

## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is only a summary, it does not contain all the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares.*

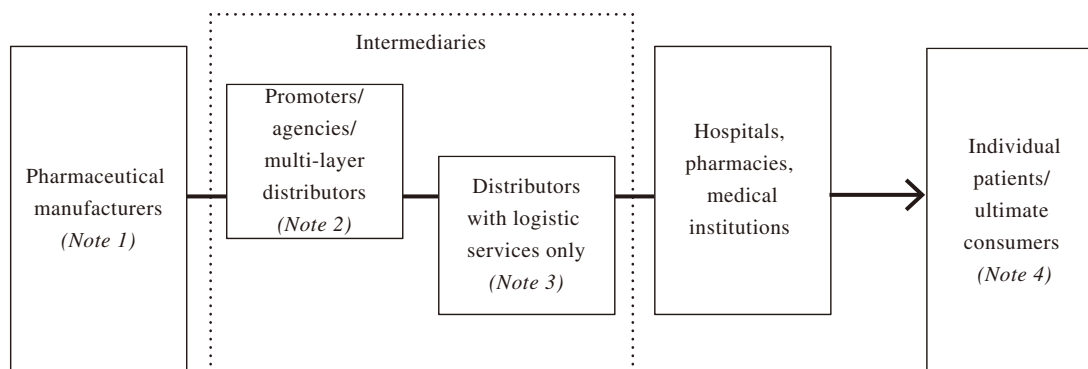
*There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.*

## OVERVIEW

We are an established pharmaceutical distributor principally engaged in pharmaceutical distribution businesses in the PRC with a focus in Hangzhou, Zhejiang province. We mainly serve as a provincial distributor, and also as a national distributor for some of our products. We start involving our pharmaceutical distribution business from the stage of identification and acquisition of the distribution rights of products from our suppliers, market research and market development of our new products, assistance and coordination in the provincial collective tendering process for our suppliers throughout different regions in the PRC, procurement and sourcing, and sales and marketing, warehousing and delivery to our Distributor Customers. A majority of our products will in turn be distributed through our Distributor Customers to the ultimate customers which mainly comprise hospitals and medical institutions in the PRC in accordance with the geographical exclusivity of our products. All of the pharmaceutical products distributed by our Group are generic pharmaceutical products.

## Our Business Model

The pharmaceutical industry in the PRC mainly involves research and development; manufacturing, distribution and retail sales. The following chart illustrates different models of the PRC pharmaceutical distribution business:



Notes:

1. “**Pharmaceutical manufacturers**” refers to our Type 1 Suppliers, which comprise pharmaceutical manufactures granting us exclusive national or multiple provincial distribution rights. Our Group is the exclusive national or multiple provincial distributors of the products procured from our Type 1 Suppliers.
2. “**Multi-layer distributors**” refers to our Type 2 Suppliers, which are pharmaceutical companies obtaining the exclusive national distribution rights or multiple provincials from the pharmaceutical manufactures, granting us provincial or regional distribution rights. Our Group is also one of the multi-layer distributors as we also grant provincial or regional distribution rights to our Type 2 Distributor Customers and they in turn distribute our products to their sub-distributor customers in the designated geographical areas.

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3. **“Distributors with logistics services only”** refers to our Type 1 Distributor Customers, which are distributors mainly providing logistics functions for our Group. Our Group then distributes the products purchased from Type 1 Suppliers or Type 2 Suppliers to our Type 1 Distributor Customers, which in turn distribute our products to the ultimate customers directly in the designated geographical areas.
4. **“Individual patients/ultimate customers”** refers to the ultimate customers of our products. The products purchased by our Type 1 Distributor Customers and Type 2 Distributor Customers are ultimately delivered to the ultimate customers which comprise hospitals and medical institutions.

