

HS

衍生集團(國際)控股有限公司

Hin Sang Group (International) Holding Co. Ltd.

(Incorporated in Cayman Islands with limited liability)

Stock Code : 6893

衍生

BY WAY OF PLACING AND PUBLIC OFFER

Sole Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Joint Bookrunners and Joint Lead Managers

AmCap

Ample Orient Capital Limited



興證香港
INDUSTRIAL SECURITIES (HK)

Joint Lead Managers

Convoy Investment Services Limited

康宏証券投資服務有限公司



齊魯國際
QILU INTERNATIONAL

Financial Advisor

富域
Donvex
富域資本

Donvex Capital Limited
富域資本有限公司

IMPORTANT

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

HS

HIN SANG GROUP (INTERNATIONAL) HOLDING CO. LTD.

衍生集團(國際)控股有限公司

(incorporated in the Cayman Islands with limited liability)

**LISTING ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF PLACING AND PUBLIC OFFER**

Number of Offer Shares	: 200,000,000 Shares
Number of Placing Shares	: 180,000,000 Shares (Subject to adjustment)
Number of Public Offer Shares	: 20,000,000 Shares (Subject to adjustment)
Offer Price	: Not more than HK\$1.20 per Offer Share and expected to be not less than HK\$1.00 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
Nominal value	: HK\$0.10 per Share
Stock code	: 6893

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Joint Bookrunners and Joint Lead Managers

AmCap

Ample Orient Capital Limited

 **興證香港**
INDUSTRIAL SECURITIES HK

Joint Lead Managers

Convoy Investment Services Limited

康宏証券投資服務有限公司

 **齊魯國際**
QILU INTERNATIONAL

Financial Adviser

 **Donvex**
富域資本
Donvex Capital Limited
富域資本有限公司

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 sub-section headed "A. Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by an agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company on or around Thursday, 9 October 2014, or such other time and date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company, but in any event no later than 6:00 p.m. (Hong Kong time) on Friday, 10 October 2014. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company by 6:00 p.m. on Friday, 10 October 2014, the Share Offer will not proceed and will lapse. Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.20 (plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee) for each Public Offer Share. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, the 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 last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hinsanggroup.com notice of the reduction in the indicative Offer Price range.

Prospective investors of the Offer Shares should note that the Joint Bookrunners (for themselves and on behalf of the Underwriters) are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out under the section headed "Risk factors" in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering and sales of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

30 September 2014

EXPECTED TIMETABLE ^(Note 1)

If there is any change in the following expected timetable, our Company will issue a separate announcement.

Latest time to complete electronic applications under the
HK eIPO White Form service through the designated
website at www.hkeipo.hk (Note 2) 11:30 a.m. on Wednesday, 8 October 2014

Application lists open (Note 3) 11:45 a.m. on Wednesday, 8 October 2014

Latest time to lodge **White** and **Yellow** Application Forms and
giving electronic application instructions to
HKSCC (Note 4) 12:00 noon on Wednesday, 8 October 2014

Latest time to complete payment for **HK eIPO White Form** applications
by effecting internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Wednesday, 8 October 2014

Application lists close (Note 3) 12:00 noon on Wednesday, 8 October 2014

Price Determination Date (Note 5) on or about Thursday, 9 October 2014

Announcement of:

- (i) the final Offer Price;
- (ii) the indication of the level of interest in the Placing;
- (iii) the level of applications in the Public Offer; and
- (iv) the basis of allocation of the Public Offer Shares
and the number of Offer Shares, if any, reallocated between
the Placing and the Public Offer to be published in
The Standard (in English) and the *Hong Kong Economic Journal*
(in Chinese), the website of our Company at www.hinsanggroup.com
and the website of the Stock Exchange at www.hkexnews.hk . Wednesday, 15 October 2014

Results of allocation in the Public Offer (with successful
applicants' identification document numbers, where
appropriate) to be available through a variety of
channels as described in the sub-section headed
"How to Apply for the Public Offer Shares —
11. Publication of results" in this prospectus
and the website of the Stock Exchange
at www.hkexnews.hk from Wednesday, 15 October 2014

EXPECTED TIMETABLE (Note 1)

Results of allocations in the Public Offer to be available
at the designated results of allocation website
at www.tricor.com.hk/ipo/result, with a “search
by ID” function Wednesday, 15 October 2014

Despatch of **HK eIPO White Form** e-Auto Refund payment
instructions/refund cheques in respect of wholly successful
(if applicable) and wholly or partially unsuccessful applications
under the Public Offer (*Notes 5, 7 & 8*) on or before Wednesday, 15 October 2014

Despatch/collection of the share certificates of the Offer Shares
or deposit of certificates of the Offer Shares into CCASS
in respect of wholly or partially successfully applications
pursuant to the Public Offer (*Notes 6 & 7*) on or before Wednesday, 15 October 2014

Dealings in our Shares on the Stock Exchange to
commence at 9:00 a.m. Thursday, 16 October 2014

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
- (2) 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. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 8 October 2014, the application lists will not open on that day. Further information is set out in the sub-section headed “How to apply for the Public Offer Shares — 10. Effect of bad weather conditions on the opening of the application lists” in this prospectus. If the application lists do not open and close on Wednesday, 8 October 2014, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by the Company in such event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the sub-section “How to apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Thursday, 9 October 2014, and in any event no later than 6:00 p.m. on Friday, 10 October 2014. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (also in the capacities of the Underwriters) and the Company on or before 6:00 p.m. on Friday, 10 October 2014, the Share Offer will not proceed and will lapse.
- (6) Share certificates for the Public Offer Shares will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Company will make an announcement as soon as possible.

EXPECTED TIMETABLE ^(Note 1)

- (7) Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer may collect any refund cheques and/or Share certificates in person from the Hong Kong 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 Wednesday, 15 October 2014. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf.

Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop.

Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Tricor Investor Services Limited at the time of collection.

Applicants who have applied on **YELLOW** application forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not collect their Share certificates which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** application form applications are the same as those for **WHITE** application form applicants. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the sub-section headed "How to apply for the Public Offer Shares — 14. Despatch/Collection of share certificates and refund monies" in this prospectus.

If an applicant has applied for less than 1,000,000 Public Offer Shares, the share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

You should read carefully the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus for details relating to the structure and conditions of the Share Offer and how to apply for the Public Offer Shares.

- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final offer price is less than the price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

The Company, the Sponsor, the Joint Bookrunners and Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made or contained in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Joint Bookrunners and Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other persons or parties involved in the Share Offer.

	<i>Page</i>
Expected timetable	i
Contents	iv
Summary	1
Definitions	13
Glossary	24
Forward-looking statements	25
Risk factors	27
Information about this prospectus and the Share Offer	41
Directors and parties involved in the Share Offer	45
Corporate information	49
Industry overview	51
Regulatory framework	62
History, development and corporate structure	79

CONTENTS

	<i>Page</i>
Business	89
Connected transactions	186
Future plan and prospects	194
Directors, senior management and employees	196
Relationship with Controlling Shareholder	206
Share capital	212
Financial information	215
Sponsor's interest	257
Underwriting	258
Structure and conditions of the Share Offer	267
How to apply for the Public Offer Shares	272
Appendix I — Accountants' report	I-1
Appendix II — Unaudited pro forma financial information	II-1
Appendix III — Property valuation	III-1
Appendix IV — Summary of the constitution of the Company and Cayman Islands Company Law	IV-1
Appendix V — Statutory and general information	V-1
Appendix VI — Documents delivered to the Registrar of Companies and available for inspection	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary” in this prospectus.

OVERVIEW

We are principally engaged in developing, marketing, selling and distributing a wide variety of personal care products (mainly consisting of bath and shower gels, shampoos and conditioners, and skin care products), health care products (mainly consisting of health supplements including but not limited to child specific milk supplements, dietary supplements, appetising teas, nutritive drinks, cough and cold remedies, herbal teas and medicated oils) and household products (mainly consisting of laundry detergents and antiseptic germicides) under various brands.

These products are either (i) branded products we purchased from brand proprietors; (ii) products developed and distributed by us under our own brands; or (iii) products purchased from authorised dealers, independent traders, manufacturers or parallel importers.

Our business operations are mainly based in Hong Kong though we have appointed distributors to help selling and distributing the products under our own brands mainly in the PRC, Taiwan and Macau.

Our brief development stages

Our Group was founded in 1996 by Mr. Pang and Mrs. Pang. At that time, we focused on the sales and distribution of personal care products, health care products and household products purchased from authorised dealers and independent traders and sold onward to small independent pharmacy stores in Hong Kong. Gradually, we established our sales network in Hong Kong, which was essential to the development and expansion of our business later known as the Brand Development and Management Segment and Product Development Segment.

From the initial success in our established sales network in Hong Kong, in or around 1999, we were engaged by a few brand proprietors and manufacturers whose production bases are located in the Guangdong Province in the PRC for sales and distribution of their personal care products and management of their brands on an exclusive basis predominantly in Hong Kong though pursuant to some of our distribution agreements with the brand proprietors, we are also allowed to distribute their products in Macau, Malaysia and Singapore. The most popular brands which have been managed by us in Hong Kong include “Acene (澳雪)”, “Sewame (雪完美)”, “Enear (櫻雪)”, “Venic (花世界)”, “Janese (珍妮詩)” and “Disenar (迪西茵)”. To expand the sale of these personal care products

SUMMARY

exclusively distributed by us, we have appointed distributors for these products, mainly in Macau during the Track Record Period. Our Directors confirmed that we had not received any complaints from any brand proprietors regarding this sub-distribution arrangement as this arrangement would help boost the sales of their personal care products, which would benefit the business of both the brand proprietors and us.

Since 2004, we started developing health care products including medicated oils and orally consumed health supplements under our brand of “Hin Sang (衍生)”. In 2006, we developed our household products which are mainly pesticides and mosquito repellent under our brand of “On-guard (安高)”. In 2008 and 2009, we started debuting our own-branded personal care products, which are mainly skin care products under the brands of “Yanwaili (因為您)” and “Beautymate (美肌の誌)”.

Our Business Segments

In view of the above development stages, our business can therefore be broadly classified into three Business Segments, namely, Brand Development and Management Segment, Product Development Segment and Trading of Goods Segment. It is our objective to provide price-conscious consumers with a diversified portfolio of products of desirable performance at a competitive price. The nature of some products in these three Business Segments may be overlapping, but they are under different brands.

An overview of our three Business Segments in terms of product nature, target customers and overlapping customers is as follows:

Business Segment(s)	Product Nature	Overlapping in the nature of products	Target customers	Overlapping customers
Brand Development and Management Segment	Personal care products developed by brand proprietors and manufacturers in the PRC including mainly bath and shower gels, shampoos and skin care products	The skin care products under the brand of “Sewame (雪完美)” overlap with our skin care products developed by us in the Product Development Segment, namely, “Beautymate (美肌の誌)” and “Yanwaili (因為您)” and other personal care products purchased from parallel traders and suppliers under the Trading of Goods Segment.	Mainly chain retailers and individual retailers with a small portion of the personal care products sold to sub-distributors outside Hong Kong such as in Macau	The chain retailers and individual retailers overlap with the chain retailers and individual retailers in the Product Development Segment The individual retailers overlap with the individual retailers in the Trading of Goods Segment

SUMMARY

Business Segment(s)	Product Nature	Overlapping in the nature of products	Target customers	Overlapping customers
Product Development Segment	(1) Health care products (2) Personal care products, including skin care products (3) Household products	<p>The skin care products developed by us in the Product Development Segment, namely, “Beautymate (美肌の誌)” and “Yanwaili (因為您)” overlap with the skin care products developed by the brand proprietor under the brand of “Sewame (雪完美)”.</p> <p>The skin care products and household products overlap with those products we purchased from parallel traders and suppliers under the Trading of Goods Segment.</p>	Mainly chain retailers, individual retailers and distributors primarily for distribution of our own-branded products in the PRC, Taiwan and Macau	The chain retailers and individual retailers would overlap with those in the Brand Development and Management Segment while only the individual retailers will overlap with those under the Trading of Goods Segment
Trading of Goods Segment	(1) Personal care products, including Skin care products (2) Household products, which we purchased from Individual traders or parallel importers.	The nature of the products sold under this Business Segment may overlap with the products under two other Business Segments	Individual retailers who purchase the products under this Business Segment	The individual retailers would overlap with the individual retailers in both Brand Development and Management Segment and Product Development Segment

Our revenue in three Business Segments

During the Track Record Period, all of our revenue was derived from the sales of products in the above-mentioned three Business Segments. For the year ended 31 March 2013 and 2014, the Product Development Segment became our largest Business Segment representing approximately 52.4% and 74.6% of our total revenue, while it only accounted for approximately 31.1% for the year ended 31 March 2012. The revenue generated from Brand Development and Management Segment in terms of our total revenue remained at a relatively steady level throughout the Track Record Period. The Trading of Goods Segment recorded a continuous drop from approximately 51.6% of our total revenue for the year ended 31 March 2012 to approximately 8.4% for the year ended 31 March 2014.

The Brand Development and Management Segment

We have a proven history of managing and developing a number of brands for our brand proprietors (who are mainly manufacturers and brand proprietors of the products) in respect of their personal care products mainly in the market in Hong Kong since 1999. We entered into an exclusive distribution agreement with each of the brand proprietors and provided them with one-stop marketing, sales and distribution, logistic and delivery services for their branded products. All the brand proprietors in this Business Segment are Independent Third Parties.

SUMMARY

Amongst the products managed and developed by us for the brand proprietors, the bath and shower products under the brands of “Acene (澳雪)”, “Enear (櫻雪)”, “Vcnic (花世界)” and “Zici (滋采)” are well-known to local households in Hong Kong. According to the BMI Report, during the period from January 2013 to December 2013, the aggregate market share of these bath and shower products was approximately 3.0% in the bath and shower market with a market size of approximately HK\$1,005.1 million in Hong Kong in 2013.

The Product Development Segment

We leveraged on our distribution and sales experience to develop our own health care products, personal care products and household products sold under our various brands owned by us including “Hin Sang (衍生)”, “Beautymate (美肌の誌)”, “Yanwaili (因為您)”, “Shuang Long (雙龍)”, “King’s Antiseptic (殺菌王)” and “On-guard (安高)”.

We started developing the “Hin Sang (衍生)” brand in 2004 mainly for our health supplements. According to the BMI Report, our “Hin Sang (衍生)” brand vitamin and dietary supplements for babies and children enjoyed a leading position of the market in Hong Kong from 2011 to 2013, which had a market share of approximately 42.4%, 38.7% and 53.6% in 2011, 2012 and 2013 respectively in the Hong Kong child-specific vitamin and dietary supplements market.

In 2008, we started debuting skin care products under the brand name of “Yanwaili (因為您)” and in 2009, the brand of “Beautymate (美肌の誌)”, which had subsequently become one of our best-selling brands not long after launching.

In 2010 and 2011, we started developing our health care products under a number of newly developed brands such as “I love BB”, “Happy Baby (乖寶貝)”, “Yin Sang (延生)” and “Shuang Long (雙龍)”. We expect that these brands will gradually pick up to complement and further strengthen our Group’s market share in health care products.

During the Track Record Period and as at the Latest Practicable Date, we outsourced the production of all our own-branded products to external manufacturers in Hong Kong, the PRC and Taiwan, who supplied the products to us as finished products or semi-finished products to be packed by us. As at the Latest Practicable Date, we had a total of 38 suppliers (including Tai Wo Tong Pharmaceutical) in Hong Kong, the PRC and Taiwan for the production and supply of our own-branded products and relevant packing materials. Despite the outsourcing arrangement, we uphold and maintain the quality of our own-branded products by, among others, exercising stringent measures in selecting and reviewing the performance of our external manufacturers and the quality of the products supplied to us, inspecting the production process regularly, submitting samples of our new products to well-recognised accredited centres, such as SGS Taiwan Limited, Hong Kong Standards and Testing Centre (香港標準及檢定中心), CMA Industrial Development Foundation Limited (CMA Testing) (香港中華廠商聯合會工業發展基金有限公司(廠商會檢定中心)) or China National Analytical Center, Guangzhou (中國廣州分析測試中心) for testing before we launch any new product to the market.

SUMMARY

The following table sets forth the revenue breakdown under the Product Development Segment during the Track Record Period:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Health care products			
Sales of PCM	8,047	20,056	27,733
Sales of non-PCM	<u>56,668</u>	<u>68,828</u>	<u>129,390</u>
Subtotal	64,715	88,884	157,123
Personal care products	45,347	32,505	29,735
Household products	<u>2,160</u>	<u>1,893</u>	<u>1,993</u>
Total	<u>112,222</u>	<u>123,282</u>	<u>188,851</u>

PCM and non-PCM

Our own-branded health care products can also be broadly divided into PCM and non-PCM products in terms of their ingredients and claimed functionalities. If a product is classified as PCM, the manufacture and sale of which have to comply with CMO. Pursuant to CMO, packing is regarded as a manufacturing process of PCM. Hence, only a holder of a valid PCM Manufacturer Licence, like Tai Wo Tong Pharmaceutical, can (i) pack PCM in Hong Kong; and (ii) register the relevant PCM with the CMB under its name.

Before Tai Wo Tong Pharmaceutical was disposed of from our Group in July 2013, it packed the semi-finished products (including PCM and non-PCM) that we purchased from external manufacturers, for us. After the said disposal, Tai Wo Tong Pharmaceutical continued to pack our products, which are mainly PCM, as one of our suppliers, pursuant to the terms set out in the Packing Agreement whereby Tai Wo Tong Pharmaceutical would purchase semi-finished PCM from our designated external manufacturers and pack such semi-finished PCM with the packing materials specified by us and then sell and supply the PCM to us as finished products after packing. We pay the packing fee to Tai Wo Tong Pharmaceutical and reimburse it with the cost of the semi-finished PCM and the packing materials at a cost basis. Since March 2014, we only engaged it to provide packing service for our PCM. By so doing, we can ensure that it will continue to provide packing service to us in respect of our PCM. At the same time, we have taken a series of measures to reduce our reliance on Tai Wo Tong Pharmaceutical in packing and other aspects, such as the research and development of our PCM. We plan to reduce and fully mitigate our reliance on Tai Wo Tong Pharmaceutical by 31 March 2016.

The Trading of Goods Segment

Since 1996, we have been engaged in the business of trading and distribution of skin care products, personal care products and household products with approximately 60 brands during the Track Record Period purchased from suppliers, who are mainly authorised dealers, suppliers and parallel importers from Taiwan, Thailand, Indonesia, Singapore and Hong Kong. All suppliers in the Trading of Goods Segment are Independent Third Parties.

SUMMARY

As the products distributed by us in this Trading of Goods Segment inevitably include parallel-imported products, we have taken all possible protective measures to ensure that these products are not counterfeit or pirated goods and the sale of which will not breach any law and regulation in Hong Kong or infringe the intellectual property rights of any third parties. Our Directors, after seeking legal advice from our Hong Kong legal advisers on our business operations, are of the view that our Group had complied with the relevant applicable laws and regulations in Hong Kong in all material aspects regarding the distribution of parallel-imported goods during the Track Record Period.

CUSTOMERS

Our customers are mainly chain retailers and individual retailers in Hong Kong and distributors primarily in the PRC and then in Taiwan, Macau and Malaysia.

Concerning the sale of our own-branded products to distributors outside Hong Kong, we generally enter into standard distribution agreements with individual distributors containing terms including but not limited to specified distribution territory, pricing policy, sales target, incentive bonus, product return policy and payment policy. Our relationship with these distributors is that of between seller and buyer. To avoid cannibalisation, we have taken out a series of measures such as restricting them to sell our products in the specific distribution territory. Besides, we maintain regular contacts with the distributors, review their amount of purchase and keep track of their inventory level etc.

Sales to our top five customers amounted to approximately HK\$128.8 million, HK\$88.4 million and HK\$101.5 million, representing approximately 35.7%, 37.6% and 40.1% of our total revenue for the three years ended 31 March 2012, 2013 and 2014 respectively, whereas the sales to our largest customer represented approximately 10.6%, 16.9% and 18.2% of our total revenue for the corresponding years.

SUPPLIERS

Major suppliers in the Brand Development and Management Segment are the brand proprietors. Suppliers in the Product Development Segment are mainly the manufacturers of the products under our own brands and the suppliers of packing materials. Under the Trading of Goods Segment, there are a large number of suppliers for the great variety of products sold to us. Purchase from our top five suppliers amounted to approximately HK\$151.1 million, HK\$65.6 million and HK\$65.7 million, representing approximately 58.4%, 48.0% and 59.2% of our total cost of sales for the three years ended 31 March 2012, 2013 and 2014 respectively, whereas the purchase from our largest supplier represented 25.0%, 12.8% and 25.8% of our total cost of sales for the corresponding years.

COMPETITIVE STRENGTHS

Our Directors believe that the following are the key components to our success:

- We provide a one-stop shop business model to brand proprietors including product development, sales and marketing, development of sales network, logistics and delivery;
- We provide a diversified portfolio of health care products, personal care products and household products under different brands;
- Our strong market research and development capabilities and dedication to quality control;

SUMMARY

- Established long-standing relationships with both chain retailers and individual retailers for the distribution of our products; and
- Multi-faceted marketing strategies.

BUSINESS STRATEGIES

We intend to implement the following principal strategies to expand our business and create value for the Shareholders:

- To explore business collaboration opportunities with new brand proprietors;
- To further expand our sales and distribution network for our own-branded products;
- To continue enhancing brand recognition of our own brands through effective marketing strategy; and
- To further expand our product portfolio by developing new products with suitable pharmaceutical companies.

LISTING EXPENSES

As explained in the paragraph headed “Financial Information — Principal Income Statement Components — Administrative Expenses” in this prospectus, the total estimated expenses to be incurred in connection with the Listing are approximately HK\$25.3 million.

Such estimated expenses, which are non-recurrent in nature, cause impact on our financial performance in the following manner:

- (i) Up to 31 March 2012, listing expenses of approximately HK\$3.0 million have been charged to consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$0.5 million was charged for the year ended 31 March 2012 and the remaining part was charged for the prior years;
- (ii) Listing expenses of approximately HK\$2.6 million and HK\$1.4 million were charged to consolidated statements of profit or loss and other comprehensive income for the two years ended 31 March 2013 and 2014 respectively;
- (iii) During the Track Record Period, listing expenses of approximately HK\$0.6 million had been paid and deferred to be offset against the share premium account in equity after the Listing, and therefore treated in the prepayment and included in “trade and other receivables” on the consolidated statements of financial position; and
- (iv) For the year ending 31 March 2015, the listing expenses are estimated to be approximately HK\$17.7 million, of which approximately HK\$10.4 million will be charged to consolidated statements of profit or loss and other comprehensive income and the remaining approximately HK\$7.3 million will be offset against the share premium account in equity after the Listing.

SUMMARY

RECENT DEVELOPMENT

According to the unaudited accounts of our Group for the four months ended 31 July 2014 and 2013 prepared by our Directors, our revenue was approximately HK\$77.5 million for the four months ended 31 July 2014 as compared to HK\$86.4 million for the same period in 2013, representing a decrease of 10.3%. Such decrease was mainly due to the decrease in our sales of products under the Trading of Goods Segment, from the amount of approximately HK\$8.2 million for the four months ended 31 July 2013 to approximately HK\$4.0 million for the four months ended 31 July 2014. However, our gross profit margin for the four months ended 31 July 2014 was higher than that for the same period in 2013, which was mainly due to the sustained increase in share of revenue of Product Development Segment with a relatively high margin. Our Group's unaudited accounts for the four months ended 31 July 2014 and 2013 has been reviewed by our Group's reporting accountants, HLB Hodgson Impey Cheng Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Our Directors confirm that since 31 March 2014, there has been no material adverse change in our financial position or business prospects and no event has occurred that would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

IMPACT OF LISTING EXPENSES ON OUR FINANCIAL PERFORMANCE

The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred. Given that the listing expenses of approximately HK\$10.4 million would be charged to the consolidated statements of profit or loss and other comprehensive income upon Listing for the year ending 31 March 2015, it is expected that our net profit margin for the year ending 31 March 2015 would be lower than that of the year ended 31 March 2014. It is also expected that our net profit for the six months ended 30 September 2014 would be lower than that of the same period in 2013 because of the effect of listing expenses.

