2貼/袋/盒) 產品名稱及包裝裝璜)	PRC	July 8, 2005	Guilin Tianhe Pharmaceutical Co., Ltd.
32. Product name and packing decoration of "Gutong patch" (5x2 patches/pack/box) (「骨通貼膏」(5x2貼/袋/盒) 產品名稱及包裝裝璜)	PRC	July 8, 2005	Guilin Tianhe Pharmaceutical Co., Ltd.
33. Product name and packing decoration of "Tianhe Zhuifeng ointment" (2x5 patches/pack/box) (「天和追風膏」(2x5貼/袋/盒) 產品名稱及包裝裝璜)	PRC	July 8, 2005	Guilin Tianhe Pharmaceutical Co., Ltd.
34. Product name and packing decoration of "Tianhe Zhuifeng ointment" (4 patches/pack) (「天和追風膏」(4貼/袋) 產品名稱及包裝裝璜)	PRC	July 8, 2005	Guilin Tianhe Pharmaceutical Co., Ltd.

Name of copyright		Place of registration	Date of registration	Copyright holder
35.	Tong-tong-tong tie-tie-tie zao-tie-zao-qing-song! (痛痛痛 貼貼貼早貼早輕鬆！)	PRC	July 8, 2005	Guilin Tianhe Pharmaceutical Co., Ltd.
36.	Tong-tong-tong tie-tie-tie zao-tie-zhao-qing-song! (痛痛痛 貼貼貼早貼找輕鬆！)	PRC	July 8, 2005	Guilin Tianhe Pharmaceutical Co., Ltd.

Computer Software Copyrights

Name of software	Registration no.	Method of acquiring	Date of completion of development	Date of first publication	Holder of copyright
Sales Inquiry Platform Software V1.0 (銷售查詢平臺軟件V1.0)	2014SR066533	Original Acquisition	January 1, 2013	Non-publication	CR Xinlong Pharmaceutical
Hospital Inquiry Platform Software V1.0 (醫院查詢平臺軟件V1.0)	2014SR066526	Original Acquisition	January 1, 2014	Non-publication	CR Xinlong Pharmaceutical

(e) *Domain Names*

As of the Latest Practicable Date, we have registered the following domain names, which we consider as or may be material to our business:

Domain name	Registered owner	Date of registration	Expiry date
crpharm.com	CR Pharmaceutical Holdings	June 9, 2011	June 9, 2018
999.com.cn	CR Sanjiu	March 25, 1997	July 1, 2018
dcpc.com	CR Double-Crane	May 15, 2000	May 15, 2018
dongeejiao.com	Dong-E-E-Jiao	March 30, 2000	March 30, 2021
zizhu-pharm.com	CR Zizhu	November 24, 2000	November 24, 2018

Save as disclosed herein, there are no other patents, trademarks, copyrights, domain names or other intellectual or industrial property rights which are material to our Group's business.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS

A. Particulars of Directors' Contracts

None of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

B. Remuneration of Directors

We offer our executive Directors and senior management members, who are also employees of our Company, various compensation in the form of fees, salaries, retirement benefit scheme contributions, discretionary bonuses, housing and/or other benefits in kind. Our independent non-executive Directors receive compensation based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of remuneration that was paid to our Directors for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 was approximately HK$4.51 million, HK$6.16 million, HK$7.67 million and HK$1.47 million, respectively. For further details, see Appendix I — "Accountants' Report." None of our Directors waived any emoluments during the same period.

It is estimated that remuneration equivalent to approximately HK$13.00 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2016 under the arrangements in force at the date of this prospectus.

The aggregate amount of remuneration which was paid by us to our five highest paid individuals for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 was approximately HK$14.94 million, HK$14.64 million, HK$18.01 million and HK$7.99 million, respectively. For further details, see Appendix I — "Accountants' Report."

No emoluments were paid to Directors of our Group or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, by us or any of our subsidiaries to our Directors.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Chief Executives

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), none of our Directors or chief executives of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are listed.

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required 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, directly or indirectly, be interested in 10% or more of any class of Shares carrying the rights to vote in all circumstances at general meetings of the Company, see "Controlling and Substantial Shareholders."

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or any of the parties listed in the paragraph headed "G — Qualification of Experts" of this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or any of the parties listed in the paragraph headed "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 taken as a whole;

(c) none of our Directors or any of the parties listed in the paragraph headed "Qualification of Experts" of this Appendix has any existing or proposed service contracts 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));

(d) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of parties listed in the paragraph headed "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 our Shares or any of our securities; and

(e) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

5. OTHER INFORMATION

A. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon our Group.

B. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed "Business — Legal Proceedings", no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

The Joint Sponsors, namely CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited, which satisfy the criteria of independence applicable to sponsors set out in Rule 3.07 of the Listing Rules, have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus.

Our Company agreed to pay the Joint Sponsors an aggregate fee of US$2,000,000 to act as the sponsors in connection with the Listing.

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

D. Compliance Advisor

Our Company has appointed China International Capital Corporation Hong Kong Securities Limited as the compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

We have not incurred any preliminary expenses in connection with the Listing.

F. Promoters

Our Company has no promoter for the purposes of the Listing Rules.

G. Qualification of Experts

The qualification of the experts, as defined under the Listing Rules, who have given opinions and/or whose names are included in this prospectus, are as follows:

Name	Qualification
CCB International Capital Limited	A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities under the SFO
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Merrill Lynch Far East Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jia Yuan Law Offices	PRC legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

H. Consents of Experts

Each of the experts named in the paragraph headed "G — Qualification of Experts" of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

I. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2016 up to the date of this prospectus.

J. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

K. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in "Connected Transactions" and Appendix I — "Accountants' Report — A. Financial Information — Note 43. Related Party Disclosures."

L. 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 our Company or any of our 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 our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) 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 of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company.

(b) Save as disclosed in this prospectus, there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries.

(c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) Our register of members will be maintained by our Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by the Share Registrar.

(e) Save as disclosed in this prospectus, no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) Save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

M. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (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) copies of the material contracts referred to in the section headed "*Statutory and General Information — 2. Further Information about our Business — A. Summary of our Material Contracts*" in Appendix IV to this prospectus; and

(c) the written consents referred to in the section headed "*Statutory and General Information — 5. Other Information — H. Consent of Experts*" in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance, 27th Floor, Jardine House, One Connaught Place, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2015 and the six months ended June 30, 2016;

(e) the PRC legal opinions issued by Jia Yuan Law Offices, our PRC legal advisors, in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(f) the material contracts referred to in the section headed "*Statutory and General Information — 2. Further Information about our Business — A. Summary of our Material Contracts*" in Appendix IV to this prospectus;

(g) the written consents referred to in the section headed "*Statutory and General Information — 5. Other Information — H. Consent of Experts*" in Appendix IV to this prospectus; and

(h) the Frost & Sullivan Report.

華潤醫藥集團有限公司

China Resources Pharmaceutical Group Limited

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