### Value added services to our suppliers

As at the Latest Practicable Date, our Group acquired distribution rights of the new potential products in the market from our 47 suppliers, which comprise 46 small to medium pharmaceutical manufacturers or pharmaceutical companies with an annual sales of less than RMB300 million and one large pharmaceutical manufacturer. According to the PICO Report, it is difficult for those pharmaceutical manufacturers and pharmaceutical companies to explore and expand their footsteps to every single province in the PRC with their limited resources. Generally, all pharmaceutical products procured by public hospitals and medical institutions in the PRC are subject to provincial collective tendering process that involves bidding by the pharmaceutical manufacturers of these products. We can assist our suppliers by providing them with (i) industry and market expertise; (ii) market intelligence; (iii) competitive price suggestions and (iv) documentation and other administrative support in order to improve the bidding positions of our suppliers. In addition, our Group formulates the marketing strategies and marketing activities of the products we acquired from our suppliers. We then procure the products from our suppliers. The price of the products supplied by our suppliers as prescribed in the distribution agreements is determined on the basis of the tender price, cost of the product and the negotiation between our Group and our suppliers. The purchase from each type of suppliers is set out in the table below:

	For the year ended 31 December				For the six months ended 30 June			
	2011		2012		2012		2013	
	HK\$'000	% of purchase	HK\$'000	% of purchase	HK\$'000 (Unaudited)	% of purchase	HK\$'000	% of purchase
Type 1 Suppliers – pharmaceutical manufacturers	6,809	5.2	9,042	6.6	419	0.6	609	0.9
Type 2 Suppliers – national distributors of products	120,462	92.7	121,493	88.6	62,408	95.7	58,664	90.3
Type 3 Suppliers – retail distributors and independent pharmacies	2,698	2.1	6,615	4.8	2,357	3.7	5,732	8.8
<b>Total</b>	<b>129,969</b>	<b>100.0</b>	<b>137,150</b>	<b>100.0</b>	<b>65,184</b>	<b>100.0</b>	<b>65,005</b>	<b>100.0</b>

### Our Products

As at the Latest Practicable Date, 42 out of 55 pharmaceutical products were included in the Medical Insurance Drugs Catalogs. 9, 15, 11, 6, 10 and 4 of our products amongst our product portfolio were acquired by our Group in 2008, 2009, 2010, 2011, 2012 and 2013, respectively. 4 types of products (including 5 specifications) and 3 types of products (including 4 specifications) acquired in 2012 and 2013 did not participate in the provincial collective tendering process during the periods of 2009 and 2010, respectively. During the Track Record Period, our revenue derived from our products included in the Medical Insurance Drugs Catalogs accounted for approximately 85.0%, 93.7% and 93.0%, respectively, of our total revenue in the corresponding periods.

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During the period between 2009 and 2010, 35 of 41 of products won the provincial collective tendering process in Zhejiang province which involved our participation, representing a successful rate of approximately 85.4%. Our revenue derived from our products having won the provincial collective tendering process was approximately 97.7%, 98.2% and 96.8%, respectively, during the Track Record Period and those products are subject to the upcoming provincial collective tendering process in 2013. The Directors are of the view that the exact date of the provincial collective tendering process which has been anticipated to take place in 2013 is yet to be confirmed. Should our Group lose in the upcoming provincial collective tendering process in 2013, our Group's financial performance will be adversely affected.

The following sets out (i) the sales performance for the two years ended 31 December 2012 and for the six months ended 30 June 2012 and 30 June 2013; and (ii) the market ranking in the relevant PRC region as a result of obtaining the exclusive distribution right from the manufacturers as at 31 December 2011, 31 December 2012 and 31 March 2013, respectively, relating to our 11 major types of products (including 17 specifications):