USE OF PROCEEDS

We believe that the listing of the Shares on the Main Board could enhance our profile, while the net proceeds from the Share Offer will strengthen our financial position and allow us to implement and execute our business plan as set out in the section headed "Future Plan and Prospects" in this prospectus. We also believe that a public listing status on the Main Board will increase the public profile of our brands and products, as well as offer us access to the capital market for future business development and strengthening our competitiveness.

Assuming an Offer Price of HK\$1.10 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.00 to HK\$1.20 per Offer Share), the total net proceeds raised from the Share Offer after deduction of listing related expenses are estimated to be approximately HK\$201.7 million. The net proceeds from the Share Offer are intended to be used as follows:

- up to 48%, or approximately HK\$96.8 million, will be used for exploring business collaboration opportunities with new brand proprietors;

SUMMARY

- up to 25%, or approximately HK\$50.4 million, will be used for expanding our sales and distribution network;
- up to 15%, or approximately HK\$30.3 million, will be used for enhancing our marketing and promotion activities in the PRC;
- up to 6%, or approximately HK\$12.1 million, will be used for expanding our product portfolio; and
- the remaining balance of 6%, or approximately HK\$12.1 million, will be used as our Group's general working capital.

Please refer to the section headed “Future Plan and Prospects” in this prospectus for further details.

SHAREHOLDERS INFORMATION

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that were granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), Mr. Pang and Mrs. Pang will together hold, through Genwealth, 75% of the total issued share capital of our Company. For further details, please refer to the section headed “Relationship with Controlling Shareholder” in this prospectus.

As at the Latest Practicable Date, we have granted options under the Pre-IPO Share Option Scheme (the exercise of which would entitle the grantees to an aggregate of 24,640,000 Shares, representing approximately 3.1% of the issued share capital of the Company immediately following the Share Offer and the Capitalisation Issue and without taking into account the Shares which may be issued pursuant to options which may be granted under the Share Option Scheme. For details of the Pre-IPO Share Option Scheme, please refer to the sub-section headed “E.1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus.

DIVIDEND AND DIVIDEND POLICY

Following completion of the Listing, we may distribute dividends by way of cash or by other means that our Board considers appropriate. On 3 July 2013, our Company declared and paid an interim dividend of approximately HK\$146,000 to Mr. Pang and Mrs. Pang by way of distribution in specie of all the issued shares in Tai Wo Tong Pharmaceutical indirectly held by our Company. On 15 October 2013, an interim dividend of HK\$20.0 million was declared and settled by offsetting the amounts due from directors. On 24 January 2014, a special dividend of HK\$30.0 million was declared and to be paid out of our retained profits to our then shareholders. Such dividend has been fully paid in August 2014. Other than that, we did not declare and pay any dividends to our then shareholders during the Track Record Period.

SUMMARY

A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion, there can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. Our historical dividend distribution is not an indication or may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Please refer to the sub-section headed “Financial Information — Dividend and Dividend Policy” in this prospectus for further details.

SUMMARY OF KEY FINANCIAL AND OPERATIONAL INFORMATION

The following key financial and operational information should be read in conjunction with the accountants’ report set out in Appendix I to this prospectus.

The following table sets out selected line items of our consolidated statements of profit or loss and other comprehensive income for the three years ended 31 March 2012, 2013 and 2014:

	Year ended 31 March		
	2012	2013	2014
	HK\$’000	HK\$’000	HK\$’000
Revenue	<u>360,414</u>	<u>235,114</u>	<u>253,171</u>
Gross profit	<u>101,469</u>	<u>98,410</u>	<u>142,341</u>
Net profit	<u>22,067</u>	<u>15,383</u>	<u>49,704</u>

Our revenue decreased by approximately 34.8% for the year ended 31 March 2013 as compared to the preceding year and then increased by approximately 7.7% for the year ended 31 March 2014.

Our gross profit slightly decreased by approximately 3.0% for the year ended 31 March 2013 as compared to preceding year and then increased by approximately 44.6% for the year ended 31 March 2014. Our net profit decreased by approximately 30.3% for the year ended 31 March 2013 as compared to preceding year and then increased by approximately 223.1% for the year ended 31 March 2014. Such change in our gross profit and net profit was mainly due to the change in our segment revenue throughout the Track Record Period.

SUMMARY

The following table sets out our results of operations by business segment during the Track Record Period:

	<u>Brand Development and Management Segment</u>			<u>Product Development Segment</u>			<u>Trading of Goods Segment</u>		
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2012	2013	2014	2012	2013	2014	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	62,178	50,579	42,947	112,222	123,282	188,851	186,014	61,253	21,373
Segment revenue as a percentage of total revenue	17.3%	21.5%	17.0%	31.1%	52.4%	74.6%	51.6%	26.1%	8.4%
Segment gross profit	20,100	15,683	13,824	69,267	78,719	127,034	12,102	4,008	1,483
Segment gross profit margin	32.3%	31.0%	32.2%	61.7%	63.9%	67.3%	6.5%	6.5%	6.9%

Please refer to the paragraphs headed “Revenue” and “Gross Profit and Gross Profit Margin” both under the sub-section headed “Financial Information — Principal Income Statement Components” in this prospectus for further details.

The following table sets out selected line items of our consolidated statements of financial position as at 31 March 2012, 2013 and 2014:

	<u>As at 31 March</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<u>19,396</u>	<u>23,990</u>	<u>42,600</u>
Current assets	<u>117,645</u>	<u>179,336</u>	<u>115,684</u>
Total assets	<u>137,041</u>	<u>203,326</u>	<u>158,284</u>
Current liabilities	<u>54,629</u>	<u>101,294</u>	<u>63,989</u>
Net current assets	<u>63,016</u>	<u>78,042</u>	<u>51,695</u>
Total assets less current liabilities	<u>82,412</u>	<u>102,032</u>	<u>94,295</u>
Non-current liabilities	<u>2,186</u>	<u>6,280</u>	<u>—</u>
Net assets	<u>80,226</u>	<u>95,752</u>	<u>94,295</u>

SUMMARY

The following table sets out our key financial ratios for the years or as at the dates indicated.

	As at 31 March		
	2012	2013	2014
Profitability			
Gross profit margin	28.2%	41.9%	56.2%
Net profit margin	6.1%	6.5%	19.6%
Return on equity	27.5%	16.1%	52.7%
Return on assets	16.1%	7.6%	31.4%
Liquidity			
Current ratio	2.2	1.8	1.8
Gearing ratio	31.3%	87.4%	—

Please refer to the sub-section headed “Financial Information — Other Key Financial Factors” in this prospectus for further details.

OFFER STATISTICS

	Based on the Offer Price of HK\$1.00 per Share	Based on the Offer Price of HK\$1.20 per Share
Market Capitalization (<i>Note 1</i>)	HK\$800,000,000	HK\$960,000,000
Unaudited pro forma adjusted consolidated net tangible assets value per Share (<i>Note 2</i>)	HK\$0.35	HK\$0.39

Notes:

1. The calculation of market capitalisation of the Shares is based on the indicative Offer Price range of HK\$1.00 to HK\$1.20 per Offer Share and a total of 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme.
2. The unaudited pro forma adjusted consolidated net tangible assets value per Share is arrived at after the adjustment referred to in Appendix II to this prospectus and on the basis of 800,000,000 Shares will be in issue immediately following the completion of the Share Offer.

RISK FACTORS

We believe that there are certain risks involved in our operation. Many of these risks are beyond our control. The risks which our Directors consider to be material include (i) our reliance on suppliers for production of all our products and packing and procuring registration of all our PCM under our own brand; (ii) our reliance on a few self-developed flagship products, namely, “Hin Sang Milk Supplement (Granules) (衍生開奶茶顆粒沖劑)”, “Hin Sang Health Star (Granules) (衍生七星茶顆粒沖劑)”, “Hin Sang Supreme Cough & Cold Remedy (Granules) (衍生至尊感冒止咳顆粒沖劑)”, “Hin Sang Bao Ying Dan (衍生精製保嬰丹)” and “Hin Sang Hou Tsao San (衍生精製猴棗散)”; (iii) a significant portion of our revenue rely on a few brand proprietors for the supply of personal care product to us for distribution mainly in Hong Kong and our failure to secure a steady supply of these products may adversely affect our results in the Brand Development and Management Segment. You should read the entire section headed “Risk Factors” in this prospectus and consider carefully all the information contained therein before making any investment decision regarding our Group.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary”:

“2012 Distribution Agreement”	the supply agreement entered into between Hin Sang Hong (HK) (as the supplier) and a distributor in relation to the supply of certain health care products under the brand of “Tai Wo Tong (太和堂)” by our Group to the distributor for distribution in Hong Kong and Macau from 1 April 2012 to 31 March 2017
“ACCA”	Association of Chartered Certified Accountants
“Ample Capital” or “Sponsor”	Ample Capital Limited, a licenced corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) activities
“Ample Orient Capital”	Ample Orient Capital Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities) activities
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the articles of association of the Company adopted on 25 September 2014, and as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beautymate”	Beautymate Hong Kong Limited, a company incorporated with limited liability on 22 January 2010 in Hong Kong which is wholly owned by Hin Sang Holding and an indirect subsidiary of our Company
“Beautymate (Taiwan)”	Beautymate International Limited* (美肌之誌國際有限公司), a company incorporated with limited liability on 4 August 2010 in Taiwan and wholly owned by Hin Sang Hong (HK) and an indirect subsidiary of our Company
“BMI Report”	the report on (1) the Hong Kong vitamins and dietary supplement market; (2) the Hong Kong bath and shower product market; and (3) the Hong Kong skin care product market commissioned by the Company and prepared by BMI Appraisals Limited, an Independent Third Party, which has incorporated data from Euromonitor International for its analysis
“Board”	the board of Directors

DEFINITIONS

“Brand Development and Management Segment”	the Business Segment in which the Group purchases primarily personal care products from the brand proprietors and manage and develop the brand of such products
“Business Day”	a day on which licenced banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Business Segment(s)”	the classification of our business into three business segments namely Brand Development and Management Segment, Product Development Segment and Trading of Goods Segment (each of which is called a “ Business Segment ” and collectively, “ Business Segments ”)
“BVI”	the British Virgin Islands
“CAGR”	the compound annual growth rate
“Capitalisation Issue”	the issue of new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of the Company referred to under the paragraph headed “A. 4. Written resolutions of the sole Shareholder” in Appendix V to this prospectus
“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
“CMB”	Chinese Medicines Board of Chinese Medicine Council of Hong Kong (香港中醫藥管理委員會中藥組)
“CMC”	Chinese Medicine Council of Hong Kong (香港中醫藥管理委員會)

DEFINITIONS

“CMO”	the Chinese Medicine Ordinance (Cap. 549 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“CMR”	the Chinese Medicines Regulation (Cap. 549F of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“chief executive”	has the meaning ascribed thereto under the Listing Rules
“Chong Sang”	Chong Sang (HK) Company Limited (創生(香港)有限公司), a company incorporated with limited liability on 25 April 2001 in Hong Kong and wholly owned by Hin Sang Holding and an indirect subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Hin Sang Group (International) Holding Co. Ltd. 衍生集團(國際)控股有限公司, an exempted company incorporated with limited liability in the Cayman Islands on 28 October 2010
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, in the context of the Company, means each of Mr. Pang, Mrs. Pang and Genwealth
“Convoy”	Convoy Investment Services Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) activities
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 25 September 2014 executed by the Controlling Shareholders in favour of the Company, details of which are set out in the sub-section headed “Relationship with Controlling Shareholder — Deed of Non-competition” in this prospectus
“Director(s)”	the director(s) of the Company
“finished products”	products that are duly packed and ready for sale to consumers in the market
“GDP”	the gross domestic product
“Genwealth”	Genwealth Group Holding Company Limited (衍富集團控股有限公司), a company incorporated with limited liability on 5 October 2010 in the BVI, the issued shares of which are owned as to 90% by Mr. Pang and 10% by Mrs. Pang, and is a Controlling Shareholder
“GMP Plant”	GMP Chinese medicine production plant proposed to be built in Yuen Long, Hong Kong by Tai Wo Tong Pharmaceutical and the lease and construction site of which were in the course of surrender back to Hong Kong Science and Technology Parks as at the Latest Practicable Date
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the material time
“health care product(s)”	mainly include health care products, medicated oil, insect repellent, eye drop and health supplements
“health supplement(s)”	mainly include edible products intended to supplement the diet and provide nutrients which contain a concentrate, metabolite, constituent, extract or combination of vitamin, minerals, herb, fibre, botanical and/or amino acid and for ingestion in pill, capsule, tablet, powder or liquid form
“Hin Sang Holding”	Hin Sang Group Holding Limited (衍生集團控股有限公司), a company incorporated with limited liability on 11 September 2006 in the BVI and directly wholly owned by the Company

DEFINITIONS

“Hin Sang Hong (HK)”	Hin Sang Hong Company Limited (衍生行有限公司), a company incorporated with limited liability on 13 June 1996 in Hong Kong and wholly owned by Hin Sang Holding and an indirect subsidiary of our Company
“Hin Sang Hong (Shenzhen)”	Hin Sang Hong Trading (Shenzhen) Limited* (衍生行貿易(深圳)有限公司), a wholly-foreign owned enterprise established on 23 October 2007 in the PRC and wholly owned by Hin Sang Hong (HK) and an indirect subsidiary of our Company
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“ HK eIPO White Form ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting an application online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form Service Provider designed by our Company, as specified on the designed website of the HK eIPO White Form at www.hkeipo.hk
“HM Advertising”	HM Advertising Company Limited, a company incorporated with limited liability on 12 December 2007 in Hong Kong and wholly owned by Hin Sang Holding and an indirect subsidiary of our Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Medicine Manufactory”	Hong Kong Medicine Manufactory Holdings Co., Ltd. (香港製藥廠控股有限公司), a company incorporated with limited liability on 17 July 2008 in the BVI and wholly owned by Hin Sang Holding and an indirect subsidiary of our Company
“Hong Kong Pharmaceutical”	Hong Kong Pharmaceutical & Research Institute Co., Ltd. (香港製藥研究所有限公司), a company incorporated with limited liability on 18 August 2008 in the BVI and wholly owned by Hong Kong Medicine Manufactory and an indirect subsidiary of our Company

DEFINITIONS

“Hong Kong Pharmaceutical & Research”	Hong Kong Pharmaceutical & Research Institute Co., Limited (香港製藥研究所有限公司) (formerly known as Surplus Sino Worldwide Limited (華盈環球有限公司)), a company incorporated with limited liability on 22 May 2013 in Hong Kong and wholly owned by Hin Sang Holding and an indirect subsidiary of our Company
“Hong Yan Tong”	Hong Kong Hong Yan Tong Pharmaceutical Limited (香港康恩堂製藥廠有限公司), an Independent Third Party
“household product(s)”	mainly include laundry detergent, mosquito repellent, antiseptic germicide, pesticide and tissue paper
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any member of the Group, the Directors, chief executive and substantial shareholder of the Company and its subsidiaries and their respective close associates
“Industrial Securities”	Industrial Securities (Hong Kong) Capital Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) activities
“Japan”	the State of Japan
“Joint Bookrunners”	Ample Orient Capital and Industrial Securities
“Joint Lead Managers”	Ample Orient Capital, Convoy, Industrial Securities and Qilu
“Latest Practicable Date”	22 September 2014, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which trading of the Shares first commences on the Main Board, which is expected to be on Thursday, 16 October 2014
“Listing Division”	the listing division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC

DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
“manufacturer”	includes manufacturer, factory or producer which makes, produces or otherwise brings into being finished or semi-finished products (include PCM or non-PCM) to our Group and also packing of our products.
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on 25 September 2014 and as amended from time to time
“Mr. Pang”	Pang Siu Hin (彭少衍), a founder of the Group, an executive Director and a controlling shareholder of the Company
“Mrs. Pang”	Kwan Lai Man (關麗雯), the spouse of Mr. Pang, being a founder of the Group, an executive Director and a controlling shareholder of the Company
“NT\$”	Taiwan dollars, the lawful currency of Taiwan
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.20 and not less than HK\$1.00 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, such price is to be agreed between the Company and the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters at or before the Price Determination Date
“Offer Shares”	the Public Offer Shares and the Placing Shares
“PCM Manufacturer Licence”	the manufacturer licence in PCM issued under the CMO
“Packing Agreement”	an agreement entered into between Hin Sang Hong (HK) and Tai Wo Tong Pharmaceutical on 25 September 2014 to engage the latter to pack, <i>inter alia</i> , certain PCM for the Group within the contracted period
“personal care product(s)”	mainly include bath and shower gels, shampoos and conditioners, hair treatments and skin care products
“Pharmacy and Poisons Ordinance”	the Pharmacy and Poisons Ordinance (Cap. 138 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of the Company for cash at the Offer Price to selected professional, institutional and individual investors, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 180,000,000 new Shares initially offered by the Company for subscription under the Placing, subject to adjustment as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing Shares listed in the paragraph headed “Underwriting — Placing” in this prospectus
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and to be entered into by, among others, the Joint Lead Managers, the Placing Underwriters, our Company, our Controlling Shareholders and executive Directors on or about the Price Determination Date, as further described under the paragraph headed “Underwriting — Placing” in this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus, excludes Hong Kong, Macau and Taiwan
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organisations of such government or, as the context requires, all of them
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between the Company, the Sponsor and the Joint Bookrunners (also in the capacities of the Underwriters) at or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Thursday, 9 October 2014 (or such other time and date as may be agreed between the Company and the Joint Bookrunners (also in the capacities of the Underwriters)) at or before the Price Determination Date to record and fix the Offer Price
“Pre-IPO Share Option Scheme”	the Pre-IPO share option scheme adopted by the Company on 25 September 2014, a summary of the terms and conditions of which are set out in the paragraph headed “E. 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus

DEFINITIONS

“Product Development Segment”	the Business Segment in which the Group develops own personal care products, health supplements and household products sold under our own brands, including but not limited to “Beautymate (美肌の誌)”, “Hin Sang (衍生)”, “King’s Antiseptic (殺菌王)” and “On-guard (安高)”
“Public Offer”	the conditional offer of the Public Offer Shares by the Company for subscription by the public in Hong Kong at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 20,000,000 new Shares initially offered by the Company for subscription at the Offer Price under the Public Offer, representing 10% of the initial number of Offer Shares (subject to adjustment as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer Shares listed under the sub-section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 September 2014 relating to the Public Offer and entered into by, among others, the Sponsor, the Joint Lead Managers, the Public Offer Underwriters, our Company, the Controlling Shareholders, as further described under the sub-section headed “Underwriting — Public Offer” in this prospectus
“Qilu”	Qilu International Capital Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) activities
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing, particulars of which are set forth under the paragraph headed “A. 5. Corporate Reorganisation” in Appendix V to this prospectus
“SAFE”	The State Administration of Foreign Exchange
“semi-finished products”	products that have to be packed before they can be sold to consumers in the market
“Service Agreement”	an agreement entered into between Hin Sang Hong (HK) and Tai Wo Tong Pharmaceutical on 25 September 2014 to engage the latter to provide, <i>inter alia</i> , research and development service to our Group

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 25 September 2014, the principal terms of which are set forth under the sub-section headed “E. 2. Share Option Scheme” in Appendix V to this prospectus
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Southern Medical University”	the School of Traditional Chinese Medicine of the Southern Medical University (南方醫科大學中醫學院)
“State Council”	the State Council of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meanings ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meanings ascribed thereto under the Listing Rules
“Supply Agreement”	an agreement entered into between Hin Sang Hong (HK) and Tai Wo Tong Pharmaceutical on 25 September 2014 in relation to the supply of products of Tai Wo Tong Pharmaceutical to the Group up to 31 March 2017
“supplier”	includes manufacturer, supplier of packing services and supplier of raw materials and packing materials
“Tai Wo Tong”	Tai Wo Tong Company Limited (太和堂有限公司), a company incorporated with limited liability on 6 April 2009 in Hong Kong and wholly owned by Tai Wo Tong Pharmaceutical as at the Latest Practicable Date
“Tai Wo Tong Pharmaceutical”	Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited (太和堂製藥(香港)有限公司), a company incorporated with limited liability on 6 April 2009 in Hong Kong and is wholly owned by Mr. Pang and Mrs. Pang as at the Latest Practicable Date

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	comprises the period for the three years ended 31 March 2012, 2013 and 2014
“Trading of Goods Segment”	the Business Segment in which the Group engages in trading and distributing skin care products, personal care products and household products purchased from various authorised dealers and independent traders or directly from suppliers
“UMAO”	the Undesirable Medical Advertisements Ordinance (Cap. 231 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Underwriters”	the underwriters of the Share Offer whose names are set out in the sub-section headed “Underwriting — Underwriters” to this prospectus
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“United States” or “US” or “USA”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“ WHITE Application Form(s) ”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicants’ own names
“Yaome Nihon”	Yaome Nihon Corporation (日本因為您株式會社), a company incorporated with limited liability on 23 June 2008 in the BVI and wholly owned by Hin Sang Hong (HK) and an indirect subsidiary of our Company
“ YELLOW Application Form(s) ”	the application form(s) for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

The English names of the PRC and Taiwan entities, laws or regulations or government authorities mentioned in this prospectus and marked with “*” are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

GLOSSARY

This glossary contains explanations and definitions of certain terms, definitions and abbreviations used in this prospectus in connection with the Group and its business. The terms and their meanings may not correspond to standard industry meanings or usage of those terms.

“distributor(s)”	the Group’s distributor(s) for the sales and distribution of the Group’s products in the PRC, Macau, Taiwan, Singapore and Malaysia
“GMP” or “Good Manufacturing Practice”	“Good Manufacturing Practice” is a quality assurance approach used by drug manufacturing industry worldwide to ensure that products are consistently produced and controlled according to appropriate quality standards. Hong Kong, like most other countries, has adopted the GMP guidelines promulgated by the World Health Organisation (WHO)
“ISO”	The International Organisation for Standardisation, a worldwide federation of national standard bodies, and the standards maintained by it
“OEM”	acronym for “original equipment manufacturing,” whereby products are manufactured in accordance with a customer’s specifications for sale under the customer’s brand
“PCM”	proprietary Chinese medicine, as defined in the Chinese Medicine Ordinance (Chapter 549, the Laws of Hong Kong)
“Pharmacopoeia”	the Pharmacopoeia of the PRC (《中國藥典》), compiled by the Pharmacopoeia Commission of the Ministry of Health of the PRC, and is an official compendium of drugs covering traditional Chinese and western medicines and giving information on the standards of purity, description, test, dosage, precaution, storage and the strength for each drug which is a code for drug quantity control, safety and efficacy

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” or similar words or statements, in particular, in the sections headed “Business” and “Financial information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

- a. our business and operating goals and strategies and our ability to implement them;
- b. our operation and business prospects;
- c. our financial condition and performance;
- d. our planned use of proceeds;
- e. availability of bank loans and other form of financing;
- f. changes in policies, legislation, regulations, or practices in those countries or territories in which we operate that may affect our business operations;
- g. future developments in the competitive markets of our industry and actions of our competitors;
- h. the regulatory environment for our industry in general;
- i. changes in economic conditions and competition in the areas in which we operate, including a downturn in general economy;
- j. catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters; and
- k. other factors beyond our control.

Purchasers of the Offer Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in “Risk Factors” in this prospectus, many of which are not within our control. Other sections of this prospectus also include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in

FORWARD-LOOKING STATEMENTS

any forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by the Group or the Directors that our plans or objectives will be achieved. If any or all of these risks or uncertainties materialise, or the underlying assumptions prove to be incorrect, our financial condition may be materially and adversely affected and actual outcomes may differ materially from those described in this prospectus as anticipated, believed, estimated or expected. Although the Directors believe that our current views as reflected in these forward-looking statements based on currently available information are reasonable, we give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in the Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of the Group.

This prospectus contains certain forward-looking statements regarding the Group's plans, objectives, expectations, and intentions which involve risks and uncertainties. The Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus.

RISKS RELATING TO OUR GROUP AND OUR BUSINESS

We rely on external manufacturers for production of all our own-branded products

We do not have any production facilities or production lines of our own and we have to outsource the production of all our own-branded products to external manufacturers in the PRC, Taiwan and Hong Kong. However, our control over these external manufacturers in respect of their production process and their products is to some extent limited. We cannot assure you that (i) there will not be any unexpected interruption of their supply of products to us or any increase in the production costs for any reason beyond our control or expectation, such as introduction of new regulatory requirements, import restrictions, loss of their certifications or licences, power interruptions, fires or other events; or (ii) the products provided to us by them can meet our quality requirements. Any such problems in relation to the supply of our own-branded products by external manufacturers could have a material adverse impact on the Product Development Segment of our business.

By engaging external manufacturers to manufacture all our own-branded products, we are also exposed to the risk that our external manufacturers having access to our technical know-how may disclose our technical know-how to our competitors. This may have an adverse impact on us. We cannot assure you that the measures we have taken to protect our intellectual property rights and trade secrets against leakage by our external manufacturers are effective.

On the other hand, our own-branded health care products can be classified as PCM and non-PCM in terms of their ingredients and claimed functionalities. If it is classified as PCM, it has to be registered with the CMB under CMO. Pursuant to the CMO, only a holder of a valid PCM Manufacturer Licence can pack PCM in Hong Kong and apply for registration thereof. As we no longer hold any PCM Manufacturer Licence after our disposal of Tai Wo Tong Pharmaceutical in July 2013, we have to engage suppliers including Tai Wo Tong Pharmaceutical and Hong Yan Tong to pack our PCM and apply for registration of the PCM for us.

RISK FACTORS

Though the terms in the packing agreements we enter into with these suppliers of our PCM could to some extent offer protect us, there may still be a risk that these suppliers would breach the contractual term and fail to transfer the registration certificates of the PCM to us despite our requests. Furthermore, we cannot assure you that our measures to protect and uphold our interests in our PCM are effective and that our reliance on third party suppliers for packing and supplying PCM to our Group in the form of finished product would be effectively reduced or mitigated as we expected.

We may not be able to identify PCM and obtain PCM registration for such PCM

Certain health care products under our own brands are classified as PCM and the manufacturing, sales, marketing and distribution are regulated by the CMO. If we fail to identify these products as PCM or if we fail to procure our suppliers who hold valid PCM Manufacturer Licences to apply for registration of our PCM under CMO before we sell the product in the market, we may commit an offence under CMO and be subject to legal consequences including a fine. We engaged the Southern Medical University for developing our PCM in the Product Development Segment through Tai Wo Tong Pharmaceutical. As a result of the disposal of Tai Wo Tong Pharmaceutical from our Group in July 2013, we entered into the Service Agreement with Tai Wo Tong Pharmaceutical and pursuant to which, we entrust Tai Wo Tong Pharmaceutical to continue to engage the Southern Medical University to carry out the research and development of PCM designated by us with effect from 3 July 2013 to 31 March 2016 with a view to, among others, assisting us to obtain the relevant PCM registration. Despite these steps being taken, we cannot assure you that in the end we can obtain PCM registration for all PCM developed and marketed by us as required by law in Hong Kong.

Up to the Latest Practicable Date, some of our PCM have obtained the relevant registrations while some are pending registration. Although we have endeavoured to submit applications for registration of such PCM, we cannot assure you that we can obtain the required registration for these PCM.

We rely on a few self-developed flagship products, namely, “Hin Sang Milk Supplement (Granules) (衍生開奶茶顆粒沖劑)”, “Hin Sang Health Star (Granules) (衍生七星茶顆粒沖劑)”, “Hin Sang Supreme Cough & Cold Remedy (Granules) (衍生至尊感冒止咳顆粒沖劑)”, “Hin Sang Bao Ying Dan (衍生精製保嬰丹)” and “Hin Sang Hou Tsao San (衍生精製猴棗散)”

During the three financial years ended 31 March 2012, 2013 and 2014, sales of our own-branded health care products “Hin Sang Milk Supplement (Granules) (衍生開奶茶顆粒沖劑)”, “Hin Sang Health Star (Granules) (衍生七星茶顆粒沖劑)”, “Hin Sang Supreme Cough & Cold Remedy (Granules) (衍生至尊感冒止咳顆粒沖劑)”, “Hin Sang Bao Ying Dan (衍生精製保嬰丹)” and “Hin Sang Hou Tsao San (衍生精製猴棗散)”, had in aggregate accounted for approximately 45.8%, 60.3% and 71.3%, respectively of our revenue of the Product Development Segment. Thus, our business had relied heavily on the demand for and the profitability of these flagship products. If anything happens which would adversely affect the sales and profitability of these products, such as the presence of competitive products, pricing pressure or regulatory restrictions on their sale or related advertising activities, the overall results of our operation may be materially and adversely affected.

RISK FACTORS

A significant portion of our revenue rely on a few brand proprietors for the supply of personal care product to us. Failure to secure a steady supply of these products may adversely affect our results in the Brand Development and Management Segment

The success of our business in the Brand Development and Management Segment depends, to a large extent, on our ability to secure long-term exclusive distribution agreements with our major brand proprietors for a steady supply of personal care products of the major brands managed by us including Acene (澳雪), Sewame (雪完美), Enear (樱雪) and Vcnic (花世界).

The termination of any distribution agreements with these major brand proprietors may materially and adversely affect our business in the Brand Development and Management Segment, which accounted for approximately 17.3%, 21.5% and 17.0% of our total revenue for the three years ended 31 March 2012, 2013 and 2014 respectively. If we cannot fulfil our obligations under the exclusive distribution agreements, the brand proprietors are entitled to terminate the distribution agreements with us. The duration of each of these exclusive distribution agreement with brand proprietors is generally three to four years and we cannot assure you that such exclusive distribution agreements can be renewed, or can be renewed on commercially reasonable terms in the future.

Further, if we fail to renew the distribution agreements with our major brand proprietors on an exclusive basis, the exclusive distribution rights of the above personal care products may fall into the hands of our competitors.

We cannot assure you that our products can meet consumer preferences or demands, and will gain market acceptance and market share

We distribute a variety of personal care products, health care products and household products under three Business Segments.

Our success therefore depends, to a large extent, on our ability to offer a diversified portfolio of products that can meet changing consumer preferences and needs. There is no assurance that the existing products distributed by us will be able to satisfy changes in consumer preferences and needs.

We may also fail to anticipate, identify or respond to changes in consumer preferences and needs on a timely basis, and we cannot assure you that we will be able to gain or increase market receptiveness and market share for our products. Consumer preferences and demands for products and brands change from time to time for various reasons, such as negative publicity regarding our products, and our brands, the emergence of competitive products and brands, or a general decrease in demand for certain health products developed by us. Any of these events could adversely affect our competitive advantage and market share, which in turn could materially and adversely affect our business, financial condition and results of operations. Furthermore, our competitors may be able to introduce products that are more appealing to consumers.

RISK FACTORS

Our Group may suffer losses due to investment activities

Owing to the nature of our business, we may maintain a substantial cash flow from time to time. In order to obtain returns from our surplus funds, our Group has adopted a treasury and investment strategy to invest in listed shares and securities in Hong Kong. Please refer to the sub-section headed “Business — Investment Policies” in this prospectus for the details of our investment and risk control policy.

During the Track Record Period, our Group engaged in the investment of a number of shares listed on the Main Board of the Stock Exchange. As at 31 March 2014, all the listed shares acquired by our Group during the Track Record Period had been completely disposed of. Please refer to the details and results of such investment set out in the paragraph headed “Financial Information — Principal Income Statement Components — Other Income and Other Gains and Losses” in this prospectus.

Upon Listing, if necessary, we may continue to adopt the treasury and investment strategy with a view to obtaining better returns from our surplus funds. As such, if our Group carries out an investment which does not perform as we have expected, there is a risk that our financial results may be adversely affected. Our Group’s financial results will therefore, to a certain extent, be affected by the stock market which may be volatile from time to time.

We are subject to the business strategies of our brand proprietors

Our business in the Brand Development and Management Segment is heavily dependent on the market receptiveness of, and demand for, the products under this Business Segment. The overall business strategies and product development plans adopted by the brand proprietors and their ability to maintain and develop the brands are therefore essential to the future development of our business in this Segment.

However, as we have limited or no influence on the decisions made by the brand proprietors in relation to their business, in particular, the production of their existing products and development of new products, we cannot assure you that the brand proprietors will be able to maintain and further develop their brands, or that our customers will continue to show preferences to their brands. If the strategies of the brand proprietors turn out to be unsuccessful or due to any other reasons the marketability of the brands falls substantially, the profitability of our business in this Segment will be materially and adversely affected.

Reliance on major suppliers

Our five largest suppliers in aggregate accounted for approximately 60.5%, 53.2% and 61.7% of the total purchases of our Group for the three years ended 31 March 2012, 2013 and 2014 respectively and the largest supplier accounted for approximately 26.0%, 14.2% and 26.9% for the same period. For the year ended 31 March 2012, the proportion of our purchases from the five largest suppliers of the Brand Development and Management Segment, Product Development Segment and Trading of Goods Segment were approximately 15.4%, 14.5% and 57.5% respectively. For the year ended 31 March 2013, the proportion of the purchases from the five largest suppliers of the Brand Development and Management Segment, Product Development Segment and the Trading of Goods Segment were approximately 22.5%, 23.9% and 37.8% respectively. For the year ended 31 March 2014, the proportion

RISK FACTORS

of the purchases from the five largest suppliers of the Brand Development and Management Segment, Product Development Segment and the Trading of Goods Segment were approximately 26.3%, 45.1% and 14.0% respectively.

Save and except for entering into exclusive distribution agreements with the major brand proprietors of the Brand Development and Management Segment during the Track Record Period and the Packing Agreement with Tai Wo Tong Pharmaceutical, we have not entered into any long-term supply agreement with any of our key suppliers in the other two Business Segments. There is no assurance that our suppliers will continue to supply their products to us in the future at all or maintain a stable source of supply of products to us. If these suppliers are unable or unwilling to do so, there is also no assurance that we would be able to source similar products from alternative sources at all, or at commercially reasonable prices, or in a timely manner or at favourable terms.

We are exposed to potential legal actions by selling products of parallel-imported goods quality delivered to ultimate consumers

Although the products sold by us in the Trading of Goods Segment will be inspected by us on a random basis before we sell the products to our customers, there is no assurance that the original condition (including packing and labelling) of the products has not been changed or impaired. We cannot assure you that there will be no breakage or other damage to the products in the course of delivery or during storage. If that happens, the manufacturers and/or distributors of such products may have a cause of action against us based on the provisions of the Trade Marks Ordinance and under common law.

We are subject to a significant counterclaim from a supplier

Hin Sang Hong (HK) had commenced a legal action at the High Court of Hong Kong (Action No. HCA 525/2012) against Kingdom Overseas Limited (“**Kingdom Overseas**”) in March 2012 for money damages in an approximate sum of HK\$54.3 million due to Kingdom Overseas’s failure to deliver infant formula products to us and its breach and wrongful termination of the distribution agreement between it as the supplier and Hin Sang Hong (HK) as the exclusive distributor for the infant formula products. The substantial proportion of the damages in the said sum of HK\$54.3 million represent our claim for loss of future profit resulted therefrom. Kingdom Overseas, as the defendant, counterclaimed against us in the approximate amount of HK\$51.0 million being the alleged loss of its future profit. For details about the legal action between Hin Sang Hong (HK) and Kingdom Overseas, please see the paragraph headed “Business — Legal Proceedings and Regulatory Compliance — Legal proceedings” in this prospectus.

Although after seeking legal advice from the counsel representing us in the above legal action, our Directors are of the opinion that the counterclaim of the Defendant made against us is unlikely to succeed, we had incurred and will continue to incur legal expenses and time in this legal proceeding, which could have negative impact on our business and operation. Further, even if we succeed in our claim, there are difficulties for us to enforce the judgment in a foreign jurisdiction as Kingdom Overseas is known to be a BVI company conducting business in Macau.

RISK FACTORS

We rely on distributors to distribute our own-branded products in various markets outside Hong Kong

We have entered into distribution agreements with distributors in the PRC, Taiwan and Macau with respect to the distribution of our own-branded products under the brands of “Beautymate (美肌の誌)”, “Hin Sang (衍生)” etc. We have also entered into distribution agreements with chain pharmacy operators in the PRC and Taiwan respectively with respect to the sales and distribution of our personal care products under the brand of “Beautymate (美肌の誌)”.

Though these distribution agreements contain standard terms for monitoring the distributor, we cannot assure you that our distributors will at all times strictly adhere to the terms and conditions under the respective distribution agreements or that they will not compete with each other for the market share of our own-branded products. Further, any termination or non-renewal of distribution agreements, the failure of the distributors to reach the guaranteed amount of sales or to distribute our own-branded products according to the terms of the distribution agreements, may have a material adverse effect on our business, financial condition and operations.

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

Our success depends, to a large extent, on our ability to protect our intellectual property rights in our own-branded products. We rely on trademark registrations and other contractual provisions to protect our intellectual property rights. However, these methods of protection carry inherent risks and may not be adequate to protect our rights on the trademarks. Our competitors may have intellectual property rights and interests which can potentially come into conflict with ours. If there is any claim against us for the infringement of intellectual property rights owned by any third party and if such claim against us succeeds, we may lose our legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed the third parties’ intellectual property rights.

Regarding the intellectual property rights, which we have already acquired, there is no assurance that the measures that have been taken by us will be sufficient to prevent infringement of our own intellectual property rights by third parties or that we will have adequate remedies against any infringement from such third parties. If any infringement of our intellectual property rights takes place, we may have to protect our intellectual property rights by way of litigation, which could significantly disrupt our business, divert our management’s attention, or consume much of our financial resources. As a result, any intellectual property dispute could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, certain products under the brand of “Beautymate (美肌の誌)” are produced using proprietary formulae held by our external manufacturers and hence, despite the confidentiality undertaking from these external manufacturers, we cannot give assurances that our proprietary formulae will not be leaked out by these external manufacturers to our competitors or other third party.

RISK FACTORS

Our marketing activities are essential to maintain and enhance the brand images of our products and the success of our business

Our success depends to a large extent on our ability to develop, maintain and enhance the brand image of both the products managed and distributed by us and our own-branded products. We believe that brand image would influence consumers' decisions when buying our products. Our ability to maintain and enhance our brand recognition and reputation depends primarily on the success of our marketing and promotional efforts. We have put substantial resources into promoting our brands, including television commercials and other media advertisements and sponsorships of television shows and events in order to enhance the brand recognition of our Group's products during the Track Record Period. However, there is no assurance that our marketing and promotional efforts will achieve the expected results. For instance, some of our major suppliers have undertaken all marketing and promotional activities of the products in the PRC market by themselves. If there is any negative publicity related to their products in the PRC, the brand image of those products in Hong Kong will also be adversely affected taking into account the vicinity of the PRC and strong tie between mainland China and Hong Kong. Furthermore, we cannot assure you that our current spending on marketing activities is adequate and we cannot assure you that our marketing strategies will achieve the intended results. If we fail to successfully market or promote our brands, the brand recognition of our products may be adversely affected and the demand for our products may decline or fail to increase as we expected. If the brands of our products are tarnished in any manner, we may lose our competitive advantage and our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, our advertising activities are subject to the relevant laws and regulations of the jurisdictions where we operate. For instance, the UMAO provides that generally no person shall publish any advertisement in Hong Kong which is likely to lead to the use of any medicine for the treatment or prevention of diseases or conditions specified in Schedule 1 to the UMAO, or for treating human beings for any purpose specified in Schedule 2 to such ordinance. If our marketing materials or advertisements contain anything contrary to the relevant laws and regulations, such marketing materials and advertisements may have to be ceased for use.

We are subject to product liability claims

We will be subject to product liability claims in the event of any allegation that our own-branded products are found to be unfit for use or consumption or cause illness, which may be due to a number of reasons, including contamination of ingredients or illegal tampering by unauthorised third parties that we or our suppliers may have failed to identify. The occurrence of such problems may result in recalls of our products and hence damage our brand reputation.

We are subject to product liability claims if our own-branded products fail to meet the relevant merchantable quality and/or safety standards. In such event, we may incur liabilities and have to compensate consumers for any loss and damage they suffered as a result of using our products. In particular, we are not required under Hong Kong law to maintain, and apart from the product liability insurance policy specifically required by a chain retailer in Hong Kong, we do not for the time being maintain any product liability, third party liability or business interruption insurance in Hong Kong. If there is any loss incurred for product liabilities, it would cause material and adverse effect on our business, financial condition and results of operations. In addition, adverse publicity of such incidents,

RISK FACTORS

whether valid or not, may affect the brand image of our products. If consumers lose confidence in our products, we may suffer long term declines in our sales, which may have a material adverse effect on our business, financial condition and operating results as a whole.

Reliance on our senior management team

Our success to date has been heavily dependent on the services provided by our key management personnel, and we believe that the senior management team will continue to be essential to the development and success of our business. In particular, Mr. Pang and Mrs. Pang played a pivotal role in the operation of our Group during the Track Record Period. Therefore, the future of our Group relies on our ability to retain the services of key management personnel. Our Group has not obtained any insurance to cover losses arising from any loss of key management staff. If any of these personnel is unable or unwilling to continue to provide services for us in his or her original position, and we are unable to find suitable replacements, we may not be able to continue our operations effectively or efficiently, and our business and financial conditions may be adversely affected.

We are exposed to disruptions to the delivery of our products

We have our own transportation team to deliver our products and we sometimes outsource to external transport operators. Delivery disruptions may occur for various reasons beyond our control, including but not limited to mishandling by outsourced transport operators, transportation bottlenecks, natural disasters, unfavourable weather conditions, labour strikes, political turmoil and social unrest. Such risks could lead to delayed, damaged or lost deliveries. If the products are not delivered to our customers on time, or are damaged in the course of delivery, our reputation could be adversely affected. We may also need to make compensation payments to our customers, which in certain circumstances could be of a substantial amount.

We may encounter difficulties in expanding our sales network

As part of our business strategy, we plan to expand our sales network in Hong Kong and other regions and countries including Macau, Singapore and Malaysia in order to boost our business growth. However, the success of our expansion plan is subject to, among other things, the following factors:

- the existence and availability of suitable regions and locations for our expansion, in particular for the expansion of our own-branded products;
- our ability to negotiate favourable cooperation terms with our distributors and retailers;
- the availability of adequate management and financial resources;
- the availability of suitable distributors and retailers;
- our ability to hire, train and retain skilled sales and managerial personnel for the sales and distribution of our products; and
- the adaptation of our logistics and other operational and management systems to an expanded distribution network.

RISK FACTORS

Accordingly, we cannot assure you that we are able to implement our expansion plan effectively or recruit sufficient new distributors for the distribution of our own-branded products outside Hong Kong. If we encounter difficulties in expanding our sales network, our growth prospects may be limited, which could in turn have a material adverse effect on our business, financial condition and results of operations.

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties

We cannot assure you that counterfeiting or imitation of our own-branded products will not occur in the future or, if it does occur, that we will be able to detect or address the problem effectively. Any occurrence of counterfeiting or imitation of our own-branded products could negatively affect our reputation and brand image, leading to a loss of consumer confidence in our brands, and as a consequence, adversely affect our results of operations. Any litigation to prosecute counterfeiting and infringements of our rights and products will be expensive and will divert our management's attention as well as other resources away from our business. We are not required under the Hong Kong laws to maintain, and do not maintain, any insurance coverage against litigation costs. If we face any litigation proceedings, we will have to bear the costs arising therefrom to the extent that we may not be able to recover them from the relevant parties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our products may cause unexpected or undesirable side effects unknown to us which may result in costly product returns or recalls

Our own-branded products contain a number of ingredients, some of which or the combination of which may cause side effects that are unknown to us. In particular, all our own-branded products are produced by external manufacturers, who may adulterate harmful chemicals or substances with other raw materials in production of our products. Though we have measures in place to control the quality of our raw materials and the finished products, we cannot assure you that we will be able to detect defective raw materials or finished products in every circumstance. If any side effects occur or if our products are perceived to have such side effects, we may be affected financially as a result of consequential product returns or recalls, product liability claims, which in turn could lead to severe adverse publicity, and investigation by relevant government authorities and prosecution, monetary losses or even lawsuits.

We cannot assure you that product returns or recalls would not happen to our own-branded products in the future. Substantial amount of product returns or recalls could materially and adversely affect our business, financial condition and results of operations.

We substantially rely on the Hong Kong market

During the Track Record Period, we generated approximately 75% of our sales from retailers in Hong Kong. We anticipate that sales in Hong Kong will continue to represent a substantial proportion of our total sales in the near future. We have not entered into long-term sales agreements with our retailers in Hong Kong and thus, we cannot guarantee the sales volume of our products by the retailers in Hong Kong. If the sales volume of our products to consumers cannot be maintained at a satisfactory level, the retailers may place fewer orders for our products or choose to purchase products from our competitors. All these would adversely affect our sales volume and revenue. The profitability of our business is also

RISK FACTORS

dependent on, *inter alia*, a number of factors relating to the Hong Kong market, such as the purchase power of the population, the number of and the spending by tourists and other visitors, and legislation, regulations and government policies in relation to our business.

As a result, our business may also be materially affected in the event of any adverse change in the economic, political and social conditions in Hong Kong, and we are unable to assure that such changes will not occur.

Our operational results substantially rely on mass public consumers

We sell our products to the general public consumers through our distribution network, which *inter alia* includes chain retailers, individual retailers and distributors. The general acceptance by consumers of the brands and products developed and marketed by us is of vital importance to our success and it hinges on a number of factors such as brand image, product quality and customer loyalty.

If we fail to generate demand for our existing or new products or fail to maintain consumer loyalty, our business, operational and financial results may be adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a highly competitive industry

We operate in a highly competitive industry. We face competition in respect of, *inter alia*, pricing, product quality and brand identification. Some of our competitors may have greater financial, technological and informational resources than we have, which may enable them to provide products superior to our Group's products, or to adapt more quickly than we do to evolving industry trends and consumer preferences. On the other hand, some of our competitors may, out of various commercial considerations, adopt low-margin sales strategies and compete against our Group based on lower prices to increase their market shares.

There is no assurance that we will be able to compete successfully with others in the future in view of the changing market environment. Increasing competition within the industry may have an adverse impact on our sales volume, market share, profit margin and financial result.

We operate in a heavily regulated industry

Our business, which mainly operates in Hong Kong, is regulated by various laws and regulations, such as the CMO, the Pharmacy and Poisons Ordinance (Chapter 138, the Laws of Hong Kong), the UMAO, the Public Health and Municipal Services Ordinance (Chapter 132, the Laws of Hong Kong), the Food Safety Ordinance (Chapter 612, the Laws of Hong Kong), the Pesticides Ordinance (Chapter 133, the Laws of Hong Kong), the Consumer Goods Safety Ordinance (Chapter 456, the Laws of Hong Kong), the Import and Export Ordinance (Chapter 60, the Laws of Hong Kong), and the Trade Descriptions Ordinance (Chapter 362, the Laws of Hong Kong). We are also subject to the relevant sub-legislations under the above ordinances.