Name of product	Ranking in the relevant PRC region/Total number of manufacturers in the relevant PRC region			For the year ended 31 December				For the six months ended 30 June			
	As at 31 December		As at 31 March	2011		2012		2012		2013	
	2011	2012	2013	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
1. Levocarnitine Injection (左卡尼汀注射液)	1st/3 (Zhejiang)	1st/3 (Zhejiang)	1st/3 (Zhejiang)	20,072	12.6	52,227	29.8	27,105	30.2	28,271	33.8
2. Ozagrel Sodium for Injection (注射用奥氮格雷钠) 80mg, 40mg and 20mg	1st/3 (Zhejiang)	1st/3 (Zhejiang)	1st/3 (Zhejiang)	12,730	8.0	10,419	6.0	8,858	9.9	81	0.1
3. Cefoxitin Sodium for Injection (注射用头孢西丁钠) 0.5g and 2.0g	2nd/15 (Zhejiang)	2nd/15 (Zhejiang)	1st/15 (Zhejiang)	6,590	4.1	6,378	3.6	3,663	4.1	160	0.2
4. Cefodizime Sodium for Injection (注射用头孢地嗪钠) 0.5g and 1.5g	1st/5 (Zhejiang)	1st/5 (Zhejiang)	1st/5 (Zhejiang)	12,760	8.0	18,287	10.4	9,492	10.6	6,854	8.2
5. Thymosin α 1 for Injection (注射用胸腺法新)	2nd/4 (Shanghai)	2nd/4 (Shanghai)	2nd/4 (Shanghai)	9,410	5.9	12,872	7.4	5,318	5.9	8,173	9.8
6. Isepamicin Sulfate Injection (硫酸异帕米星注射液)	2nd/3 (Zhejiang)	2nd/3 (Zhejiang)	2nd/3 (Zhejiang)	13,136	8.2	10,015	5.7	4,566	5.1	5,698	6.8
7. Cefixime Dispersible Tablets (头孢克肟分散片) 50mg X 10 tablets 50mg X 6 tablets	3rd/7 (Zhejiang)	3rd/7 (Zhejiang)	3rd/7 (Zhejiang)	7,848	4.9	6,808	3.9	3,866	4.3	2,212	2.6
8. Alanyl Glutamine for Injection (注射用丙氨酰谷氨酰胺)	1st/2 (Zhejiang)	1st/2 (Zhejiang)	1st/2 (Zhejiang)	4,580	2.9	9,217	5.3	4,454	5.0	4,319	5.2
9. Ceftizoxime Sodium for Injection (注射用头孢唑肟钠)	5th/12 (Zhejiang)	4th/12 (Zhejiang)	4th/12 (Zhejiang)	3,744	2.3	6,901	3.9	3,032	3.4	3,669	4.4
10. Sulbenicillin Sodium for Injection (注射用磺苄西林钠)	3rd/4 (Zhejiang)	4th/4 (Zhejiang)	3rd/4 (Zhejiang)	10,394	6.5	642	0.4	150	0.2	4,012	4.8
11. Clostridium butyricum Capsule (酪酸梭菌活菌胶囊) 0.2 X 24 pcs 0.2 X 30 pcs	3rd/5 (Zhejiang)	3rd/5 (Zhejiang)	3rd/5 (Zhejiang)	-	-	1,679	1.0	19	0.0	2,860	3.4
<b>Total</b>				<b>101,264</b>	<b>63.4</b>	<b>135,445</b>	<b>77.4</b>	<b>70,523</b>	<b>78.7</b>	<b>66,309</b>	<b>79.3</b>

All of the products including our major products as disclosed above were obtained by our existing management.

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### Sales to our Distributor Customers

As at the Latest Practicable Date, we sold all pharmaceutical products through our network of 117 Distributor Customers, which include 42 Distributor Customers being located in Zhejiang province with the remaining 75 Distributor Customers being spread over the remaining 18 regions in the PRC including Shanghai, Chongqing, Anhui province, Sichuan province, Hebei province and Guangdong province. A majority of our Distributor Customers providing logistic functions will then on-sell our products to their sub-distributors and/or ultimate customers, which mainly comprise hospitals and medical institutions in the PRC according to the geographical exclusivity of our products. Our Distributor Customers have a different role as compared to our Group in the pharmaceutical distribution value chain. We acquire the distribution rights of pharmaceutical products from small to medium pharmaceutical manufacturers or pharmaceutical companies and provide a platform for our Distributor Customers to source different products from us without bearing large sales and purchase commitments, which would enhance their flexibility in inventory management. In addition, we, having a good relationship with medical practitioners, will collaborate with our suppliers to organise marketing activities to raise the awareness and familiarity of our products to our targeted medical institutions at provincial level. Our Group makes use of our financial resources and expertise in exploring and sourcing the distribution rights of products and promoting the market development of the products, instead of using our resources to set up the logistic infrastructure and bear a higher credit risk from hospital as what our Distributor Customers face. As at 31 December 2012, there were 782 public hospitals in Zhejiang province, and most of our products subject to the provincial collective tendering process are able to be sold through such public hospitals in Zhejiang Province, where the public hospitals normally demand a diversified product portfolio. A significant capital investment is required for setting up a transportation fleet and a temperature-controlled warehouse. With economies scale of operation, our Distributor Customers can deliver the pharmaceutical products to our ultimate customers in a faster and more cost effective way as compared to us. Further, the payment period from hospitals to distributors is generally longer than that from the distributors to manufacturers and hence our credit risk can be mitigated.