RISK FACTORS

Various registrations, certificates and licences for the conduct of our Group's business are required under the above laws, which also contain strict provisions on the storage, labeling, advertising and importation of some of our products. For details, please refer to the section headed "Regulatory Framework" in this prospectus.

Any failure to comply with the above laws and regulations may expose our Group to the risk of penalties and adverse publicity.

We cannot assure you that, for the implementation of our business plans and the introduction of any new product into the Hong Kong market, we will be able to obtain all the necessary licences, certificates and approvals.

We are exposed to the risk of the outbreak of severe communicable diseases

The outbreak or threatened outbreak of any severe communicable diseases could adversely affect the overall business sentiment and environment in the areas in which we operates, especially if such outbreak is inadequately controlled. This would result in a decrease in discretionary spending by customers, a shortage of labour supply, a fall in the business performance of our major customers and suppliers and the deterioration of the general economic environment, which may have a material adverse impact on our business.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Risks relating to change of currency exchange policies

Since 1983 the Hong Kong dollar has been pegged to the US dollar at the rate of approximately HK\$7.80 to US\$1.00. Although the Hong Kong government has repeatedly re-affirmed its commitment to this pegging system, there is no assurance that this policy will not be changed in the near or distant future. If the pegging system collapses and the Hong Kong dollar suffers devaluation, the Hong Kong dollar costs of our Group's foreign currency capital expenditures may increase. Furthermore, as our Group's revenues are denominated in Hong Kong dollars, a devaluation of the Hong Kong dollars would increase capital costs and the related depreciation costs to our Group, and increase our Group's Hong Kong dollars interest expense on indebtedness denominated in US dollars and other foreign currencies. This would in turn adversely affect the operation and profitability of our business.

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

There may be limited liquidity in the Shares and volatility in the price of the Shares on the Main Board

The Shares have not been traded in any open market before the completion of the Share Offer. The Offer Price of the Shares may differ from the market price thereof and may not serve as an indicator of the price of the Shares traded on the Stock Exchange in the future. There is no assurance that an active trading market of the Shares will develop or if it does develop, that it may be sustained upon its listing on the Main Board.

RISK FACTORS

Upon listing of the Shares on the Main Board, the transaction volume and market price of the Shares may be affected by various factors, including the income, profitability and cash flow of our Group, announcement of new products and/or investment plans, technological advancements, change of senior management, strategic alliance and/or acquisition, transaction volume of the Shares, development of the Main Board, general economic conditions and other factors. All such factors may result in significant fluctuations in the market price and/or transaction volume of the Shares. There is no assurance that such changes will not occur.

Investors may experience difficulties effecting services of legal process and enforcing judgments against the Company and its management

We are incorporated under and governed by the Companies Law. The company laws of Hong Kong may in some aspects differ from the Companies Law.

The corporate affairs of our Group are governed by its Memorandum and Articles of Association, the Companies Law and the common law of the Cayman Islands. To a large extent, the common law of the Cayman Islands governs the fiduciary duties of the Directors, the rights of the Shareholders to pursue legal actions against the Directors and actions by minority Shareholders. The rights of the Shareholders and the fiduciary responsibilities of the Directors under the Cayman Islands law may not be as clearly established as under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located.

Furthermore, although upon the listing of the Shares on the Main Board our Group will be subject to the Listing Rules and the Takeovers Code, Shareholders will not be able to bring legal actions on the ground of violations of the Listing Rules and will have to rely on the Stock Exchange to enforce its rules. In addition, the Takeovers Code does not have legal enforceability, but only provides acceptable standards of commercial conduct for takeover and merger transactions and share repurchases.

Due to any or all of the factors stated above, in the face of actions taken by our management, Directors or major Shareholders of the Company, the minority Shareholders may find it more difficult to protect their rights and interests than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions. For further information on the constitution of our Company and the Companies Law, please refer to the “Summary of the constitution of the Company and Cayman Islands Company Law” set out in Appendix IV to this prospectus.

Issues of new Shares under the Share Option Schemes may have a dilution effect and may affect our profitability

We have conditionally adopted the Pre-IPO Share Option Scheme and certain options have been granted thereunder prior to the Listing Date.

Any exercise of the options to be granted under the Share Option Schemes in the future will result in the reduction in the shareholding of the Shareholders in our Group and may result in a dilution in the earnings per Share and net asset value per Share.

RISK FACTORS

Under the HKFRS, the costs of share options to be granted under the Share Option Schemes will be charged to our income statement over the vesting period by reference to the fair value at the date of granting of the share options. As a result, our profitability may be adversely affected.

Our Group’s historical dividends do not indicate our future dividend policy

During the Track Record Period, our Group had declared and paid the following dividends to our then shareholders:

1. On 3 July 2013, our Company had declared and paid an interim dividend of approximately HK\$146,000 to Genwealth by way of distribution in specie of all the issued Shares in Tai Wo Tong Pharmaceutical indirectly held by our Company;
2. On 15 October 2013, our Company had declared and settled an interim dividend of HK\$20.0 million by way of offsetting the amounts due from directors; and
3. On 24 January 2014, our Company had declared and paid a special dividend of HK\$30.0 million in cash.

You may refer to the sub-section headed “Financial Information — Dividend and Dividend Policy” in this prospectus for details.

Our Group does not have a fixed dividend policy, and the amount of dividends every year is decided based upon factors such as our Group’s results of operations, cash flows, financial conditions, operating and capital requirements, future prospects and any statutory and regulatory restrictions on the payment of dividends by our Group. In addition, the declaration, payment and amount of future dividends are subject to the said undertaking by Hin Sang Hong (HK) and the discretion of the Directors. Therefore, investors should be aware that the amount of dividends paid in the past should not be deemed as a reference or basis upon which future dividends are to be determined, and our Group gives no assurance that in the future it will pay dividends at a level similar to the past or at all.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Facts and other statistics with respect to Hong Kong, the Hong Kong economy and the Hong Kong consumer products industry contained in this prospectus may not be accurate and precise

The facts and statistics contained in this prospectus relating to Hong Kong, the Hong Kong economy and the Hong Kong consumer products industry (including those set out in the sections headed “Risk factors”, “Industry overview” and “Business”) have been derived from various government publications or various organisations we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by our Group, the Sponsor, the Underwriters or any of their respective affiliates or advisers and, therefore, our Group makes no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Further, we cannot

RISK FACTORS

assure that the statistics in this prospectus are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, the potential investors should give careful consideration as to how much weight or importance should be attached or placed on such statistics, projected industry data and other information relating to the economy and the industry.

We do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage, and such information that was not sourced from or authorised by our Group. We make no representation as to appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media. To the extent that any of the information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim any liabilities whether arising from inconsistencies or conflicts in such information or not. Accordingly, prospective investors should not rely on any of the information in any press articles or other media.

Investors should read this entire prospectus carefully and should not place any reliance on any information contained in press articles or other media regarding our Group

Prior to the publication of this prospectus, there has been press and media coverage regarding our Group, including but not limited to the articles published in the Next Magazine (issue number 1144 published in February 2012) and Economic Journal Hong Kong dated 14 July 2014, which contained, among other things, certain information about our Group, such as the ranking of our Group's infant health care products in Hong Kong, the places of origin of the ingredients of such products, advertising expenses and other financial information about our Group and the construction of the GMP Plant. We have not authorised the disclosure of any such information in the press or media and do not accept any 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 information contained in the press articles or other media about our Group, or to any assumptions underlying such information included in or referred to by the press articles or other media. Accordingly, investors should rely only on the financial, operational and other information included in this prospectus. By applying to purchase our Shares in this Share Offer, investors will be deemed to have agreed that they will not rely on any information other than the information contained in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the 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, the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement in this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which comprises the Placing and the Public Offer. Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

The Share Offer is sponsored by the Sponsor, the Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement, and the Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement. The terms and conditions of the Underwriting Agreements provide, among other things, for the Offer Price to be fixed by agreement between the Company and the Joint Bookrunners (also in the capacities of the Underwriters) at or before the Price Determination Date. Further information relating to the Underwriters and the underwriting arrangements, is set out in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (also in the capacities of the Underwriters) and the Company on or before Thursday, 9 October 2014, or such other time and date as may be agreed between the Joint Bookrunners (also in the capacities of the Underwriters) and the Company, but in any event no later than 6:00 p.m. (Hong Kong time) on Friday, 10 October 2014.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (also in the capacities of the Underwriters) and the Company by 6:00 p.m. on Friday, 10 October 2014, the Share Offer will not proceed and will lapse. For full information relating to the determination of the Offer Price, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms 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, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. So far as the Share Offer is concerned, no person is authorised in connection with the Share Offer to give any information 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 authorised by the Company, the Joint Lead Managers, the Sponsor, the Underwriters, any of their respective directors or any other parties involved in the Share Offer.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm that he is aware of the restrictions on the Share Offer of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares, in circumstances that contravene any such restrictions.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Schemes.

Save as disclosed herein, no part of the share or loan capital of the Company is listed or dealt in on any other stock exchange. At present, the Company is not seeking nor proposing to seek listing of or permission to deal in the Shares or loan capital on any other stock exchange.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasized that none of the Company, the Directors, the Sponsor, the Joint Lead Managers, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

HONG KONG REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Share Offer and/or upon exercise of the options which may be granted under the Share Option Scheme will be registered on the Company's branch register of members to be maintained in Hong Kong by the Company's branch share registrar and transfer office Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on the branch register of members of the Company in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares will not be subject to the Cayman Islands stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

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

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

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

DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 16 October 2014.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Shares will be traded in board lots of 2,000 Shares each.

The stock code for the Shares is 6893.

The Company will not issue any temporary documents of title.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

WEBSITES

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

ROUNDING

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

EXCHANGE RATE

Unless otherwise specified, for the purpose of this Prospectus, amounts denominated in RMB are translated into HK\$ at the rate of HK\$1 = RMB0.8133, amounts denominated in US\$ are translated into HK\$ at the rate of HK\$1 = US\$0.1287 and amounts denominated in NT\$ are translated into HK\$ at the rate of HK\$1 = NT\$3.7.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of PRC laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Pang Siu Hin 彭少衍 (Mr. Pang)	House 10 , Constellation Cove No. 1 Hung Lam Drive Tai Po New Territories Hong Kong	Chinese
Kwan Lai Man 關麗雯 (Mrs. Pang)	House 10 , Constellation Cove No. 1 Hung Lam Drive Tai Po New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Wong Wai Ling 黃慧玲	Flat B, 17th Floor Block 5, Cavendish Heights 33 Perkins Road Hong Kong	British
<i>Independent non-executive Directors</i>		
Lee Luk Shiu 李祿兆	Flat E, 21st Floor Tower 1, Ocean Shores Tseung Kwan O New Territories Hong Kong	British
Tang Sing Hing, Kenny 鄧聲興	12D, Tower 15 The Cairnhill 108 Route Twisk Tsuen Wan, Hong Kong	Chinese
Tsui Nam Hung 徐南雄	Flat B, 21st Floor Tower 15, Caribbean Coast Tung Chung New Territories Hong Kong	Chinese

Note: Further information is disclosed in the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Joint Bookrunners

Ample Orient Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Industrial Securities (Hong Kong) Capital Limited
Unit 3201, 32nd Floor
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Joint Lead Managers

Ample Orient Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Industrial Securities (Hong Kong) Capital Limited
Unit 3201, 32nd Floor
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Convoy Investment Services Limited
Room C, 24th Floor
@CONVOY
169 Electric Road
North Point
Hong Kong

Qilu International Capital Limited
7th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Underwriters

Ample Orient Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Industrial Securities (Hong Kong) Capital Limited
Unit 3201, 32nd Floor
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Financial Adviser

Donvex Capital Limited
Rooms 1305-6, 13th Floor
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong (*Note*)

Legal advisers to the Company

*As to Hong Kong law (in relation to
business operation):*

Hastings & Co.
5th Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

*As to Hong Kong law (in relation to
regulatory compliance):*

Chak & Associates
Unit 1904, 19/F, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

As to PRC law:

Zhong Lun Law Firm
10th Floor, Tower A
Rongchao Centre
6003 Yitian Road, Futian District
Shenzhen 518026, PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Taiwan law:

TIPLO Attorneys-at-Law
7th Floor, We Sheng Building
No. 125, Nanking East Road, Sec. 2
Taipei, Taiwan

As to Cayman Islands law:

Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Sponsor

TC & Co.
Unit 2201-03, 22/F
Tai Tung Building
8 Fleming Road
Wan Chai
Hong Kong

Legal advisers to the Underwriter

TC & Co.
Unit 2201-03, 22/F
Tai Tung Building
8 Fleming Road
Wan Chai
Hong Kong

Auditor and reporting accountant

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Property valuer

Stirling Appraisals Limited
Unit A, 15/F
Wing On Building
No. 5 Wing Lok Street
Central
Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Flat B, 12/F., Hi-Tech Centre 11 Wang Yip Street West Yuen Long New Territories Hong Kong
Company website	<u>www.hinsanggroup.com</u> <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Choy Suk Man (FCPA, FAIA) Flat E, 6/F, Block 1 Hong Sing Garden Tseung Kwan O New Territories Hong Kong
Authorised representatives	Kwan Lai Man House 10, Constellation Cove No.1 Hung Lam Drive Tai Po New Territories Hong Kong Choy Suk Man (FCPA, FAIA) Flat E, 6/F, Block 1 Hong Sing Garden Tseung Kwan O New Territories Hong Kong
Compliance adviser	Ample Capital Limited
Audit committee	Lee Luk Shiu (Chairman) Tang Sing Hing, Kenny Tsui Nam Hung

CORPORATE INFORMATION

Remuneration committee	Tsui Nam Hung (<i>Chairman</i>) Kwan Lai Man Lee Luk Shiu Tang Sing Hing, Kenny
Nomination committee	Tang Sing Hing, Kenny (<i>Chairman</i>) Kwan Lai Man Lee Luk Shiu Tsui Nam Hung
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong

Note: Donvex Capital Limited (“**Donvex**”) is the financial adviser to the Company in relation to the Listing. The role of Donvex was to assist our Group to communicate with professional parties and to advise the offering structure and the future business development of our Group.

The role of Donvex was different from that of the Sponsor in that the role of Donvex focused more on the provision of advisory services relating to the future development in business supported by the financial market; whereas the role of Sponsor was to ensure the application for Listing fulfills the requirements of, *inter alia*, the Listing Rules and related requirements. The Sponsor has performed its own due diligence and undertaken the overall responsibility of the Listing exercise.

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted from various publicly available office sources, other industry sources, the BMI Report and sources from Euromonitor International. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Lead Managers, the Sponsor, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

SOURCE OF INFORMATION

About BMI

We commissioned BMI Appraisals Limited (“**BMI**”), an Independent Third Party of our Company, to provide a report for use in whole or in part in this prospectus at a fee of HK\$156,000. In particular, unless otherwise specified, all of the data presented in this section has been based on or derived from the BMI Report. BMI prepared the report based on market and competitive position data from governmental official publications/sources, industry publications and studies conducted by independent third party sources. The statistics and market forecast as set forth in this section have been partly derived from the research reports issued by Euromonitor International.

About Euromonitor International

Euromonitor International Plc. (“**Euromonitor International**”), an Independent Third Party of our Company, founded in 1972, is a private provider of business intelligence. Euromonitor International’s website states the firm currently employs more than 1,000 analysts and consultants globally, who source market information in 80 countries, producing consumer industry market reports, reference books, company profiles, current market data, and market forecasts. Euromonitor International covers the consumer healthcare industry and regularly publishes reports on this sector. Each Euromonitor International industry report is based on a variety of research techniques, including primary researches, site visits and industry interviews. Main research and analysis sources include governmental official sources, other official international sources, the national and international specialist trade press, national and international trade associations, industry study groups, reports published by major manufacturers, distributors, retailers and suppliers, various online databases, press reports, company annual reports and independent analyst reports. The information from Euromonitor International disclosed in this prospectus is extracted from reports not commissioned by BMI and was prepared in the ordinary course of business of Euromonitor International.

INDUSTRY OVERVIEW

FUTURE FORECAST

Some of the analytical conclusions extracted from the research reports issued by Euromonitor International cover future forecasts. The Sponsor and we consider such information to be reliable, accurate and not misleading after taking into account the following factors:

- Euromonitor International is an independent reputable professional research agency with extensive experience in their profession; and
- although the research reports issued by Euromonitor International constitutes forecast of the development of the vitamins and dietary supplements products market in Hong Kong, it does not contain performance forecast of our Company in the future.

INTRODUCTION

We are principally engaged in developing, marketing, selling and distributing a wide variety of personal care products, health care products and household products under various brands. Our customers are mainly chain retailers and individual retailers in Hong Kong and distributors primarily in the PRC and then in Taiwan, Macau and Malaysia.

Our revenue generated in Hong Kong amounted to approximately HK\$340.7 million, HK\$212.6 million and HK\$221.6 million for the three years ended 31 March 2012, 2013 and 2014 respectively, representing approximately 94.5%, 90.4% and 87.5% of our revenue for the respective years.

THE CONSUMPTION MARKET IN HONG KONG

The retail sales in Hong Kong

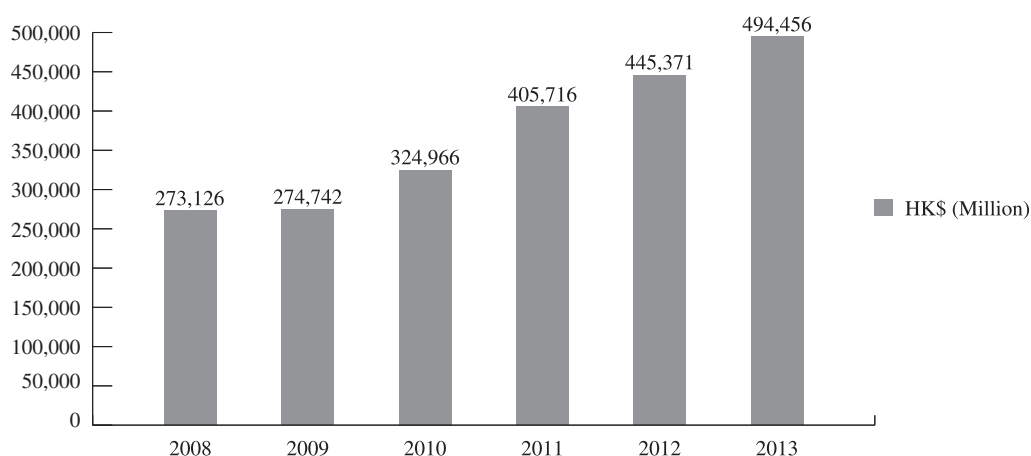
According to the Census and Statistics Department of Hong Kong, Hong Kong's retail sales had increased from approximately HK\$273,126 million in 2008 to approximately HK\$494,456 million in 2013, representing a CAGR of approximately 12.6%. Even with the economic crisis in the second half of 2008 and a downturn of the economy in 2009, Hong Kong's retail sales had still managed to record an increase of approximately 0.6% from 2008 to 2009. In 2010, Hong Kong's retail sales further increased to HK\$324,966 million, representing an annual increase of 18.3% from that in 2009. From 2011 to 2013, Hong Kong's retail sales further increased steadily.

The selective retail sales figures include (i) medicines and cosmetics; and (ii) personal care products, household goods, and other goods in supermarkets. Similar to the overall retail sales figures, the selective retail sales figures rose over the same period from approximately HK\$24,925 million in 2008 to approximately HK\$47,363 million in 2013, representing a CAGR of approximately 14.3%. The selective retail sales were not affected by the downturn of the economy in 2009, and had recorded an impressive increase of approximately 9.4% in 2009 as compared with that in 2008. In 2010, the selective retail sales further increased to approximately HK\$31,449 million, representing an annual

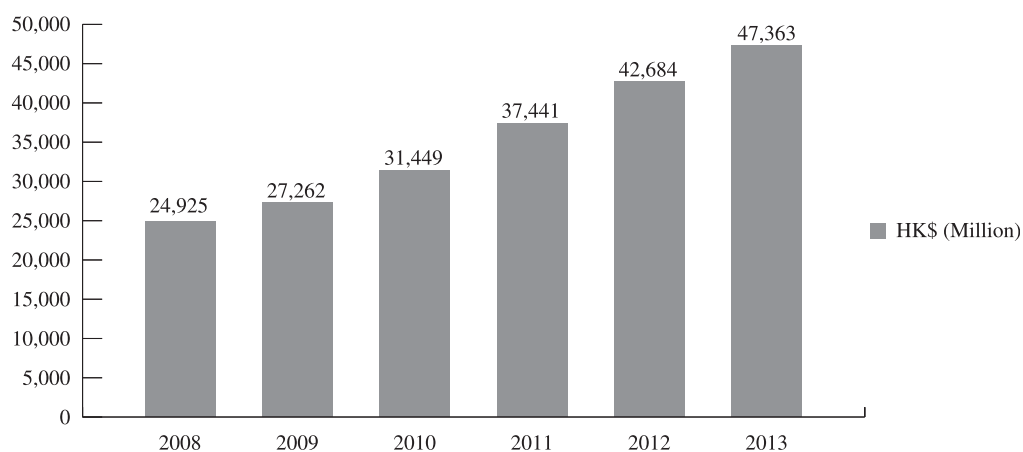
INDUSTRY OVERVIEW

increase of 15.4% from that in 2009. From 2011 to 2013, Hong Kong's selective retail sales further increased steadily. Both the overall retail sales figures and the selective retail sales figures indicated a positive outlook for the Hong Kong retail sector over the period between 2008 and 2013.

Retail Sales in Hong Kong



Selective Retail Sales in Hong Kong



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Retail sales (HK\$ Million)	273,126	274,742	324,966	405,716	445,371	494,456
Annual growth rate		0.6%	18.3%	24.8%	9.8%	11.0%
Selective retail sales (HK\$ Million)*	24,925	27,262	31,449	37,441	42,684	47,363
Annual growth rate		9.4%	15.4%	19.1%	14.0%	11.0%

Source: Census and Statistics Department, Hong Kong

* Selective retail sales figures include (i) medicines and cosmetics; and (ii) personal care products, household goods, and other goods in supermarkets.

INDUSTRY OVERVIEW

Key drivers of the consumption market in Hong Kong

The consumption market in Hong Kong is strongly influenced by the visitors from the PRC. In 2003, the PRC Government promulgated the Individual Visit Scheme (“IVS”), which allowed citizens of selected cities from the PRC to come to visit Hong Kong on an individual basis. Prior to the IVS, the PRC citizens could only travel to Hong Kong on business visas or in group tours.

Before the implementation of the IVS, the number of travelers from the PRC to Hong Kong for 2002 and 2003 were 6,825,199 and 8,467,211 respectively. In 2004, the first full year after the implementation of the IVS, the number of travelers from the PRC had increased to 12,245,862, a jump of approximately 44.6% from the preceding year. The number of travelers from the PRC had increased to approximately 40,745,000 in 2013, representing a CAGR of approximately 14.3% for the period between 2004 and 2013. More than that, the PRC travelers accounted for only approximately 54.5% of the total number of the travelers in 2003, and the same ratio had increased to approximately 75.0% in 2013.

The aggregate shopping of the PRC travelers in Hong Kong represented approximately 34.2% of Hong Kong’s total retail sales in 2013. The PRC overnight travelers had spent approximately HK\$8,813 per capita in Hong Kong in 2013, which was the highest among the overnight travelers from other countries. For same-day-in-town travelers, the PRC travelers spent approximately HK\$2,721 per capita in Hong Kong in 2013 which was also the highest among same-day-in-town travelers from other countries.

Conclusion

The travelers from the PRC under the IVS represented an important portion of the overall PRC travelers and the overall travelers from all countries in Hong Kong. More than that, with the above average spending by the PRC travelers in Hong Kong, the PRC travelers had boosted the economy of Hong Kong, especially for the retail section. With the continuously growing GDP and disposable income in the PRC, the consumption market in Hong Kong will continue to be benefited.