The revenue generated from each type of our Distributor Customers is set out in the table below:

	For the year ended 31 December 2011		For the year ended 31 December 2012		For the six months ended 30 June 2012		For the six months ended 30 June 2013	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (Unaudited)	% of purchase	HK\$'000	% of purchase
<b>Type 1 Distributor Customers -</b> distributors mainly providing logistics function	117,532	73.6	153,134	87.5	78,648	87.5	76,139	91.0
<b>Type 2 Distributor Customers -</b> provincial and regional distributors	26,462	16.6	8,408	4.8	4,186	4.7	2,066	2.5
<b>Type 3 Distributor Customers -</b> local distributors, independent retail pharmacies, hospitals and healthcare institutions	15,692	9.8	13,500	7.7	6,994	7.8	5,467	6.5
<b>Total</b>	<b>159,686</b>	<b>100.0</b>	<b>175,042</b>	<b>100.0</b>	<b>89,828</b>	<b>100.0</b>	<b>83,672</b>	<b>100.0</b>



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### Combined Statements of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		For the six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
			(Unaudited)	
Revenue	159,686	175,042	89,828	83,672
Gross profit	23,286	38,993	20,717	18,455
Gross profit margin	14.6%	22.3%	23.1%	22.1%
Profit before taxation	15,258	22,185	16,747	5,538
Income tax	(4,846)	(6,858)	(5,256)	4,008
Profit for the year/period	10,412	15,327	11,491	1,530
Net profit margin	6.5%	8.8%	12.8%	1.8%

### Key Financial Ratios

	As of 31 December		As of
	2011	2012	30 June 2013
Current ratio	5.0	5.2	3.1
Quick ratio	4.4	4.6	2.8
Return on equity	9.4%	12.1%	2.2%
Return on total assets	7.4%	9.8%	1.7%

An increase in our revenue for the year ended 31 December 2012 was primarily attributable to the increase in sales of Levocarnitine Injection since the medical practitioners had gradually become more familiar with the products after being listed in the Medical Insurance Drugs Catalogs effective from 31 March 2010. However, a slight decrease in our revenue for the six months ended 30 June 2013 mainly attributable to (i) the cessation in October 2012 of the sales of one of the specification of such product, namely Ozagrel Sodium for Injection of 20mg (注射用奧扎格雷鈉20mg), since the unit gross profit amount of this product was limited after several price controls; and (ii) the decrease in sales amount of Cefoxitin Sodium for Injection (注射用頭孢西丁鈉) as a result of having fallen within the category of limited use under the Administrative Catalogue of the Clinical Use of Antibiotics of Zhejiang Province (2012 version).

An increase in net profit for the year ended 31 December 2012 was mainly attributable to the improved gross profit margin for Levocarnitine Injection (左卡尼汀注射液), Ozagrel Sodium for Injection (注射用奧扎格雷鈉) and Mezlocillin Sodium and Sulbactam Sodium for Injection (注射用美洛西林鈉). However, our net profit decreased from approximately HK\$11.5 million for the six months ended 30 June 2012 to approximately HK\$1.5 million for the six months ended 30 June 2013 mainly attributable to (i) the decrease in the gross profit margin of the injection drugs and tablet drugs as a result of the cessation in the sales of Ozagrel Sodium for Injection and the decrease in sales of Cefixime Dispersible Tablet, both of which are our major products with a higher average gross profit margin during the Track Record Period; (ii) the listing expenses of approximately HK\$5.4 million; and (iii) the imputed interest adjustment on deposit paid to suppliers upon its initial recognition of approximately HK\$3.0 million which will be written back when Zhongcheng Huida and Kaihongxin return the deposit to our Group for provision of corporate guarantee by Hong Rui Bio-medical and/or other subsidiary of the Company in substitution upon Listing.

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Our Group recorded an improvement in the current ratios and quick ratios as at 31 December 2012 but recorded a decrease in the current ratio and the quick ratio as at 30 June 2013 as a result of (i) the reclassification of deposit paid to Zhongcheng Huida and Kaihongxin as non-current assets for the renewal of contracts in January 2013 which will expire on 31 December 2015; and (ii) the drawdown of unsecured loan from E-Finance Limited of HK\$6 million and the secured loan from Agricultural Bank of China Limited – Hangzhou Jiefang Road branch of approximately HK\$10.7 million during the six months ended 30 June 2013. Our Group recorded an improvement in the return on equity and return on total assets as at 31 December 2012 but recorded a decrease in the return on equity and return on total assets as at 30 June 2013 mainly due to the decrease in net profit as mentioned above.

For details, please refer to the section headed “Financial Information” of this prospectus.

### **Operating cash flow**

Our Group recorded net operating cash outflows of approximately HK\$96,000 and HK\$6,972,000, respectively, for each of the two years ended 31 December 2011 and 2012, respectively, which was mainly attributable to the deposits and/or prepayments as the case may be we paid to our suppliers. Our Directors are of the view that the nature of our operation will result in the timing difference between the deposits payment for the acquisition of the new distribution rights for the business expansion and the diversification of our product profile together with generating of profits from the relevant products that we paid the deposits. During the Track Record Period, the payment made to our suppliers, such as Kaihongxin, Zhongcheng Huida and Type 1 Supplier A in the aggregate amount of RMB23 million having an immediate effect in the cashflow can generate the revenue flow, which is sufficient to cover the amount of deposits previously paid by us within 1 to 2 financial year(s). Our Group recorded the net cash generated from operating activities of approximately HK\$7.5 million for the six months ended 30 June 2013 since our Group did not make a large amount of deposit for the acquisition of distribution rights, while our operating cash flows before change in working capital were approximately HK\$9,009,000.

To use the working capital effectively, our Group is currently negotiating with its existing suppliers and new suppliers to use the corporate guarantee provided by Hong Rui Bio-medical or any subsidiary of the Company upon Listing instead of deposit payment for the acquisition of distribution right. As at the Latest Practicable Date, each of Zhongcheng Huida, Kaihongxin and Jiangsu Baichang has signed confirmation or supply agreement with our Group in July 2013, confirming to return the deposit of RMB8 million, RMB7 million and RMB1 million, respectively, upon Listing. Please refer to the paragraph headed “Net cash (used in) from operating activities” in the section headed “Financial Information” for further details. In addition, our Directors are of the view that the latest unutilised loan facilities from a money lending company and a bank in Hong Kong are sufficient for our intended acquisition of distribution rights when such business opportunities arise in the future.

### **Deposit and prepayment to our suppliers**

The payment of deposit to our suppliers is to prevent cannibalisation among the distributors and ensure our commitment to the sales target. The deposit would be subject to deduction, forfeiture or return (as the case may be) if the Group cannot meet the relevant terms and conditions set out in distribution agreements. For details, please refer to the paragraph headed “Deposits and prepayments” under the sub-section headed “Phase 1 – Acquisition of

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distribution rights of pharmaceutical products from our suppliers” in the section headed “Business” of this prospectus. During the Track Record Period and as at the Latest Practicable Date, our Group did not experience any confiscation of deposits by our suppliers as a result of violation of the terms as set out in the respective distribution agreements. As at the Latest Practicable Date, Zhongcheng Huida, Kaihongxin and Jaingsu Baichang have confirmed to return the deposit of an aggregate of RMB16 million to our Group upon Listing.