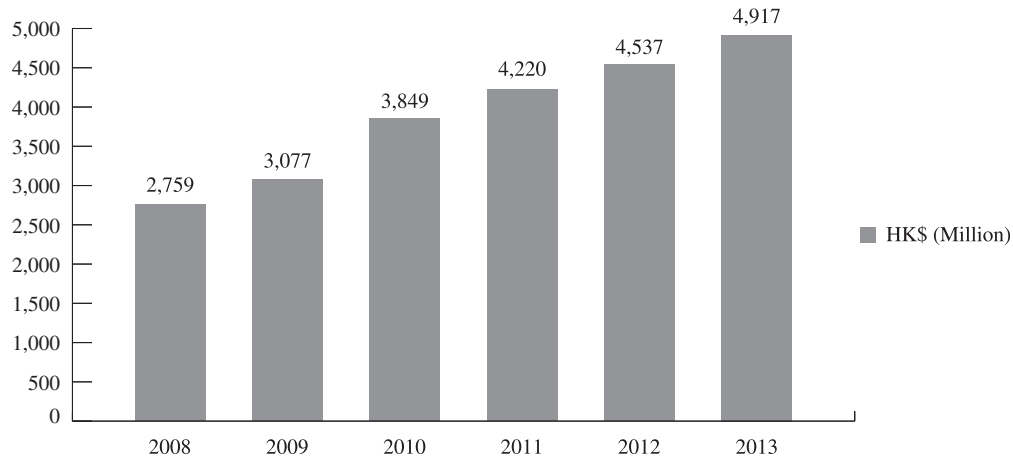
HONG KONG’S VITAMINS AND DIETARY SUPPLEMENTS PRODUCTS MARKET

In recent years, with established wealth and higher living standards, people in Hong Kong concern more about their life and are seeking for ways to improve their health. Vitamins and dietary supplements products in Hong Kong includes child-specific vitamins and dietary supplements, tonics and bottled nutritive drinks. The products could contain herbal or non-herbal ingredients, or combination of both.

INDUSTRY OVERVIEW

According to Euromonitor International, vitamins and dietary supplements products market in Hong Kong climbed up to approximately HK\$4,916.8 million in 2013, representing a CAGR of approximately 12.3% over the past 5 years.

Sales of Vitamins and Dietary Supplements Products Market in Hong Kong

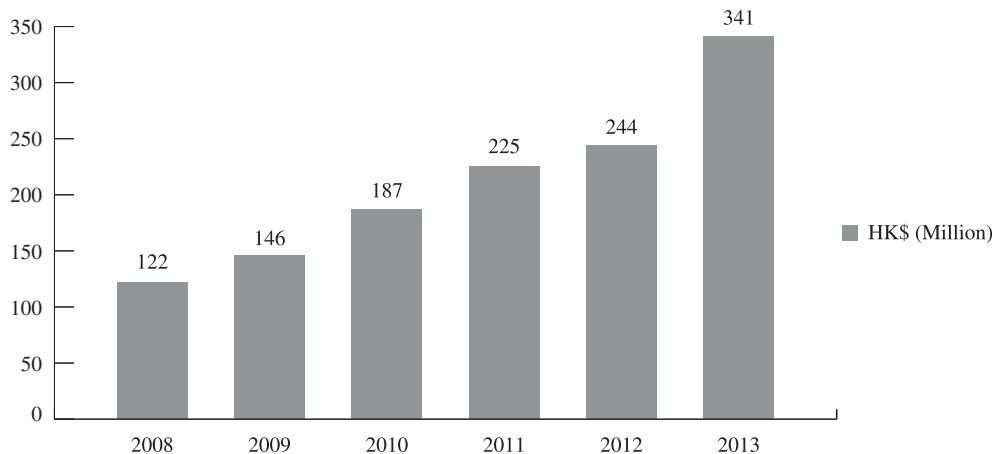


Source: Euromonitor International

As consumer health conscientiousness raises and becomes more knowledgeable on the effect of the different types of health supplements, Euromonitor International forecasts that the vitamin and dietary supplements market is expected to reach approximately HK\$6,666.4 million, in nominal terms, by 2018, representing a CAGR of approximately 6.3% from 2013 to 2018.

The child-specific vitamins and dietary supplements products market is one of the segments under vitamins and dietary supplements products market. According to Euromonitor International, the market size reached approximately HK\$341.0 million in 2013, representing a CAGR of approximately 22.9% over the past 5 years.

Sales of Child-specific Vitamins and Dietary Supplements Products Market in Hong Kong



Source: Euromonitor International

INDUSTRY OVERVIEW

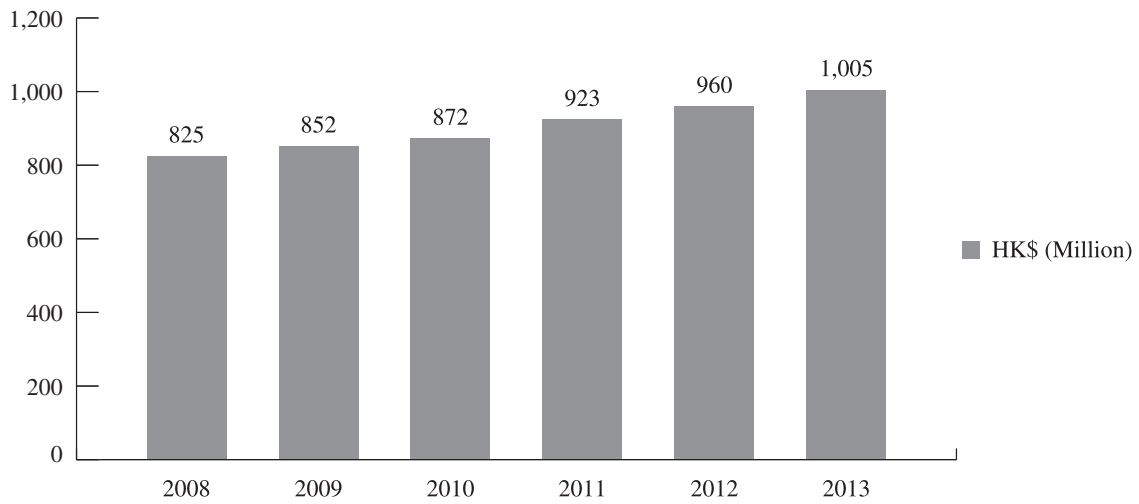
With the low birth rate in Hong Kong, high living standard and high awareness of health, parents are now more educated and are willing to indulge in their children by giving them the best in every aspect of life, especially when it comes to health. Euromonitor International forecasts that the market is expected to reach approximately HK\$553.4 million, in nominal terms, by 2018, representing a CAGR of approximately 10.2% from 2013 to 2018.

HONG KONG'S BATH & SHOWER PRODUCTS MARKET

The broad definition of the bath and shower products market includes a wide variety of products, as common as shower gel and body wash or as remote as bath salts and intimate wipes.

According to Euromonitor International, the bath and shower products market climbed up to approximately HK\$1,005.1 million in 2013, representing a CAGR of approximately 4.0% over the past 5 years.

Sales of Bath and Shower Products Market in Hong Kong



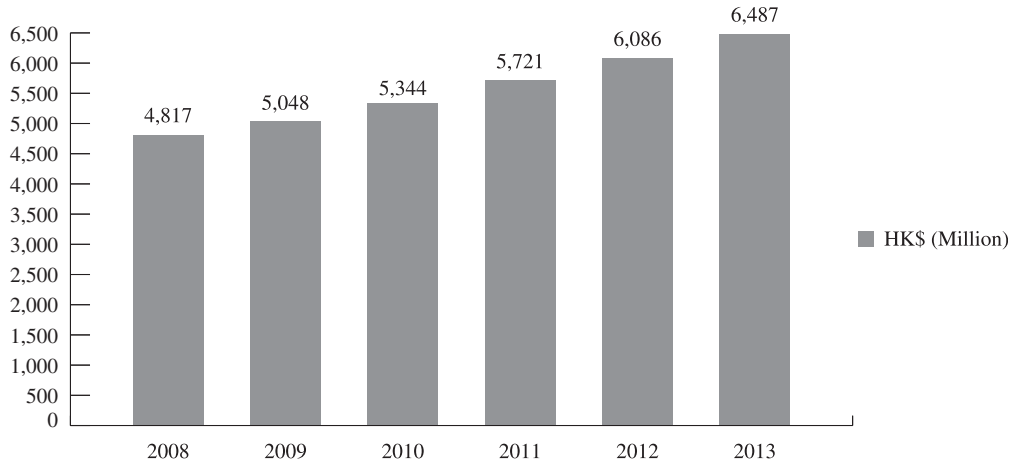
Source: Euromonitor International

INDUSTRY OVERVIEW

HONG KONG'S SKIN CARE PRODUCTS MARKET

The skin care product market includes a wide variety of products, including facial care, body care and hand care products. According to Euromonitor International, the Hong Kong skin care product market climbed up to approximately HK\$6,486.7 million in 2013, representing a CAGR of approximately 6.1% over the past 5 years.

Sales of Skin Care Products Market in Hong Kong

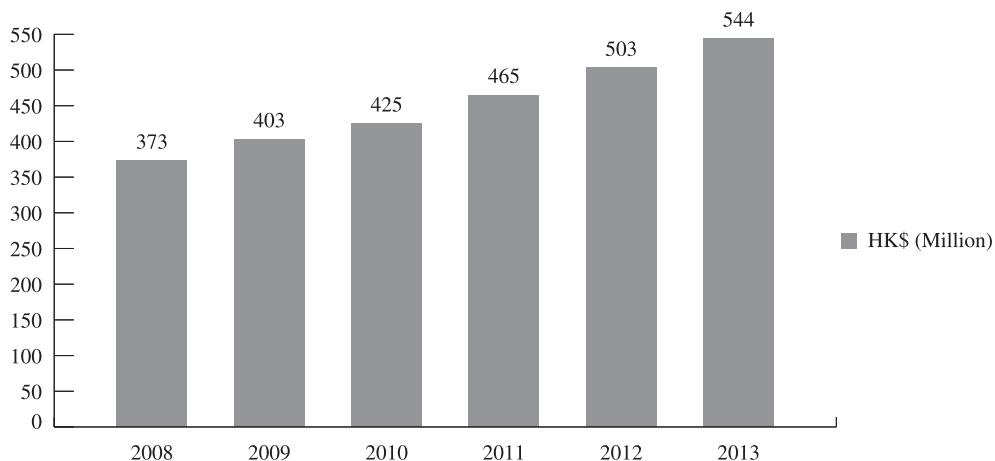


Source: Euromonitor International

Demand for skin care products with ingredients that are extracted from natural sources such as plants and seaweeds are increasing as consumers generally perceive these products are healthier than those with formulated ingredients.

The Hong Kong facial mask products segment under the skin care product market has reached approximately HK\$543.7 million in 2013, representing a CAGR of approximately 7.8% over the past 5 years.

Sales of Facial Mask Segment in Hong Kong



Source: Euromonitor International

INDUSTRY OVERVIEW

Moreover, it is expected that the facial mask products segment will continue to grow as consumers use facial masks to supplement their beauty regimes, and it is expected that companies will launch more types of facial masks with different functions such as lifting.

COMPETITIVE LANDSCAPE

The consumer goods industry we operate in is a highly competitive one. Generally speaking, the market provides the consumers with rich choices. However, our business reflects certain uniqueness as we operate three segments including Brand Development and Management Segment (featuring with one stop shop business model), Product Development Segment and Trading of Goods Segment, and provides diversified product portfolio covering health care products, personal care products, health food supplements and household products. Geographically we focus in Hong Kong market and expands to other countries and regions mainly including the PRC, Macau, Taiwan etc. In this sense, there is no direct competitors which our Directors consider could align the relevant statistics and compare with our business in terms of scale and nature. Below are the competitive landscapes for some of our major products and brands. All the market share and market size information for respective markets are extracted from Euromonitor International research figures representing retail value.

Competitive landscape of vitamins and dietary supplements products market in Hong Kong

The vitamins and dietary supplements market in Hong Kong is characterised by the wide range of products offered by a large number of companies. The products differ from one another in terms of, among others, functional claims, raw materials, dosage forms, brands and market positioning. Raw materials used in the products include chemicals, biological agents, Chinese herbs and other substances. Dosage forms include tablets, capsules, drinks, oral liquids and powder. As a result of the numerous types of products in the market, a company typically focuses on a few product types. We mainly focus on the child-specific vitamins and dietary supplements.

The competition of the overall vitamins and dietary supplements products market in Hong Kong is intensive. In 2013, the top 3 brands accounted for approximately 43.2% of industry sales in Hong Kong, which were “USANA (優莎娜)” (30.0%), “Vita Green (維特健靈)” (7.2%) and “Nutrilite (紐崔萊)” (6.0%). Although “USANA (優莎娜)” held the leading position of the market, but was still not dominant.

According to Euromonitor International, the market share of our “Hin Sang (衍生)” brand was approximately 3.8%, ranking the 6th in the market during the period of January 2013 to December 2013 in Hong Kong.

The brand of “Hin Sang (衍生)” of our Group was the market leader of segment market of child-specific vitamins and dietary supplements during the period of January 2013 to December 2013 in Hong Kong with market share of approximately 53.6%.

The other top 4 brands are “Kawai”, “USANA (優莎娜)”, “Centrum” and “Vita Green (維特健靈)”, which together accounted for approximately 33.4% of the industry sales and their market shares were approximately 16.9%, 10.5%, 4.0% and 2.0% in 2013 respectively.

INDUSTRY OVERVIEW

Hin Sang was also the market leader of above-mentioned segment market in Hong Kong in 2011 and 2012, with market shares of 42.4% and 38.7% respectively.

Competitive landscape of bath & shower products market in Hong Kong

The entry barrier of the bath & shower product industry is generally low so the market is highly fragmented. Apart from function and quality, price and brand recognition plays a vital role in the consumers' choice. "Dettol (滴露)" and "Dove (多芬)" were the market leaders with market shares of approximately 12.0% and 9.6% respectively in 2013 in Hong Kong, followed by "Lux (麗仕)" (7.5%), "Johnson's (莊臣)" (7.2%) and "Walch (威露士)" (7.1%).

The aggregate market share of the bath and shower products of our Group under brands including "Acene (澳雪)", "Enear (櫻雪)", "Vcnic (花世界)", "Zici (滋采)" and "On-Guard (安高)" was approximately 3.0% in 2013 in Hong Kong. The market shares and the market ranking of these brands are shown as below:

Market Share and Market Ranking of Major Brands of our Group in Hong Kong Bath and Shower Products Market, January 2013 to December 2013

<u>Brand</u>	<u>Market Share</u>	<u>Market Ranking</u>
Acene (澳雪)	1.5%	12th
Vcnic (花世界)	0.6%	20th
Enear (櫻雪)	0.6%	21st
Zici (滋采)	0.2%	28th
On-Guard (安高)*	<u>0.1%</u>	<u>34th</u>
Total:	<u>3.0%</u>	

Note: The brand marked "*" is our own brand. Save and except for such brand, our Group is the exclusive distributor of the other brands in Hong Kong.

Source: Euromonitor International

These products are regularly publicised in mass media in Hong Kong and are available for sale in chain supermarkets, chain personal care products stores and chain pharmacy stores. As a result, these brands are well-known to local households in Hong Kong.

Competitive landscape of skin care product industry in Hong Kong

The skin care product market includes a wide variety of products, including facial care, body care and hand care products. Our Group's major focus in this industry is facial mask.

INDUSTRY OVERVIEW

Multinational brands still dominated the skin care market in 2013 in Hong Kong. Top 5 brands were “SK-II”, “Shiseido (資生堂)”, “Estée Lauder”, “Lancome (蘭蔻)” and “Laneige (蘭芝)” which accounted for approximately 27.6% of the industry sales and their market shares were 7.0%, 6.4%, 4.8%, 4.8% and 4.6% respectively. The gaps of their market shares among those brands were narrow, and none of them had obvious advantage.

The aggregate market share of the skin care products of our Group under brands including “Beautymate (美肌の誌)”, “Sewame (雪完美)”, “Besilke (白絲嬌麗)”, “Bursel (白詩)”, “Vinch (微泉)” and “Yanwaili (因為您)” was approximately 0.7% (including 0.4% for our own brands which are “Beautymate (美肌の誌)” and “Yanwaili(因為您)” and remaining 0.3% for the other brands which are not owned, but exclusively managed by us) in 2013 in Hong Kong. The market shares and the market ranking of these brands are shown as below:

Market Share and Market Ranking of Major Brands of our Group in Hong Kong Skin Care Products Market, January 2013 to December 2013

<u>Brand</u>	<u>Market Share</u>	<u>Market Ranking</u>
Beautymate (美肌の誌)*	0.4%	34th
Sewame (雪完美)	0.2%	40th
Besilke (白絲嬌麗)	0.1%	49th
Total:	<u>0.7%</u>	

Note: The brand marked “*” is our own brand. Save and except for such brand, our Group is the exclusive distributor of the other brands in Hong Kong.

Source: Euromonitor International

The facial masks segment market in Hong Kong has the similar character as the overall skin care market, i.e. multinational brands still dominated the market, and the market shares between the top 5 brands were narrow and none of them had obvious advantage. Top 5 brands of this segment market in 2013 were “Laneige (蘭芝)”, “Shiseido (資生堂)”, “SK-II”, “Olay” and “Fancl”, which together accounted for approximately 42.1% of the industry sales and their market shares were approximately 10.6%, 8.9%, 8.6%, 7.1% and 6.9% respectively.

INDUSTRY OVERVIEW

The aggregate market share of the facial masks products of our Group under brands including “Beautymate (美肌の誌)”, “Sewame (雪完美)”, “Besilke (白絲嬌麗)”, “Bursel (白詩)”, “Vinch (微泉)”, and “Yanwaili (因為您)” was approximately 6.9% (including 4.4% for our own brands which are “Beautymate (美肌の誌)” and “Yanwaili(因為您)” and remaining 2.5% for the other brands which are not owned, but exclusively managed by us) in Hong Kong in 2013. The market shares and the market ranking of these brands are shown as below:

**Market Share and Market Ranking of Major Brands of our Group in
Hong Kong Facial Masks Products Market, January 2013 to December 2013**

<u>Brand</u>	<u>Market Share</u>	<u>Market Ranking</u>
Beautymate (美肌の誌)*	4.4%	6th
Sewame (雪完美)	1.5%	17th
Besilke (白絲嬌麗)	0.9%	25th
Vinch (微泉)	<u>0.1%</u>	<u>28th</u>
Total:	<u><u>6.9%</u></u>	

Note: The brand marked “*” is our own brand. Save and except for such brand, our Group is the exclusive distributor of the other brands in Hong Kong.

Source: Euromonitor International

Our Directors confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the BMI Report which may qualify, contradict or have an impact on the information in the section.

FLUCTUATION IN PURCHASE PRICES OF RAW MATERIALS AND FINISHED PRODUCTS

While the inflation rate of the Hong Kong economy was on the rise in general during the Track Record Period, purchase prices of raw materials and finished products confronted by our Group are affected by various factors, including but not limited to, macro-economic environment, level of competition in markets of product of various types and brands, and the power to negotiate with suppliers. Where our Group has achieved economy of scale, it is possible to alleviate the increase in purchase costs through bulk purchases and placing large orders. As our Group sells and distributes a wide variety of health care products, personal care products, health food supplements and household products of numerous brands, it is inevitable that purchase prices of some products increased or decreased at varying rates during the Track Record Period.

EUROMONITOR INTERNATIONAL’S DISCLAIMER

Certain Information in the Prospectus is derived from the reports, beauty and personal care in Hong Kong and vitamin and dietary supplement in Hong Kong, researched by Euromonitor International, an independent market research provider. The data, research opinion or viewpoints developed independently by Euromonitor International does not constitute a specific guide to action.

REGULATORY FRAMEWORK

OVERVIEW

During the Track Record Period, the business activities of the Group are principally based in Hong Kong and are therefore principally subject to the relevant laws and regulations in Hong Kong. To the best knowledge and belief of the Directors, save for those non-compliance incidents set out in the paragraph headed “Business — Legal Proceedings and Regulatory Compliance” in this prospectus, the Group has complied with the relevant applicable laws and regulations in relation to its business in all material respects for its operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

The Group has set up its indirect wholly owned subsidiary in the PRC since 23 October 2007. The Group’s subsidiary in PRC has complied with the laws and regulations in relation to its business in all material respects for its operations in the PRC during the Track Record Period and up to the Latest Practicable Date.

The Group has set up its indirect wholly owned subsidiary in Taiwan since 6 August 2010. The Group’s subsidiary in Taiwan has complied with the laws and regulations in relation to its business in all material respects for its operations in Taiwan during the Track Record Period and up to the Latest Practicable Date.

This section summarises certain material aspects of Hong Kong, PRC and Taiwan laws and regulations, which are relevant to the Group’s business operations.

HONG KONG

Some of our products are classified as PCM whereas others are classified as non-PCM. The major differences between PCM and non-PCM lie on their ingredients and claimed functionalities. A PCM shall be composed solely of (a) any Chinese herbal medicines; (b) any material of herbal, animal or mineral origin customarily used by Chinese, which should be documented in Chinese medicines classics or bibliographies, including but not limited to Pharmacopoeia; or (c) any medicine and materials referred to above. Hence, PCM shall be manufactured in strict adherence to the instructions of the relevant certificate of registration, which take reference from the Pharmacopoeia.

As concern functionalities, a PCM is claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or for the regulation of the functional states of human body whereas a non-PCM cannot claim to have any of such healing or preventing functions.

The following sets forth a summary of the material laws and regulations relating to the Group’s business operations in Hong Kong.

Public Health and Municipal Services Ordinance

The legal framework for food safety control in Hong Kong is set out in Part V of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (the “**Public Health Ordinance**”) and the relevant sub-legislations thereunder. The Public Health Ordinance requires the manufacturers and sellers of food to ensure that their products are fit for human consumption and comply with the requirements in respect of food safety, food standards and labelling.

REGULATORY FRAMEWORK

As the business of the Group involves the sales and distribution of health food supplements in Hong Kong, the Group is subject to the regulation of the Public Health Ordinance.

Section 50 of the Public Health Ordinance prohibits manufacture, advertising and sale in Hong Kong of food or drugs that are injurious to health. Anyone who fails to comply with this section commits an offence which carries a maximum penalty of HK\$10,000 and three months imprisonment.

Section 52 of the Public Health Ordinance provides that, subject to a few defences in section 53 of the same ordinance, if a seller sells to the prejudice of a purchaser any food or drug which is not of the nature, substance or quality of the food or drug demanded by the purchaser, the seller shall be guilty of an offence which carries a maximum penalty of HK\$10,000 and three months imprisonment.

According to section 54 of the Public Health Ordinance, any person who sells or offer for sale any food intended for, but unfit for, human consumption, or any drug intended for use by human but unfit for the purpose, shall be guilty of an offence. The maximum penalty for contravention of section 54 is a fine of HK\$50,000 and six months imprisonment.

Section 61 of the Public Health Ordinance provides that it shall be an offence for any person who gives with any food or drug sold by him/her or displays with any food or drug exposed for sale by him/her any label which falsely describes the food or drug or is calculated to mislead as to its nature, substance or quality. Further, it shall also be an offence if any person publishes or is party to the publication of an advertisement falsely describing any food or drug or is likely to mislead as to the nature, substance or quality of any food or drug.

Food and Drugs (Composition and Labelling) Regulations

Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong) (the “**Food and Drugs Regulations**”) which are under the Public Health Ordinance, contains provisions for the advertising and labelling of food.

Regulation 3 of the Food and Drugs Regulations provides that the manufacturing of foods and drugs shall be up to the standards as specified under Schedule 1 of the Food and Drugs Regulations.