The prepayment to suppliers is to secure a steady supply of products and the prepayments will be netted off against the amount of our subsequent purchase. During the Track Record Period, there is no requirement to maintain the minimum prepayment amount with our suppliers. As of the Latest Practicable Date, we utilised prepayments to suppliers of approximately HK\$26,108,000, representing approximately 93.9% of the prepayment as at 30 June 2013.

The following table sets forth a breakdown of deposits and prepayments to our major suppliers during the Track Record Period and as at the Latest Practicable Date.

	Deposits				Prepayments			
	As at 31 December		As at Latest Practicable Date		As at 31 December		As at Latest Practicable Date	
	2011	2012	2013	Date	2011	2012	2013	Date
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Kaihongxin	-	7,000	6,061	6,143	3,512	13,417	15,308	15,430
Baoding Huida/Zhongcheng Huida	-	8,000	6,927	7,020	6,282	6,161	6,282	5,002
Type 1 Supplier A	8,000	8,000	8,000	8,000	1,669	-	-	19
Guizhou Jingfeng Pharmaceutical Technology Company Limited* (“Guizhou Jingfeng”)	-	2,000	2,000	2,000	-	-	-	-
Xizang Yimingxiya	1,500	450	-	-	51	-	-	-
Lodays Pharmaceutical (Hubei) Company Limited*	1,000	1,000	1,000	1,000	-	34	-	-
Beijing Jiacheng Pharmaceutical Company Limited*	806	806	-	-	1,479	1,479	-	-
Type 1 Supplier B	260	250	250	250	114	746	-	-
Hainan Noken Pharmaceutical Industry Ltd.*	-	900	1,000	1,000	-	-	-	-
Beijing Haoyafangda Medicine Co., Ltd.*	-	-	1,000	1,000	-	-	-	-
Xizang Linzhibai sheng Pharmaceutical Co., Ltd.*	-	-	-	-	3,588	-	-	-
Type 3 Supplier A	-	-	-	-	3,300	25	-	-
Jiangsu Baichang	-	-	-	1,000	-	-	-	-
Others	1,268	378	250	250	1,168	830	413	435
<b>Total</b>	<b>12,834</b>	<b>28,784</b>	<b>26,488</b>	<b>27,663</b>	<b>21,163</b>	<b>22,692</b>	<b>22,003</b>	<b>20,886</b>
	(equivalent to approximately HK\$14,573,000)	(equivalent to approximately HK\$35,778,000)	(equivalent to approximately HK\$33,456,000)	(equivalent to approximately HK\$35,083,000)	(equivalent to approximately HK\$26,082,000)	(equivalent to approximately HK\$28,206,000)	(equivalent to approximately HK\$27,792,000)	(equivalent to approximately HK\$26,488,000)

Please refer to the section headed the “Financial Information – Liquidity and capital resources – Deposits and prepayments” of this prospectus for further details of deposits and prepayment paid to our suppliers.



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Our Directors are of the view that the prepayment and deposits to the suppliers are fully recoverable, after taking into consideration (i) the financial health and operation scale of the suppliers; and (ii) the sales performance and the inventory level of the relevant products. For details of the measures on the selection and continual assessments of the suppliers, please refer to the paragraph headed “Selection of our suppliers” under sub-section headed “Phase 2 – Procurement of products from our suppliers” under “Business” section of this prospectus.

### **OUR COMPETITIVE STRENGTHS**

Our Directors believe that the following factors contribute to the success of our Group: (i) we are able to identify and acquire distribution rights of certain products with market potential from our suppliers with a focus on prescription drugs; (ii) we are able to provide different value added services to our suppliers and Distributor Customers with our market knowledge and network in Zhejiang province; (iii) we have co-operated with a number of reputable suppliers and Distributor Customers in the PRC pharmaceutical industry; (iv) we have an experienced sales and marketing team; and (v) our management team has extensive experience and knowledge in pharmaceutical industry despite our limited track record. Please refer to the sub-section headed “Our Competitive Strengths” under the section headed “Business” of this prospectus.

### **OUR BUSINESS OBJECTIVES AND STRATEGIES**

In order to strengthen our position to become one of the leading distributors of pharmaceutical products in Zhejiang province, we plan to continue: (i) expanding through obtaining new exclusive distribution rights; and (ii) enhancing and expanding our market share, distribution network and marketing efforts. Please refer to the sub-section headed “Our Business Objectives and Strategies” under the section headed “Business” of this prospectus.

### **RISK FACTORS**

There are risks associated with your investment in the Placing Shares, among which, the relatively material risks are that: (i) we rely on our suppliers to provide us the pharmaceutical products with market potential for distribution to Distributor Customers, and also rely on our major Distributor Customers to sell such products; (ii) our suppliers’ failure to win the provincial collective tendering process for securing orders from public hospitals and medical institutions may result in a significant impact on our future profit; and (iii) the pharmaceutical industry in the PRC is highly regulated with, for example, price controls or other price restrictions on the products. For further details, please refer to the section headed “Risk factors” of this prospectus.

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### RECENT DEVELOPMENT

Our Group recorded the sales of approximately HK\$125.9 million for the nine months ended 30 September 2013 and the gross profit margin during the period is similar to that for the six months ended 30 June 2013.

During the Track Record Period and as at the Latest Practicable Date, we identified and acquired 1 product with exclusive national distribution rights and 6 new types of products (including 8 specifications) with exclusive provincial distribution rights but all are subject to the upcoming provincial collective tendering process. For the details of the deposits our Group paid to those suppliers for the newly acquired products with exclusive distribution rights and the sales performance of the newly acquired products with exclusive distribution rights (i) for each of the two years ended 31 December 2011 and 2012; (ii) for the six months ended 30 June 2013; and (iii) as at the Latest Practicable Date, please refer to the paragraph headed “Reduction of reliance on our major suppliers” under the sub-section headed “Phase 2 – Procurement of products from our suppliers” under the section headed “Business” of this prospectus.

During the Track Record Period and as at the Latest Practicable Date, our Group has identified 1 product without production permit, namely Fasudil Hydrochloride Injection (鹽酸法舒地爾氯化鈉注射液), where we have entered into the legally binding contract with the relevant supplier of the product and paid RMB1,000,000 as deposit. We will enter the exclusive distribution agreement with this supplier in the event that the pharmaceutical production permit is to be granted before 1 July 2014 or we will terminate such contract and the respective deposit will be returned to our Group accordingly.

For further information, please refer to the paragraph headed “Reduction of the reliance on our major suppliers” under the “Business” section of this prospectus.

### NO MATERIAL ADVERSE CHANGES

Our Directors confirm that (i) there has been no material adverse change in the general economic and market conditions or the industry and regulatory environment in which our Group operates that materially and adversely affected our financial or operating position since 30 June 2013 and up to the date of this prospectus, (ii) there has been no material adverse change in the trading and financial positions or prospects of our Group since 30 June 2013 and up to the date of this prospectus, and (iii) no event has occurred since 30 June 2013 that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

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### PLACING STATISTICS

	<b>Based on a Placing price of HK\$0.25 per Share</b>
Market capitalisation of our Shares ( <i>Note 1</i> )	HK\$200 million
Pro forma adjusted combined net tangible assets per Share ( <i>Note 2</i> )	HK\$0.24
Pro forma estimated price – earnings multiple ( <i>Note 3</i> )	13.2 times