Any person who advertises for sale, sells or manufactures for sale any food or drug which does not conform to the relevant requirements as to composition prescribed in Schedule 1 to the Food and Drugs Regulations commits an offence and is liable to a fine of HK\$50,000 and to imprisonment for 6 months.

Regulation 4A of the Food and Drugs Regulations demands all pre-packaged food and products sold by the Group (except for those listed in Schedule 4 to the Food and Drugs Regulations) to be marked and labeled in the manner prescribed in Schedule 3 to the Food and Drugs Regulations. Schedule 3 contains labeling requirements in respect of stating the product’s name or designation, ingredients, “best before” or “use by” date, special conditions for storage or instruction for use, manufacturer’s or packer’s name and address, and count, weight or volume. Additionally, the schedule also includes requirements on the appropriate language or languages for marking or labeling pre-packaged food. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and six months imprisonment.

REGULATORY FRAMEWORK

In accordance with Regulation 4B of the Food and Drugs Regulations, generally pre-packaged food sold by the Group should be marked or labeled with its energy value and nutrient content in the manner prescribed in Part 1 of Schedule 5 to the Food and Drugs Regulations, and nutrition claims, if any, made on the label of the product or in any advertisement for the product should comply with Part 2 of Schedule 5 to the Food and Drugs Regulations. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and six months imprisonment.

Undesirable Medical Advertisements Ordinance

The advertisements of the Group's products are also governed by the UMAO. The UMAO restricts certain advertisements relating to medical and health matters.

According to section 3 of the UMAO, unless by or with due authorisation from relevant authorities, no advertisement shall be published or caused to be published if it is likely to lead to the use of any medicine, surgical appliance or treatment for:

- (1) the treatment or prevention of any disease or condition listed in Column 1 of Schedule 1 to the UMAO, except for a purpose specified in Column 2 of the Schedule; and
- (2) the treatment of human beings for any purpose listed in Schedule 2 to the UMAO.

Some diseases and conditions listed in Schedule 1 to the UMAO include parasitic diseases, diseases of the heart or cardiovascular system, gastro-intestinal diseases, diseases of the nervous system, diseases of the blood or lymphatic system, diseases of the musculo-skeletal system, diseases of the skin, hair or scalp, and viral, bacterial, fungal or other infectious diseases.

The list in Schedule 2 to the UMAO contains treatment of human beings for the purposes of:

- (1) the induction of menstruation or relief of amenorrhea or delayed menstruation of any other gynaecological or obstetrical disease;
- (2) the promotion of sexual virility, desire or fertility, or the restoration of lost youth; and
- (3) the correction of deformity or the surgical alteration of a person's appearance.

Section 3B of the UMAO provides that no person shall publish, or cause to be published, an advertisement for an orally consumed product which makes for the product a claim specified in Column 1 of Schedule 4 to the UMAO, or any similar claim, except as allowed under the provisions in Column 2 of that Schedule.

Any person who contravenes sections 3, 3B or 4 of the UMAO shall be guilty of an offence and shall be liable upon a first conviction to a fine of \$50,000 and imprisonment for 6 months and upon a second or subsequent conviction to a fine of \$100,000 and imprisonment for 1 year.

REGULATORY FRAMEWORK

As the Group promotes its products by advertisements published in different channels, the contents of which are subject to section 3 and 3B of the UMAO. The Group has records of non-compliance of the UMAO during the Track Record Period. For details of such non-compliance, please refer to the paragraph headed “Business — Legal Proceedings and Regulatory Compliance” in this prospectus.

Chinese Medicine Ordinance

CMO makes provisions for the registration of practitioners in Chinese medicine; the registration of PCM; the licensing of traders in Chinese medicines; and other related matters.

Registration of PCM

Section 119 of the CMO provides that no person shall sell, import or possess any PCM unless the PCM is registered with the CMB. Application for registration of a PCM shall be submitted to the Department of Health in the manner prescribed in section 121 of the CMO.

Any person who contravenes section 119 of the CMO commits an offence and is liable to a maximum fine of HK\$100,000 and imprisonment for 2 years.

The requirements for registration of PCM are dependent on, *inter alia*, the classification category of the PCM under application. Based on the composition, usage and sales history, PCM are classified into one of three different classification categories, namely the “Established medicines category”, “Non-established medicines category” and “New medicines category”. Different category has different registration requirements and hence require different documents. For PCM under the “Established medicines category” and “Non-established medicines category”, applicants may choose to apply for registration in any of the three groups. However, for PCM in the “New medicines category”, as their compositions, routes of administration, indications or dose forms are different from traditional use, hence scientific evidence is essential to ensure their safety and efficacy and they must be registered according to the specific registration requirements.

Please refer to the paragraph headed “Business — Our own-branded health care products which require registration by law” in this prospectus for the products of the Group that were registered as PCM.

Licensing of traders in Chinese medicines

Under the CMO, traders in Chinese medicines shall obtain a licence issued by the CMB.

Section 131 of the CMO provides that no person shall manufacture any PCM, whether registered or not, without a manufacture licence, or at any place other than the premises specified in such licence.

Section 134 of the CMO provides that no person shall sell or distribute by way of wholesale, or possess for the purpose of wholesale, any PCM without a wholesaler licence in PCM, or at any place other than the premises specified in such licence.

REGULATORY FRAMEWORK

The Group has obtained the wholesaler licences under the CMO. Please refer to the paragraph headed “Business — Licences and Approvals” in this prospectus for details.

Labeling requirements

Section 143 of the CMO provides that a PCM shall not be sold in Hong Kong unless the package of the product is labeled in the prescribed manner.

Regulation 26 of the Chinese Medicines Regulation (Chapter 549F of the Laws of Hong Kong) (the “**Chinese Medicines Regulation**”) prescribes the particulars to be stated on the labels of PCM and also the manner in which they should be stated. Amongst the particulars to be stated on the labels of PCM, the name of the country or territory in which the medicine is produced should be stated.

Requirements on package inserts

Section 144 of the CMO provides that sale of a PCM in Hong Kong is prohibited unless the product is sold with a package insert which complies with the prescribed requirements. Such requirements are contained in regulation 28 of the Chinese Medicines Regulation.

According to regulation 28 of the Chinese Medicines Regulation, the package insert should set out, *inter alia*, particulars such as the name of the medicine, the active ingredients and their quantities, the name of the holder of certificate of registration or the name of the manufacturer, the dosage and method of usage, functions or pharmacological action; storage instructions, and packing specification. As for the indications, contraindications, side effects, toxic effects and precautions, the same shall also be included on the package insert as far as practicable.

Pharmacy and Poisons Ordinance

Pharmaceutical products and medicines sold in Hong Kong are regulated by the Pharmacy and Poisons Ordinance, and the various regulations made under it, including *inter alia* the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong) (“**Pharmacy and Poisons Regulations**”).

Sections 21 and 26 of the Pharmacy and Poisons Ordinance regulate the sale of certain poisons as listed in the Poisons List Regulations (Chapter 138B of the Laws of Hong Kong).

Section 28A of the Pharmacy and Poisons Ordinance prohibits any person other than registered the person from carrying on business as importer or exporter of pharmaceutical products and medicines.

As the Group has engaged in the wholesaling of Hin Sang Shiny Eye Drops 0.8% (衍生采瞳睛亮眼藥水), a registered pharmaceutical product, during the Track Record Period, the Group is subject to the regulation of the Pharmacy and Poisons Ordinance.

REGULATORY FRAMEWORK

Registration of pharmaceutical product

Regulation 36 of the Pharmacy and Poisons Regulations provides that, no person shall sell, offer for sale or distribute or possess for the purposes of sale, distribution or other use any pharmaceutical product or substance unless the product or substance is registered.

Any person who contravenes regulation 36 of the Pharmacy and Poisons Regulations commits an offence and is liable to a maximum fine of HK\$100,000 and imprisonment for 2 years.

Please refer to the paragraph headed “Business — The Product Development Segment — Our own-branded health care products which require registration by law” in this prospectus for the pharmaceutical product registered by the Group.

Licensing of pharmaceutical products wholesaler

Regulation 25 of the Pharmacy and Poisons Regulations provides that no person other than an authorised seller of poisons or a licensed manufacturer selling pharmaceutical products of his own manufacture only shall, by way of wholesale dealing, sell or supply at or from any premises any substance or article consisting of or containing any poison unless he is holder of a wholesale poisons licence issued in respect of those premises.

The Group has obtained the wholesale poisons licence under the Pharmacy and Poisons Ordinance dated 2 January 2014 which is valid till 1 January 2015.

Labeling requirements

Regulation 31 of the Pharmacy and Poisons Regulations prescribes the particulars to be labelled on the containers of pharmaceutical products.

Regulation 38A of the Pharmacy and Poisons Regulations provides that no person shall sell or supply any medicine unless it is labeled with particulars printed so as to be clearly legible in English and Chinese, as to dosage and the route and frequency of administration.

Food Safety Ordinance

Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) (the “**Food Safety Ordinance**”) establishes a registration scheme for food importers and food distributors, to require the keeping of records by persons who acquire, capture, import or supply food and to enable food import controls to be imposed.

As the principal business of the Group is the sales and distribution of health food supplements, the Group is subject to the regulation of the Food Safety Ordinance.

REGULATORY FRAMEWORK

Registration as food importer or distributor

Sections 4 and 5 of the Food Safety Ordinance require any person who carries on a food importation business or food distribution business to register with the Food and Environmental Hygiene Department as a food importer or food distributor.

Any person who does not register but carries on a food importation or distribution business, without reasonable excuse, commits an offence and is liable to a maximum fine of \$50,000 and imprisonment for 6 months.

The Group has registered as a food importer or food distributor under the Food Safety Ordinance. Please refer to the paragraph headed “Business — Licences and Approvals” in this prospectus for details.

Record-keeping requirement relating to movement of food

Section 24 of the Food Safety Ordinance provides that a person who, in the course of business, supplies food in Hong Kong by wholesale must record the following information about the supply:

- (1) the date the food was supplied;
- (2) the name and contact details of the person to whom the food was supplied;
- (3) the total quantity of the food;
- (4) a description of the food.

A record must be made under this section within 72 hours after the time the supply took place.

Any person who fails to comply with the record-keeping requirement, without reasonable excuse, commits an offence and is liable to a maximum fine of \$10,000 and imprisonment for 3 months.

Import and Export Ordinance

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “**Import and Export Ordinance**”) and the sub-legislation under it, governs the importation of products into, and the export of products from Hong Kong.

Section 6C of the Import and Export Ordinance provides that no importation is allowed of the articles specified in Schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) unless with a proper licence issued by the Director-General of Trade and Industry under section 3 of the Import and Export Ordinance. Accordingly, importation of PCM and pharmaceutical products stated in the said Schedule 1 are subject to licensing control and must be covered by a proper import licence.

REGULATORY FRAMEWORK

Section 6D of the Import and Export Ordinance provides that no person shall export any article specified in the second column of Schedule 2 to the Import and Export (General) Regulations to the place specified opposite thereto in the third column of the schedule unless with an export licence issued by the Director-General of Trade and Industry under section 3 of the Import and Export Ordinance. Accordingly, exportation of PCM and pharmaceutical products stated in the said Schedule 2 are subject to licensing control and must be covered by a proper export licence.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “**Trade Descriptions Ordinance**”) prohibits false trade description, false, misleading or incomplete information, false statements, etc., in respect of goods offered in the course of trade. Therefore, all of the products and supplements sold by the Group are required to comply with the relevant provisions therein.

Section 2 of the Trade Descriptions Ordinance provides, *inter alia*, that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Section 7A of the Trade Descriptions Ordinance provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

Sections 13E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for 2 years.

REGULATORY FRAMEWORK

Trade Marks Ordinance

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (the “**Trade Marks Ordinance**”) provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 599A of the Laws of Hong Kong) (the “**Trade Marks Rules**”).

According to section 10 of the Trade Marks Ordinance, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the ordinance.

The Group is the registered owner and proprietor of the trademarks as set out in the sub-section headed “C. Intellectual Property Rights of our Group” in Appendix V to this prospectus.

By virtue of section 14 of the Trade Marks Ordinance, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of such ordinance, the registration date is the filing date of the application for registration.

Subject to the exceptions in section 19 to section 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. Conducts which amount to infringement of the registered trademark are further specified in section 18 of the same ordinance.

The owner of the registered trademark is entitled to remedies under the Trade Marks Ordinance once any infringement by third parties occurs, such as infringement proceedings provided for in section 23 and section 25 of the Trade Marks Ordinance.

Trademarks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner’s reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

Copyright Ordinance

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the “**Copyright Ordinance**”) currently in force in Hong Kong has come into effect since 27 June 1997. The Copyright Ordinance as reviewed and revised from time to time provides comprehensive protection for recognised categories of literary, dramatic, musical and artistic works, as well as for films, television broadcasts and cable diffusion, and works made available to the public on the internet.

In the course of designing its product packing, the Group may create original artistic works (such as drawings) or literary works (such as text) that qualify for copyright protection. No registration is required. Infringement of copyright is civilly actionable.

REGULATORY FRAMEWORK

Consumer Goods Safety Ordinance

The Consumer Goods Safety Ordinance (Chapter 456 of Laws of Hong Kong) (the “**Consumer Goods Safety Ordinance**”) imposes a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes.

The Group’s products, other than food, pharmaceutical products and PCM which are specifically excluded under the schedule of the Consumer Goods Safety Ordinance, are regulated by the Consumer Goods Safety Ordinance and the Consumer Goods Safety Regulation (Chapter 456A of Laws of Hong Kong) (the “**Consumer Goods Safety Regulation**”).

Section 4(1) of the Consumer Goods Safety Ordinance requires consumer goods to be reasonably safe having regard to all of the circumstances including the manner in which, and the purpose for which the products are presented, promoted or marketed, the use of any mark in relation to the products, instructions and warnings given for the keeping or use of the products, reasonable safety standards published by a standards institute or other similar bodies and the existence of any reasonable means to make the products safer.

According to section 2(1) of the Consumer Goods Safety Regulation, where consumer goods on their packages are marked with, or where any labels affixed to or any documents enclosed in their packages contain, any warning or caution regarding the safe keeping, use, consumption or disposal, such warning or caution shall be in both the English and the Chinese languages. Such warnings and cautions, as required by section 2(2) of Consumer Goods Safety Regulation, shall be legible and be placed in a conspicuous position on (a) the consumer goods; (b) any package of the consumer goods; (c) a label security affixed to the package; or (d) a document enclosed in the package.

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the “**Sale of Goods Ordinance**”) provides, *inter alia*, that where a seller sells goods in the course of a business, there is an implied condition that (a) where the goods are purchased by description, the goods must correspond with the description; (b) the goods supplied are of merchantable quality; and (c) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods.

PRC

As confirmed by the Company’s PRC legal advisers, the current business and operation of the Group would not be specifically regulated by any environmental laws and regulations nor obliged to maintain any industry-specific insurances in relation to the environment in the PRC. The following material PRC laws and regulations are of relevance to the Group’s operations and business:

PRC Wholly Foreign-Owned Enterprises Law and its implementation regulation

According to the PRC Law on Wholly Foreign-owned enterprises (中華人民共和國外資企業法), which was promulgated on 12 April 1986 by the National People’s Congress and amended on 31 October 2000 by the Standing Committee of the National People’s Congress, the investments, profits,

REGULATORY FRAMEWORK

and other lawful rights and interests of a foreign investor are protected in the PRC. A foreign investor may remit abroad profits and other legal earnings from a wholly foreign-owned enterprise, as well as any remaining funds when the enterprise is liquidated.

According to the Implementation Rules on the PRC Law on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 by the Ministry of Foreign Trade and Economic Cooperation and amended on 12 April 2001 by the State Council of the PRC, the articles of association of a wholly foreign-owned enterprises shall become effective upon the approval by the examining and approving authority and the same procedures shall apply whenever any amendments thereto are made. Any division, merger, or any significant change in the registered capital of a wholly foreign-owned enterprise shall be subject to approval by the examining and approving authority. The enterprise shall engage a PRC qualified auditor for a capital verification report. Upon approval by the examining and approving authority, registration shall be made with the Administrative Bureau for Industry and Commerce.

Regulatory system relating to distribution of the health food products

The PRC Government has established a regulatory system and promulgated a series of laws and regulations, governing the food health industry. Under this regulatory system, health food products are subject to specific regulatory requirements. Before 1 June 2009, the regulatory system for the food industry was set forth in the Food Hygiene Law of the PRC (中華人民共和國食品衛生法), promulgated by the national People's Congress Standing Committee (全國人民代表大會常務委員會) in 1995, and its administrative and implementation measures, including the Administrative Measures on Food Hygiene Permits (食品衛生許可證管理辦法), promulgated by the Ministry of Health ("MOH") on 25 December 2005 and effective on 1 June 2006, which was repealed in 1 May 2010.

On 1 June 2009, the Food Hygiene Law of the PRC was abolished and replaced by the Food Safety Law of the PRC (中華人民共和國食品安全法), promulgated by the National People's Congress Standing Committee on 28 February 2009. The Food Safety Law of the PRC provides that the health food product industry shall be strictly supervised pursuant to specific measures separately formulated by the State Council. The State Council is currently drafting the specific measures regarding the health food product industry based on a preliminary draft initially named the Regulations for the Supervision and Administration of Health Food (保健食品監督管理條例) that has been released for public comment. As of the date hereof, there is no official notice about the issuance date of such measures. As those specific measures have not been promulgated, the administrative measures governing health food industry promulgated according to the Food Hygiene Law of the PRC remain valid, principally including the Administrative Measures on Health Food Products (保健食品管理辦法) promulgated by MOH on 15 March 1996 and effective as of 1 June 1996.

According to the above regulations, entities engaged in distribution of health food products shall apply to the competent administrative department for a food distribution license and a hygiene license for health-food operating entity.

Hin Sang Hong (Shenzhen) has obtained the food distribution license and the hygiene license for health-food operating entity and has complied with all applicable laws and regulations in the PRC in all material respects.

REGULATORY FRAMEWORK

Income tax

Prior to 1 January 2008, income tax payable by foreign-invested enterprises (“**FIEs**”) in the PRC was governed by the FIE Tax Law promulgated on 9 April 1991, which became effective on 1 July 1991, and the related implementation rules. Under the FIE Tax Law, an FIE was subject to a national income tax at the rate of 30% and a local tax at the rate of 3% unless a lower rate was provided by laws or administrative regulations. The income tax on FIEs established in Special Economic Zones, foreign enterprises which had establishments or places in Special Economic Zones and were engaged in production or business operations, and FIEs of a production nature in Economic and Technological Development Zones, was levied at the reduced rate of 15%. The income tax on FIEs of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located, was levied at the reduced rate of 24%. FIEs of a production nature scheduled to operate for a period of not less than ten years were exempted from income tax for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years) and allowed a fifty percent reduction in the following three consecutive years.

Under the Law of the PRC on Enterprise Income Tax (the “**New Income Tax Law**”), the income tax for both PRC domestic enterprises and FIEs is levied at the same rate of 25% effective from 1 January 2008. In order to clarify some provisions in the New Income Tax Law, the Implementation Rules to the New Income Tax Law (the “**Implementation Rules**”) were promulgated on 6 December 2007, which became effective from 1 January 2008.

The New Income Tax Law provides certain reliefs during the transitional period that apply to enterprises that were established prior to 16 March 2007. If FIEs had been enjoying reduced tax rates under the laws and regulations, the tax rate will be gradually increased to coincide with the new tax rate within five years starting from 2008; if FIEs had been enjoying tax holidays for a fixed period under laws and regulations, they can continue to enjoy the holiday until its expiry. However, if an enterprise had not started to enjoy the tax holiday due to a lack of profit, 2008 is regarded as the first profit-making year and the enterprise was deemed to start to enjoy the tax holiday in that year.

Value added Tax

Pursuant to the Provisional Regulations on the Valued-added Tax of the PRC (中華人民共和國增值稅暫行條例) effective from 1 January 1994 and amended on 5 November 2008 and its implementation rules, all entities or individuals in the PRC engaged in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“**VAT**”). VAT payable is calculated as “output VAT” minus “input VAT.” The rate of VAT is 17% or in certain limited circumstances, 13%, depending on the production type.

Laws and regulations in relation to foreign exchange and dividend distribution

Foreign Exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Currency Administration Rules (外匯管理條例), which was issued by the State Council. The Rules took effect on 29 January 1996 and was subsequently amended on 14 January 1997 and 1 August 2008. Under these

REGULATORY FRAMEWORK

rules, foreign-invested enterprises in the PRC may purchase foreign exchange for trade and services-related foreign exchange transactions without the approval of SAFE by providing commercial documents evidencing such transactions. Subject to a cap approved by SAFE, they may also retain foreign exchange to satisfy foreign exchange liabilities or to pay dividends. In addition, foreign exchange transactions involving direct investment, loans, and investment in securities outside the PRC are subject to limitations and require approvals from SAFE.

Dividend distribution

Before the promulgation of the New Income Tax Law, the principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises included the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of the PRC (the “**FIE Tax Law**”), together with its implementation rules.

Under the FIE Tax Law and its implementation rules, wholly foreign-owned enterprises in the PRC may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. Dividends paid to its foreign investors were exempt from withholding tax. However, such provision has been revoked by the New Income Tax Law. The New Income Tax Law prescribes a standard withholding tax rate of 20% on dividends and other PRC-sourced passive income of non-resident enterprises. However, the implementation rules of the New Income Tax Law have reduced the rate from 20% to 10%, effective from 1 January 2008.

The PRC and the government of Hong Kong signed the Arrangement between the Mainland and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangement**”) on 21 August 2006, which became effective in the PRC since 1 January 2007. According to the Arrangement, no more than 5% withholding tax rate shall apply to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the equity capital of the PRC company. The 10% withholding tax rate shall apply to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the equity capital of the PRC company. According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

The Administrative Provisions on Cosmetics Labeling

According to the Administrative Provisions on Cosmetics Labeling effective from 1 September 2008, labels of cosmetics should state the name, actual place of production and processing place of cosmetics, the name and address of the producer, the date of production, the expiry date, the batch number, the net content, a list of full contents, national standards, industrial standards or enterprise standards and the production licence mark and number for those who have filed the same with the authorities. Labels of cosmetics must include quality inspection certificate. Additional description should be included depending on needs or when it is difficult to reflect all the information of the cosmetics in the label. For cosmetics which are easy to be damaged or are harmful to human health and become

REGULATORY FRAMEWORK

unsafe due to improper use or storage, matters warranting attention, warnings in Chinese, storage conditions and safety requirements must be stated. Other than the registered trademark, the contents of the labels of cosmetics must be stated in standard Chinese.

The Administrative Rules on the Advertisement of Cosmetics

According to the Administrative Rules on the Advertisement of Cosmetics promulgated by the State Administration of Industry and Commerce on 13 July 1993, which became effective on 1 October 1993 and which was amended on 28 September 2005, advertisement of cosmetics shall not contain prohibited contents, such as false or exaggerating names or representation of any recipe, contents, effect or performance; statement guaranteeing any results in any party's name or causing others to misapprehend its effect in an implied manner; exaggerating its medical effects or misuse of medical terms; to misapprehend debasement of competitors' products; use of unqualified words such as "new creation", "new invention", "pure natural products" and "no side effects"; and false or exaggerating representation of any performance or function of cosmetics. Otherwise, the Administration of Industry and Commerce shall have the right to circulate a notice of criticism and impose a fine depending on the severity of the violation.

General regulations on PRC Trademark Registration

Registered trademarks are protected under the Trademark Law of the PRC (中華人民共和國商標法) adopted in 1982 and amended in 1993 and 2001. The Trademark Office of the State Administration for Industry & Commerce (中華人民共和國國家工商行政管理總局) (the "**Trademark Office**") is responsible for the registration and administration of trademarks throughout the PRC. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained "sufficient degree of reputation" through that person's use. After receiving an application, the Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Any person may, within three months after such public announcement, file an opposition against a trademark that has passed a preliminary examination. The Trademark Office's decisions on rejection, opposition or cancellation of an application may be appealed to the Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked.

Trademark registrants shall be entitled to the exclusive use of their trademarks. This is limited to the use of registered trademarks on certain commodities on which the use of the registered trademarks is approved.

REGULATORY FRAMEWORK

The validity period of a registered trademark shall be ten years commencing from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the validity period, an application for the renewal of registration shall be made within six months before the expiration of the validity period. If the renewal application is approved, the trademark will be renewed for another ten years.

A trademark shall not be registered and shall be prohibited from being used if: (1) the trademark is the copy, imitation or translation of a well-known trademark of another on the same or similar commodities not registered in the PRC; and (2) the trademark may mislead the public or lead to possible damages to the interests of the registrant of that well-known trademark.

Regulation on Determination of Well-known Trademarks

Pursuant to the PRC Trademark Law, the following factors shall be taken into consideration in the determination of well-known trademarks:

- (1) how well that trademark is known by the relevant public;
- (2) the period during which that trademark has been in use;
- (3) the period, extent and geographic scope of any publicity of that trademark;
- (4) the record of protection of that trademark as a well-known trademark; and
- (5) other factors for which that trademark is well-known.

Under the Provisions for the Determination and Protection of Well-known Trademarks (馳名商標認定和保護規定), the term “well-known trademark” refers to a trademark widely known by the public and highly reputable in the PRC.

The Trademark Office of the State Administration for Industry and Commerce shall be responsible for the recognition and administration of well-known trademarks.

The validity period of a well-known trademark shall be from the date when it is recognized as a well-known trademark until the end of the validity period of such trademark or until the recognition of the well-known trademark is revoked. The following serve as evidence indicating that trademark is well known:

- (1) materials showing that the public knows such trademark;
- (2) materials showing the duration of the use of such trademark;
- (3) materials showing the duration, extension and areas of advertising of such trademark;
- (4) records showing that such trademark has been protected as a well-known trademark;

REGULATORY FRAMEWORK

- (5) other materials showing that the trademark is renown, including production amount, sales volume, and the profit of the products bearing the trademark.

According to the Company's confirmation, the Company has complied with the PRC Trademark Law, the Regulation for the Implementation of the PRC Trademark Law. The Group confirmed that the Group does not possess and is not in the process of registering any well-known trademark.

Regulations in relation to housing provident fund in Shenzhen

Pursuant to the Shenzhen Municipal Tentative Regulations on Social Insurance (深圳市社會保險暫行規定) promulgated on 1 August 1992, enterprises shall make contributions to the housing provident fund for employees with Shenzhen residency. Enterprises will be subject to penalty ranging from RMB10,000.00 to RMB50,000.00 if the enterprises fail to pay on time upon request the governing authority. Since the date of incorporation up to 19 December 2010, Hin Sang Hong (Shenzhen) did not pay the housing provident fund for employees ordinarily resident in Shenzhen in accordance with the Shenzhen Municipal Tentative Regulations on Social Insurance (深圳市社會保險暫行規定). The Group confirmed that during the aforesaid period, Hin Sang Hong (Shenzhen) had 20 employees ordinarily resident in Shenzhen and the amount of contributions unpaid is RMB63,103.50.

The Shenzhen Municipal Tentative Regulations on Social Insurance (深圳市社會保險暫行規定) was no longer valid since the promulgation of the Shenzhen Municipal Tentative Measures for Housing Provident Fund Management (深圳市住房公積金管理暫行辦法) on 20 December 2010.

Pursuant to the Shenzhen Municipal Tentative Measures for Housing Provident Fund Management, Hin Sang Hong (Shenzhen) shall make contributions to the housing provident fund for employees with or without Shenzhen residency. Enterprises shall make the aforesaid contributions starting from the implementation of Shenzhen Municipal Government Notice in relation to Publication of Reform of Shenzhen Municipal Housing Provident Fund System (深圳市政府《關於印發深圳市住房公積金制度改革方案的通知》) on 22 May 2009. The Group confirmed that they have paid the contributions of RMB17,879 for the period from May 2009 to November 2010 on 15 February 2011 for current employees with Shenzhen residence and have paid contributions for all employees since December 2010. The outstanding contributions of housing provident fund that the Group is liable to pay since the incorporation date of Hin Sang Hong (Shenzhen) until April 2009 is RMB18,119.00 and the possible penalty is ranging from RMB10,000.00 to RMB50,000.00. As confirmed by the PRC legal advisers, the Group has yet to pay the aforesaid outstanding contributions to Shenzhen Housing Provident Fund Management Center (深圳市住房公積金管理中心) as it has yet to accept applications for payment of housing provident fund for the period prior to May 2009. In view of the outstanding contributions and possible penalty, Mr. Pang and Mrs. Pang have given indemnity to the Group. Save and except the above, the PRC legal advisers confirmed that the Group is currently in compliance with relevant housing provident fund laws and regulations.

REGULATORY FRAMEWORK

TAIWAN

The following sets forth a summary of the material laws and regulations relating to the Group's business operations in Taiwan.

Foreign Investments in Taiwan — Statute for Investment by Foreign Nationals (外國人投資條例)

Except for those who have registered their investments in the Taiwan securities market with the Taiwan Stock Exchange, any foreign investors who wish to make a direct investment in a Taiwan company are required to apply for a foreign investment approval (“**FIA**”) with the Investment Commission of the Ministry of Economic Affairs or other relevant authorities in accordance with the Statute for Investment by Foreign Nationals. The Investment Commission and/or other relevant authorities will decide whether or not to grant an FIA application after consulting with other governmental agencies (such as the Central Bank and the Financial Supervisory Commission).

A foreign investor who has obtained an FIA may repatriate annual net profits, interest and cash dividends attributable to the approved investment.

Statute for Control of Cosmetic Hygiene (化妝品衛生管理條例)

The Statute for Control of Cosmetic Hygiene (化妝品衛生管理條例), which was announced on 28 December 1972 and last amended on 12 June 2002, contains provisions on the definition, hygiene, labeling and advertisement of cosmetics.

Cosmetics are defined under the Statute for Control of Cosmetic Hygiene (化妝品衛生管理條例) as substance(s) that are applied on any part of a human being's surface for the purpose of moisturising the hair or skin, stimulating the sense of smell, elimination of unpleasant odor or facial make-up. Under the statute, for any cosmetics containing medical, poisonous or potent drug(s) to be imported, an application for an import licence shall be made to the central competent health authorities; for cosmetics not containing any medical, poisonous or potent drugs, an import licence is not required. The term of the import licence shall be valid for five years, and an application for renewal shall be made before the expiration of the term thereof. As at the Latest Practicable Date, none of the Group's products was classified as cosmetics containing medical, poisonous or potent drug(s) except one product, and the Group has obtained the import licence for the relevant product.

Before publicising or advertising any cosmetics, the manufacturer or dealer shall first submit to the central or municipal competent health authorities for its approval all the text, pictures and/or oral statements contained therein; and shall subsequently present the approval letter or certificate to the mass communication institutions concerned for their examination. As at the Latest Practicable Date, the Group has complied with all applicable laws and regulations in relation to advertising and obtained all relevant approvals and certificates thereof.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

INTRODUCTION

In 1996, we were founded by Mr. Pang and Mrs. Pang in Hong Kong with the incorporation of Hin Sang Hong (HK) which was principally engaged in the trading and distribution of personal care products, health care products and household products purchased from authorised dealers and independent traders and sold to small independent pharmacy stores in Hong Kong. The business was set up with the personal savings of Mr. Pang.

In 1999, leveraging on the experience in trading and the established sales network, we became an exclusive distributor for a brand of shower gel “Venic (花世界)”. Since then, we were engaged by a few brand proprietors and manufacturers for the sales and distribution of their popular personal care products on an exclusive basis in specified regions. Apart from being their exclusive distributors, we were also responsible for the management and development of the brands of their products in the same regions.

In 2004, we started developing health care products including medicated oils and orally consumed health supplements under our brand of “Hin Sang (衍生)”. In 2006, we also developed our household product which included, but not limited to, pesticides and mosquito repellent under our brand of “On-guard (安高)”. In 2008 and 2009, we started debuting our own-branded personal care products, which are mainly skin care products under the brands of “Yanwaili (因為您)” and “Beautymate (美肌の誌)”.

With the above experience, our business can be broadly classified into three business segments, namely, Brand Development and Management Segment, Product Development Segment and Trading of Goods Segment. Please refer to the section headed “Business” of this prospectus for details of such business segments.

As at the Latest Practicable Date, we developed and managed 22 brands of products which were mainly personal care products; and we developed 13 brands (including the brand of “Tai Wo Tong (太和堂)”, the trademark of which was disposed of by us in March 2014) of our own products which covered a spectrum of personal care products, health care products and household products. For details of the brands developed or managed by the Group, please refer to the paragraph headed “Business — Brands of products distributed by our Group in all segments” in this prospectus.

According to the BMI Report, our Group’s “Hin Sang (衍生)” vitamin and dietary supplements for babies and children were in the leading position of the market in Hong Kong from 2011 to 2013. For more information and details of data sources, please refer to the sub-section headed “Industry Overview — Competitive Landscape” in this prospectus.

Since 1996, our business has grown steadily and our Directors consider that the Listing will enhance public profile and recognition from potential investors, suppliers and customers, which will be beneficial and complementary to the future growth and development of our Group.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Set out below are the major milestones of the Group's business since its establishment:

- | | |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| 1996 | Hin Sang Hong (HK) was established to engage in the trading and distribution of personal care products, health care products and household products |
| 1999 | The Group became an exclusive distributor for a brand of shower gel “Venic (花世界)” |
| 2004 | The Group launched its own brand of “Hin Sang (衍生)” in respect of the health care products developed by the Group |
| 2006 | The Group launched its own brand of “On-guard (安高)” in respect of the household products developed by the Group |
| 2008 | The Group launched its own brand of “Yanwaili (因為您)” in respect of the personal care products developed by the Group |
| 2009 | The Group launched its own brand of “Beautymate (美肌の誌)” in respect of the personal care products developed by the Group |
| 2010 | The Group became a distributor for a brand of laundry detergent “Sunew (閃新)” |
| 2012 | The Group became a distributor for a brand of milk powder “Neoangelac (安琪兒)” |
| 2013 | The Group became a distributor for a brand of tissue paper “Veens (唯茵)” |

CORPORATE HISTORY

The following sets forth the corporate development of our members since their respective dates of incorporation.

The Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 October 2010 with an authorised share capital of HK\$390,000 divided into 3,900,000 Shares of HK\$0.10 each, of which one Share was issued and allotted fully paid to the initial subscriber at par, and was transferred to Genwealth on the same date at par.

Our Company has 13 subsidiaries during the Track Record Period, a brief corporate history and changes in their shareholdings are set out below:

Hin Sang Holding

Hin Sang Holding was incorporated in the BVI on 11 September 2006. As at the date of incorporation, it was authorised to issue up to a maximum of 50,000 shares of a single class of par value US\$1.00, of which 10,000 shares were issued and allotted as to 9,000 shares to Mr. Pang and 1,000 shares to Mrs. Pang. Hin Sang Holding is an investment holding company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On 25 November 2010, Hin Sang Holding acquired the shares of Tai Wo Tong Pharmaceutical and Beautymate from Mr. Pang and Mrs. Pang (particulars of the transfer are detailed in the paragraphs headed “Tai Wo Tong Pharmaceutical” and “Beautymate” below) in consideration of Hin Sang Holding issuing a total of 20,000 new shares to Mr. Pang and Mrs. Pang. The transfer was completed on the same date for the purpose of group restructuring. As a result, the total number of issued shares of Hin Sang Holding increased to 30,000 shares, of which 27,000 shares were owned by Mr. Pang and 3,000 shares were owned by Mrs. Pang.

On 25 November 2010, Mr. Pang and Mrs. Pang respectively transferred their 27,000 shares and 3,000 shares in Hin Sang Holding to Genwealth in consideration of Genwealth issuing 27,000 new shares and 3,000 new shares at par to Mr. Pang and Mrs. Pang respectively. The transfer was completed on the same date for the purpose of group restructuring. Since then, Hin Sang Holding became a wholly owned subsidiary of Genwealth.

As part of the Reorganisation, Genwealth on 20 October 2011 transferred the 30,000 shares in Hin Sang Holding to the Company in consideration of the Company’s allotment and issue of 299,999,999 Shares all credited as fully paid up to Genwealth. As at the Latest Practicable Date, Hin Sang Holding was our intermediate holding company.

Hin Sang Hong (HK)

Hin Sang Hong (HK) was incorporated in Hong Kong on 13 June 1996. As at the date of incorporation, its authorised share capital was HK\$280,000 divided into 280,000 shares of HK\$1.00 each, all of which were issued and allotted as to 252,000 shares to Mr. Pang and 28,000 shares to Mrs. Pang, representing 90% and 10% of the issued share capital respectively.

On 26 September 2006, Mr. Pang and Mrs. Pang respectively transferred their 252,000 shares and 28,000 shares in Hin Sang Hong (HK) to Hin Sang Holding at the respective consideration of HK\$252,000 and HK\$28,000 calculated at par for the purpose of group restructuring. The transfer was duly completed and consideration was settled on the same date.

As at the Latest Practicable Date, Hin Sang Hong (HK) was a major operating subsidiary of the Company, which owns a substantial number of the Group’s trademarks and patents as detailed under the sub-section headed “C. Intellectual Property Rights of the Group” in Appendix V to this prospectus. Hin Sang Hong (HK) is engaged in the business of the three Business Segments as detailed in the section headed “Business” of this prospectus.

Chong Sang

Chong Sang was incorporated in Hong Kong on 25 April 2001. As at the date of incorporation, the authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 900 shares were issued and allotted to each of Mr. Pang and Mrs. Pang.

On 26 September 2006, each of Mr. Pang and Mrs. Pang transferred his/her respective 900 shares in Chong Sang to Hin Sang Holding at the respective consideration of HK\$900 calculated at par for the purpose of group restructuring. The transfer was duly completed and consideration was settled on the same date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As at the Latest Practicable Date, Chong Sang was principally engaged in the Trading of Goods Segment as detailed in the section headed “Business” of this prospectus.

Hin Sang Hong (Shenzhen)

Hin Sang Hong (Shenzhen) was incorporated in the PRC on 23 October 2007. It is a wholly foreign owned enterprise established by Hin Sang Hong (HK) with a registered capital of RMB500,000 as at the date of incorporation.

On 2 December 2010 and on 5 November 2013, the registered capital of Hin Sang Hong (Shenzhen) increased to RMB3,800,000 and RMB38,800,000 respectively and the relevant government approval and registration procedures have been completed.

As at the Latest Practicable Date, the principal business activities of Hin Sang Hong (Shenzhen) was the wholesale of our health care products of “Hin Sang (衍生)” and our skin care products of “Beautymate (美肌の誌)” in the PRC.

HM Advertising

HM Advertising was incorporated in Hong Kong on 12 December 2007. As at the date of incorporation, the authorised share capital was HK\$880,000 divided into 880,000 shares of HK\$1.00 each, all of which were issued and allotted to Hin Sang Holding.

As at the Latest Practicable Date, the principal business of HM Advertising was formulating and implementing overall marketing and branding strategies and preparing and controlling annual budgets for marketing activities for individual branded products.

Tai Wo Tong Pharmaceutical

Tai Wo Tong Pharmaceutical was incorporated in Hong Kong on 6 April 2009. As at the date of incorporation, the authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, all of which were issued and allotted as to 9,000 shares to Mr. Pang and 1,000 shares to Mrs. Pang, representing 90% and 10% of the issued share capital respectively.

On 25 November 2010, Mr. Pang and Mrs. Pang respectively transferred their 9,000 shares and 1,000 shares in Tai Wo Tong Pharmaceutical to Hin Sang Holding in consideration of Hin Sang Holding issuing 9,000 new shares and 1,000 new shares to Mr. Pang and Mrs. Pang at par respectively. The transfer was completed on the same date for the purpose of group restructuring. Since then, Tai Wo Tong Pharmaceutical became a wholly owned subsidiary of Hin Sang Holding.

Also on 25 November 2010, Tai Wo Tong Pharmaceutical increased its authorised share capital from HK\$10,000 to HK\$20,000 of HK\$1.00 each. Hin Sang Holding subscribed for an additional 10,000 shares of Tai Wo Tong Pharmaceutical which resulted in Hin Sang Holding holding 20,000 shares of Tai Wo Tong Pharmaceutical.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In 2010, Tai Wo Tong Pharmaceutical was granted a lease in relation to a plot of land located in Yuen Long, Hong Kong for the purpose of constructing a plant aspiring to obtain GMP certification. In the process of planning for the construction of such factory, we duly reviewed and considered our business focus and resources. Eventually our Group came to a decision not to proceed with such construction but instead focus our attention onto our core strengths in our business at that time. As a result of the fine tuning of business strategy, we decided to dispose of Tai Wo Tong Pharmaceutical to a company wholly owned by Mr. Pang and Mrs. Pang as described herein.

On 3 July 2013, the issued shares of Tai Wo Tong Pharmaceutical held by Hin Sang Holding were distributed by way of dividend in specie to its ultimate shareholders Mr. Pang and Mrs. Pang in proportion to their shareholdings as part of the Reorganisation. As a result, Tai Wo Tong Pharmaceutical ceased to be a member of our Group with effect from 3 July 2013.

During the Track Record Period up to 2 July 2013 while Tai Wo Tong Pharmaceutical was a member of the Group, the principal business of Tai Wo Tong Pharmaceutical was the packing of products developed and sold by the Group as detailed in the paragraph headed “Business — Disposal of Tai Wo Tong Pharmaceutical in July 2013 — Background” in this prospectus.

Tai Wo Tong

Tai Wo Tong was incorporated in Hong Kong on 6 April 2009. As at the date of incorporation, the authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, all of which were issued and allotted as to 9,000 shares to Mr. Pang and 1,000 shares to Mrs. Pang at par, representing 90% and 10% of the issued share capital respectively.

On 25 November 2010, Mr. Pang and Mrs. Pang respectively transferred their 9,000 shares and 1,000 shares in Tai Wo Tong to Tai Wo Tong Pharmaceutical in consideration of Tai Wo Tong Pharmaceutical issuing a total of 10,000 new shares at par to Hin Sang Holding, being the nominated allottee of Mr. Pang and Mrs. Pang. The transfer was completed on the same date for the purpose of group restructuring. Since then, Tai Wo Tong became a wholly owned subsidiary of Tai Wo Tong Pharmaceutical, which in turn was a wholly owned subsidiary of Hin Sang Holding.

As the issued shares of Tai Wo Tong Pharmaceutical were distributed to Mr. Pang and Mrs. Pang as part of the Reorganisation, Tai Wo Tong which was a wholly owned subsidiary of Tai Wo Tong Pharmaceutical in turn became beneficially owned by Mr. Pang and Mrs. Pang.

During the Track Record Period up to 2 July 2013 while Tai Wo Tong was a member of the Group, Tai Wo Tong was engaged in the packing of products for individual retailers. Since 3 July 2013, Tai Wo Tong ceased to be a member of our Group.

Yaome Nihon

Yaome Nihon was incorporated in the BVI on 23 June 2008. As at the date of incorporation, it was authorised to issue up to a maximum of 50,000 shares of a single class of par value US\$1.00, of which 1,000 shares were issued and allotted to each of Mr. Pang and Mrs. Pang.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On 25 November 2010, each of Mr. Pang and Mrs. Pang transferred his/her respective 1,000 shares in Yaome Nihon to Hin Sang Hong (HK) at the nominal consideration of HK\$1.00. The transfer was completed on the same date for the purpose of group restructuring. Since then, Yaome Nihon became a wholly owned subsidiary of Hin Sang Hong (HK), which in turn was a wholly owned subsidiary of Hin Sang Holding.

During the Track Record Period, Yaome Nihon had been engaged in the trading and product development of skin care products under the brand name of “Yanwaili (因為您)”. As at the Latest Practicable Date, Yaome Nihon is dormant.

Hong Kong Medicine Manufactory

Hong Kong Medicine Manufactory was incorporated in the BVI on 17 July 2008. As at the date of incorporation, it was authorised to issue up to a maximum of 50,000 shares of a single class of par value US\$1.00, of which 1,000 shares were issued and allotted to each of Mr. Pang and Mrs. Pang.

On 25 November 2010, each of Mr. Pang and Mrs. Pang transferred his/her respective 1,000 shares in Hong Kong Medicine Manufactory to Hin Sang Holding at the nominal consideration of HK\$1.00. The transfer was completed on the same date for the purpose of group restructuring. Since then, Hong Kong Medicine Manufactory became a wholly owned subsidiary of Hin Sang Holding.

As at the Latest Practicable Date, Hong Kong Medicine Manufactory was an intermediate holding company of the Group.

Hong Kong Pharmaceutical

Hong Kong Pharmaceutical was incorporated in the BVI on 18 August 2008. As at the date of incorporation, it was authorised to issue up to a maximum of 50,000 shares of a single class of par value US\$1.00, of which 1,000 shares were issued and allotted to each of Mr. Pang and Mrs. Pang.

On 25 November 2010, each of Mr. Pang and Mrs. Pang transferred his/her respective 1,000 shares in Hong Kong Pharmaceutical to Hong Kong Medicine Manufactory at the nominal consideration of HK\$1.00. The transfer was completed on the same date for the purpose of group restructuring. Since then, Hong Kong Pharmaceutical became a wholly owned subsidiary of Hong Kong Medicine Manufactory, which in turn was a wholly owned subsidiary of Hin Sang Holding.

As at the Latest Practicable Date, Hong Kong Pharmaceutical was a holding company. It is proposed that the company shall be principally engaged in the development of pharmaceutical products.

Hong Kong Pharmaceutical & Research

Hong Kong Pharmaceutical & Research was incorporated in Hong Kong on 22 May 2013. As at the date of incorporation, its authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 1 share was issued and allotted to Company Kit Secretarial Services Limited as initial subscriber.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On 12 February 2014, Hin Sang Holding became shareholder of Hong Kong Pharmaceutical & Research after the completion of the transfer of 1 share in Hong Kong Pharmaceutical & Research at par from Company Kit Secretarial Services Limited. Since then, Hong Kong Pharmaceutical & Research became a wholly owned subsidiary of Hin Sang Holding.

During the Track Record Period, Hong Kong Pharmaceutical & Research had been engaged in the development of our Group's products. As at the Latest Practicable Date, Hong Kong Pharmaceutical & Research was dormant.

Beautymate

Beautymate was incorporated in Hong Kong on 22 January 2010. As at the date of incorporation, its authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 10,000 shares were issued and allotted as to 9,000 shares to Mr. Pang and 1,000 shares to Mrs. Pang, representing 90% and 10% of the issued share capital respectively.

On 25 November 2010, Mr. Pang and Mrs. Pang respectively transferred their 9,000 shares and 1,000 shares in Beautymate to Hin Sang Holding in consideration of Hin Sang Holding issuing 9,000 new shares and 1,000 new shares at par to Mr. Pang and Mrs. Pang respectively. The transfer was completed on the same date for the purpose of group restructuring. Since then, Beautymate became a wholly owned subsidiary of Hin Sang Holding.

As at the Latest Practicable Date, Beautymate was principally engaged in online sale. No special licence or permit is required for online sales which Beautymate has not obtained.

Beautymate (Taiwan)

Beautymate (Taiwan) was incorporated in the Taiwan on 4 August 2010. As at the date of incorporation, the registered capital was NT\$8,000,000, all of which were contributed by Mrs. Pang.