*Notes:*

- (1) The calculation of the market capitalisation is based on 800,000,000 Shares expected to be in issue following completion of the Capitalisation Issue and the Placing without taking into account the Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or the Shares which may be issued or repurchased by our Company under the general mandate and the repurchase mandate, respectively, referred to in the section headed “Statutory and General Information” in this prospectus.
- (2) The pro forma adjusted combined net tangible assets per share is arrived at after the adjustments referred to in the paragraphs under “Pro forma financial information” in Appendix II to this prospectus and on the basis of 800,000,000 Shares in issue immediately upon completion of the Capitalisation Issue and the Placing without taking into account the Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or the Shares which may be issued or repurchased by our Company under the general mandate and the repurchase mandate, respectively, referred to in the section headed “Statutory and General Information” in this prospectus.
- (3) The pro forma estimated price-earnings multiple is based on the profit attributable to owners of our Company per Share of approximately HK\$0.019 for the year ended 31 December 2012, the indicative range of the Placing Price and on the basis of 800,000,000 Shares in issue as referred to in Note (1) above.

### DIVIDEND POLICY

During the period from the date of its incorporation on 9 August 2012 to the Latest Practicable Date, the Company had not declared and paid any dividends to its shareholders. Regarding details of our dividend policy, please refer to the section headed “Financial information – Dividend policy” in this prospectus.

### WORKING CAPITAL OF OUR GROUP

Our Directors are of the opinion that after taking into account the cash flow generated from operating activities, the existing financial resources available to our Group including internally generated funds, the available banking and unsecured loan facilities and the estimated net proceeds of the Placing, our Group has sufficient working capital for its present requirements for at least next 12 months from the date of this prospectus.

## SUMMARY

### LISTING EXPENSES

The total amount of Listing expenses, commissions, SFC transaction levy and Stock Exchange trading fee in connection with the Placing is estimated to be approximately HK\$29.0 million, of which approximately HK\$10.9 million is expected to be capitalised to offset against the share premium accounts in equity after Listing. The Listing expenses of approximately HK\$8.6 million and HK\$5.4 million were charged to the audited combined statements of profit or loss and other comprehensive income for the year ended 31 December 2012 and for the six months ended 30 June 2013, respectively. The additional amount of approximately HK\$4.1 million is expected to be incurred and charged to the profit and loss accounts for the year ending 31 December 2013, and HK\$4.7 million is expected to be capitalised and offset against the share premium account in equity upon the Listing.

### REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Directors believe that the Listing on GEM itself will be conducive to further enhancement of our Group's profile, brand recognition and also future business development of our Group. In addition, our Directors are of the view that despite the fact that underwriting fees and estimated expenses payable by us in relation to the Listing amounted to approximately HK\$29 million (based on the Placing Price of HK\$0.25 per Placing Share), which accounted for approximately 41.4% of the gross proceeds from the Placing of approximately HK\$70 million, the Listing will (i) provide our Group additional avenues to raise capital for the future business expansion; (ii) expand and diversify the shareholders base in order to reach out the institutional funds and retail investors in Hong Kong; and (iii) strengthen our Group's financial position. Our Group financed the payment of the listing expenses through our internal financial resources and the available banking facilities of our Group.

The following table sets out the manner in which the net proceeds will be used for implementation of our future business plans for the period from the Latest Practicable Date to the year ending 31 December 2015:

	From the Latest Practicable Date to 31 December 2013 <i>(HK\$ million)</i>	From 1 January 2014 to 30 June 2014 <i>(HK\$ million)</i>	From 1 July 2014 to 31 December 2014 <i>(HK\$ million)</i>	From 1 January 2015 to 30 June 2015 <i>(HK\$ million)</i>	From 1 July 2015 to 31 December 2015 <i>(HK\$ million)</i>	Total <i>(HK\$ million)</i>
To obtain new exclusive distribution rights of product	-	12.5	-	12.5	0.6	25.6
To continue expanding and strengthening our distribution network and marketing efforts	1.2	1.9	1.8	0.4	-	5.3
To repay a portion of our Group's principal and interest of bank loan facilities	6.0	-	-	-	-	6.0
Additional general working capital	4.1	-	-	-	-	4.1
<b>Total</b>	<b>11.3</b>	<b>14.4</b>	<b>1.8</b>	<b>12.9</b>	<b>0.6</b>	<b>41.0</b>

Please refer to the section headed "Business objectives and future plans" of this prospectus for details of the use of proceeds raised from the Placing.