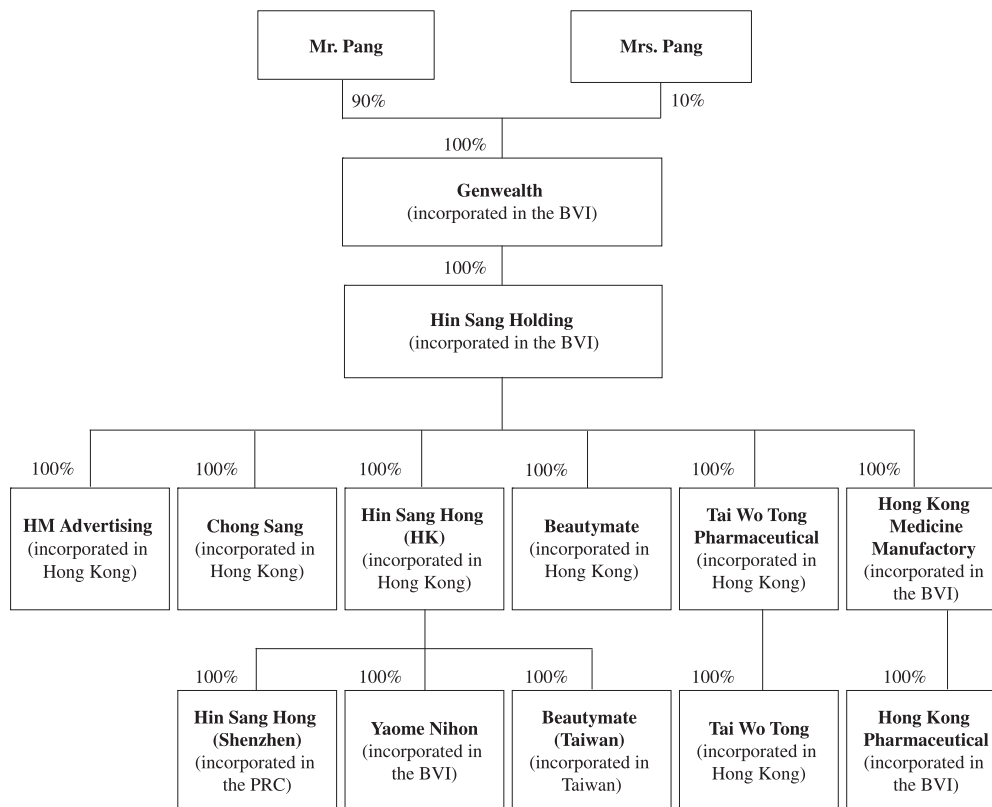
On 17 November 2010, Mrs. Pang transferred all her equity interest in Beautymate (Taiwan) to Hin Sang Hong (HK) at the consideration of HK\$1,841,750 which was the approximate amount of the registered capital of Beautymate (Taiwan). The transfer was completed on the same date for the purpose of group restructuring. Since then, Beautymate (Taiwan) became a wholly owned subsidiary of Hin Sang Hong (HK), which in turn was a wholly owned subsidiary of Hin Sang Holding.

On 4 January 2011, the registered capital of Beautymate (Taiwan) was increased to NT\$16,000,000. On 5 July 2011, the registered capital of Beautymate (Taiwan) was further increased to NT\$24,000,000. As at the Latest Practicable Date, the principal business of Beautymate (Taiwan) was the wholesale of our skin care products under the brand of “Beautymate (美肌の誌)” in Taiwan.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following diagram illustrates our structure as at the commencement of the Track Record Period.



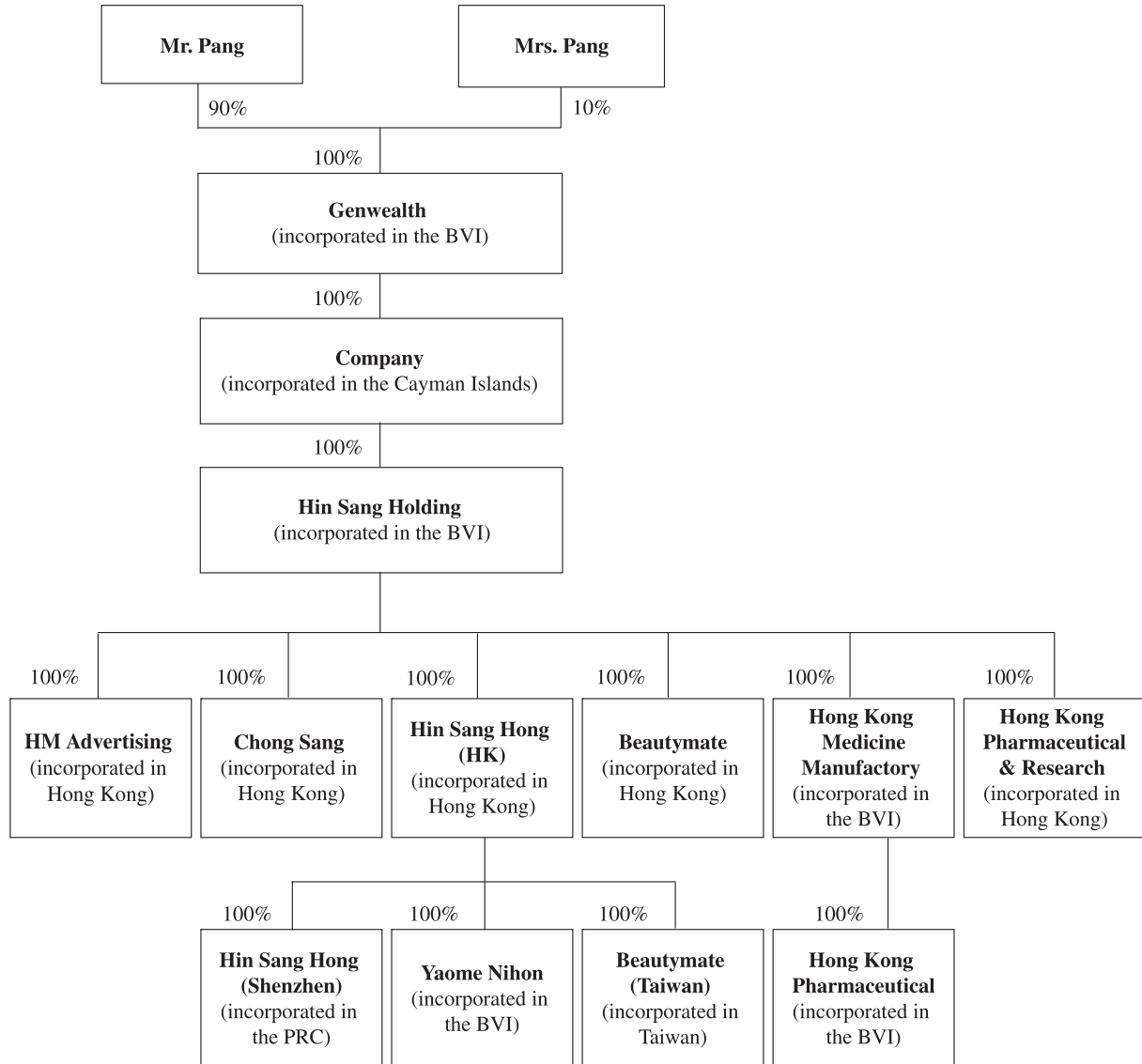
REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, pursuant to which our Company became our holding company. The Reorganisation included the following major steps:

- (a) On 20 October 2011, the Company acquired the entire issued share capital of Hin Sang Holding from Genwealth in consideration of the Company's allotment and issue of 299,999,999 Shares, all credited as fully paid up to Genwealth;
- (b) On 3 July 2013, the issued shares of Tai Wo Tong Pharmaceutical held by Hin Sang Holding were distributed by way of dividend in specie to its ultimate shareholders Mr. Pang and Mrs. Pang in proportion to their shareholdings. As a result, Tai Wo Tong Pharmaceutical together with its wholly owned subsidiary Tai Wo Tong ceased to be members of the Group.

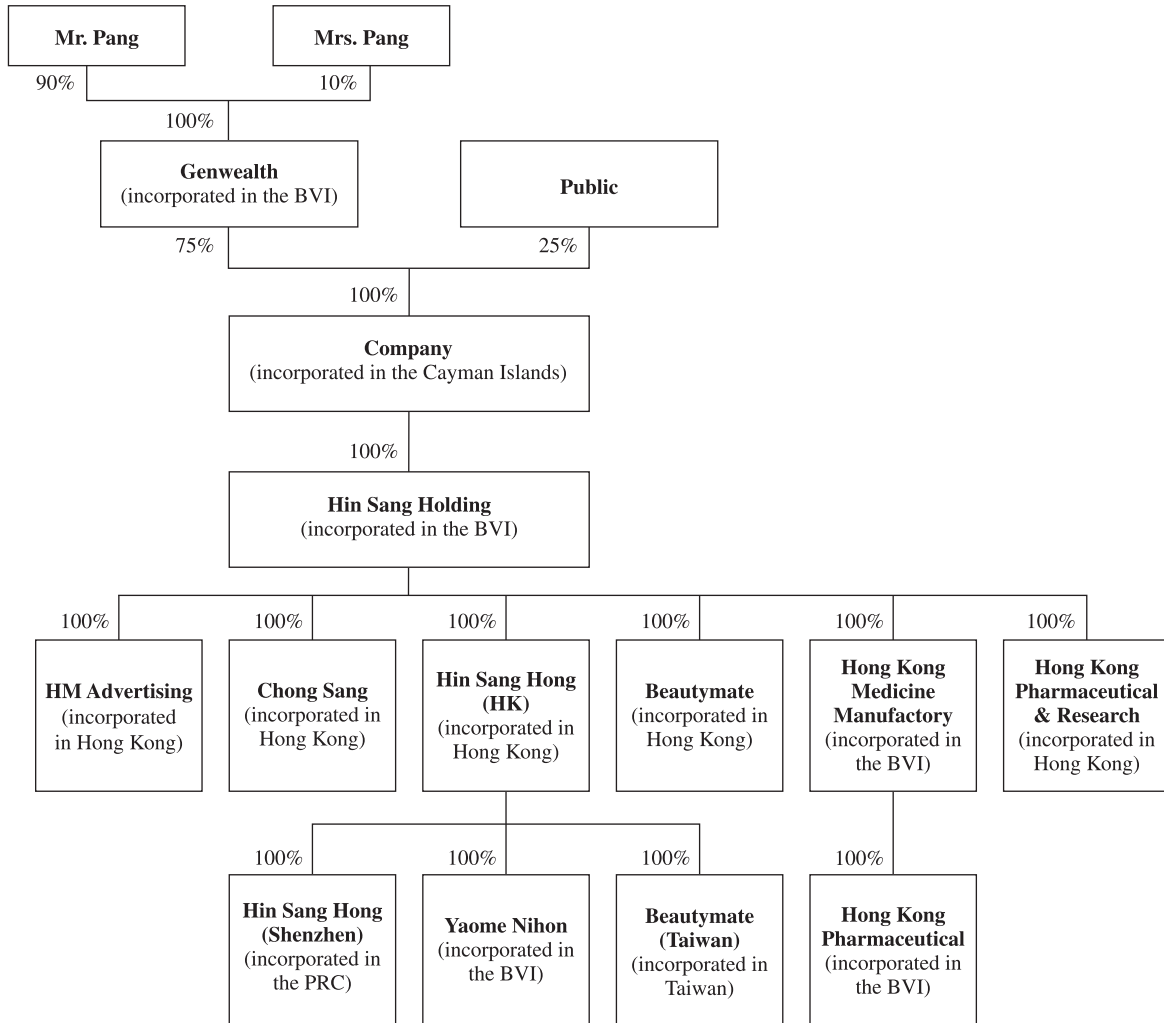
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following diagram shows our shareholding and corporate structure as at the Latest Practicable Date, which was immediately after completion of the Reorganisation but before completion of the Share Offer:



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following diagram illustrates our structure immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account the exercise of any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).



OVERVIEW

We are principally engaged in developing, marketing, selling and distributing a wide variety of personal care products (mainly consisting of bath and shower gels, shampoos, conditioners, and skin care products), health care products (mainly consisting of health supplements including but not limited to child specific milk supplements, dietary supplements, appetising teas, nutritive drinks, cough and cold remedies, herbal teas and medicated oils) and household products (mainly consisting of laundry detergents and antiseptic germicides) under various brands.

These products are either (i) branded products we purchased from brand proprietors; (ii) products developed and distributed by us under our own brands; or (iii) products purchased from authorised dealers, independent traders, manufacturers or parallel importers.

When our Group was founded in 1996, we were engaged in the sales and distribution of personal care products, health care products and household products purchased from authorised dealers and independent traders for resale to small independent pharmacy stores in Hong Kong, whereby we gradually established our sales network in Hong Kong.

In or around 1999, we started our co-operation with a few brand proprietors and manufacturers of certain popular personal care products in the PRC whose production bases are located in the Guangdong Province in the PRC. We entered into exclusive distribution agreements with these brand proprietors and manufacturers for the management of their brands and for the sales and distribution of their products on an exclusive basis predominantly in Hong Kong though pursuant to some of our distribution agreements with the brand proprietors, we are also allowed to distribute their products in Macau, Malaysia and Singapore. The most popular brands which have been managed by us in Hong Kong include “Acene (澳雪)”, “Sewame (雪完美)”, “Enear (櫻雪)”, “Vcnic (花世界)”, “Janese (珍妮詩)” and “Disenar (迪西茵)”. To expand the sales of these personal care products under these brands, we appointed distributors for these products in Macau, Malaysia and Singapore during the Track Record Period.

Since 2004, we started developing health care products including medicated oils and orally consumed health supplements including both PCM and non-PCM under our brand of “Hin Sang (衍生)”. In 2008 and 2009, we started debuting our own-branded personal care products, under the brands “Yanwaili (因為您)” and “Beautymate (美肌の誌)”. At the same time, we also developed our household products which are mainly antiseptic germicides, pesticides and mosquito repellents.

During the Track Record Period and as at the Latest Practicable Date, we outsourced the production of all our own-branded products to external manufacturers located in Hong Kong, the PRC and Taiwan. Despite the outsourcing arrangement, we uphold and maintain the quality of our products by, among others, exercising stringent measures in selecting and reviewing the performance of the external manufacturers and the quality of the products they produced for us, inspecting the production process on a regular basis, and submitting samples of the new products to well-recognised accredited centres, such as SGS Taiwan Limited, Hong Kong Standards and Testing Centre (香港標準及檢定中心), CMA Industrial Development Foundation Limited (CMA Testing) (香港中華廠商聯合會工業發展基金有限公司(廠商會檢定中心)) or China National Analytical Center, Guangzhou (中國廣州分析測試中心) for testing of their quality before we launch any new product in the market.

BUSINESS

In view of the above, our business can therefore be broadly classified into three Business Segments, namely, Brand Development and Management Segment, Product Development Segment and Trading of Goods Segment. It is our objective to provide price-conscious consumers with products of desirable performance at a competitive price. The following table sets forth the segmental breakdown of our Group's revenue:

	Year ended 31 March					
	2012		2013		2014	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Brand Development and Management Segment	62,178	17.3	50,579	21.5	42,947	17.0
Product Development Segment	112,222	31.1	123,282	52.4	188,851	74.6
Trading of Goods Segment	186,014	51.6	61,253	26.1	21,373	8.4
Total	360,414	100.0	235,114	100.0	253,171	100.0

COMPETITIVE STRENGTHS

Our Directors take the view that our success and future prospects are based on a combination of the following competitive strengths:

One-stop shop business model

In the Brand Development and Management Segment, we offer a multitude of services including brand management and development, sales and marketing of products, analysis of consumer preferences, development of sales networks, logistics and delivery of products, and development of overseas sales capabilities to the brand proprietors. We believe that our one-stop shop business model would give us a sustainable competitive edge by (i) integrating all after-production services of our products and (ii) providing marketing services to the brand proprietors in a cost effective manner. Our Group's logistics department also plays an integral part in our one-stop shop business model. Please refer to the sub-section headed "Business — Logistics" of this prospectus for further details.

Diversified portfolio of personal care products, health care products and household products offered by us

We offer a wide range of own-branded or non-own branded personal care products, health care products and household products to consumers with varying needs depending on their respective health condition, age, gender and consumption preference. We strive to continuously diversify the products we offer and upgrade our existing products to be at the forefront of consumer trends. We adapt to the ever-changing market trends by offering health care products, personal care products and household products that match consumer preferences. We believe this diversified portfolio of products will help reduce our reliance on any particular kind of product or brand and demonstrate our ability to identify and take advantage of opportunities in other related product segments.

BUSINESS

Our sales team regularly visits various chain retailers and individual retailers in Hong Kong to keep abreast of the latest consumption trends and behaviours. We also maintain frequent communications with our distributors outside Hong Kong. Our sales personnel can obtain first-hand market and consumer information, which allows us to receive market feedback and to respond more quickly to local market demands. This is of paramount importance to us in developing and maintaining the image and identity of a particular brand and its products.

Our dedication to quality control

When selecting brand proprietors and suppliers for the supply of our products under both Brand Development and Management Segment and Product Development Segment respectively, we consider their pricing, the quality of both their services and products, GMP approval (for production of our own-branded PCM) and whether they are ISO certificated (if necessary, production capacity, track records, credentials and the licences they possess). We have also established stringent quality control procedures for the procurement and inspection of raw materials and the production processes undertaken by our suppliers. We also have a quality control team to oversee the performance of our suppliers by conducting on-site quality control inspections on the production process to ensure that the quality of the products can meet our requirements.

To protect our own-branded products against counterfeits, our Group packs our “Hin Sang (衍生)” brand products with security features such as laser engraved stickers to warrant the product quality and maintain consumer confidence in our products. We believe that our continuous implementation of strict quality standards can not only assure the quality of our products but also help maintain and improve our reputation. Details of our quality control procedures are set out in the sub-section headed “Business — Quality Control” in this prospectus.

Established sales network

The continuous expansion of our sales network during the Track Record Period had accelerated the penetration of our own-branded products into the local Hong Kong market and markets in other regions and countries mainly in the PRC and Taiwan and hence, has strengthened the sales of our own-branded products. In Hong Kong, our products (including both own-branded products and non-own branded products) are sold through an extensive sales network of chain retailers and individual retailers, covering most large chain retailers and individual retailers in different districts in Hong Kong, which sell our products to end consumers. As such, different brand proprietors supplying similar products under their own brands would appoint our Group as the sole distributor and brand manager of their products in Hong Kong in order to penetrate into the Hong Kong market. Our Group believes that our established sales network provides us with a solid foundation to expand the sale of both our own-branded products and non-own branded products thereby enhancing the market recognition of our products. In addition, our long established relationships with some of the major chain retailers in Hong Kong, allow us to bargain for prominent shelf locations in the stores at a more favourable price. The aggregate amount paid to the chain retailers to obtain prominent shelf locations for the three years ended 31 March 2012, 2013 and 2014 were approximately HK\$0.8 million, HK\$0.2 million and HK\$0.6 million respectively.

BUSINESS

Apart from the sales network in Hong Kong, we appointed distributors in Macau, Singapore, Malaysia, the PRC and Taiwan to distribute, sell and market our products, in particular, our own-branded products under the brands of “Hin Sang (衍生)” and “Beautymate (美肌の誌)” during the Track Record Period. As such, our products can enter into these new markets at a minimum cost through these distributors. Although the above-mentioned distributors sold and distributed our products outside Hong Kong, most of the sales were concluded in Hong Kong (save for the sale of “Beautymate (美肌の誌)” products to the chain retailers in the PRC and Taiwan since 2011 respectively) during the Track Record Period. The products were sold and delivered to these distributors at the designated locations in Hong Kong, and the amounts payable to us under these distribution agreements were all settled in Hong Kong. Therefore, we generated more than 90% of our revenue in the Hong Kong market for the two years ended 31 March 2012 and 2013 and more than 80% for the year ended 31 March 2014.

Multi-faceted marketing strategy

We implemented a multi-faceted marketing strategy to promote our non-own branded products, which are managed by us for brand proprietors and our own-branded products. We set up HM Advertising in 2007, which is responsible for formulating and implementing overall marketing and branding strategies and preparing annual budgets for the marketing activities for each branded products. Details of our marketing and promotional activities can be found in the sub-section headed “Business — Marketing and Promotion” in this prospectus.

With first-hand information provided by the sales team, HM Advertising can obtain updated information on consumer preferences, shopping sentiments of consumers in Hong Kong, our competitive position in the market and our competitors’ activities and market trends. This helps us formulate marketing and promotional strategies tailored to our brand proprietors, their products, and our own-branded products.

We incurred an aggregate of approximately HK\$29.1 million, HK\$31.5 million and HK\$34.5 million in advertising expenses and other marketing and promotional expenses for the three years ended 31 March 2012, 2013 and 2014 respectively.

Experienced and dedicated management team and sales team

Our management team, which includes among others, our founders Mr. Pang and Mrs. Pang, has an average of more than 15 years of experience in the brand management and product development business in Hong Kong and extensive experience in business management. We believe that the technical knowledge and operational experience of our senior executives, their relationships with many industry participants and their knowledge of, and experience in, the health-related products industry and consumer preferences in Hong Kong have enabled us to better understand and respond to industry trends and technological developments, as well as provide a strong foundation for our future growth.

We also have an experienced sales team with substantial experience and expertise in both retail and wholesale businesses selling personal care and health-related products. As at 31 March 2014, our sales team had 105 employees. We regularly conduct training for current and newly-recruited staff in our sales team to ensure that the team is kept up-to-date on market trends and consumer preferences on health care products and personal care products.

BUSINESS

Our sales team frequently contacts (i) our brand proprietors in order to enhance our knowledge of and responsiveness to their requirements and needs; and (ii) our customers including chain retailers, individual retailers and distributors in order to enhance our understanding on the latest consumer preferences and end customers' receptiveness to our products.

BUSINESS STRATEGIES

We plan to implement the following strategies to achieve our business objectives, increase our market share and expand our business:

Explore business collaboration opportunities with new brand proprietors

Insofar as the Brand Development and Management Segment is concerned, we understand that both the product portfolio and our sales network for distributing the products of brand proprietors are critical to our long-term success as a prominent brand manager. Hence, we plan to expand our business in the Brand Development and Management Segment by collaborating with more new brand proprietors, which complements our expansion strategy. We intend to select new brand proprietors with production bases in Southern China, in particular the Guangdong Province, as our Directors believe that the business collaboration with new brand proprietors can (i) strengthen both our portfolio of brands and products managed by us and our distribution network in Hong Kong and thus help expand our distribution network to countries outside Hong Kong such as Malaysia and Singapore; (ii) expedite the penetration of the products due to the vicinity of their production bases to Hong Kong; and (iii) increase our market share in the personal care product market.

The quality of our products is also an important factor which contributes to our success in the Brand Development and Management Segment. We will continue to adopt a stringent approach in the selection of brand proprietors and devote more time and effort in sourcing brand proprietors and new products. In addition, we will apply the net proceeds, pursuant to the Share Offer and internal resources generated from our operating activities from time to time, towards exploring business collaboration opportunities with new brand proprietors. If our Directors consider it to be necessary and appropriate, we will conduct feasibility studies and research on the market potential of the geographical location and the various lines of business of existing business partners, due diligence works, marketing and advertising costs and other expenses relating to such business collaborations.

Further expand the sales and distribution network for our own-branded products

In light of the continuous growth of the economy and population in Asia, as well as the expected increasing PCDI (Per Capital Disposable Income) of urban residents in Asia, we plan to expand our distribution network for our own brands by entering into exclusive distribution agreements with distributors in other territories, mainly the PRC and other regions and countries including Taiwan, Macau, Singapore and Malaysia.

As at the Latest Practicable Date, we have entered into distribution agreements with more than 40 distributors for sales and distribution of the products of our own brands, including “Hin Sang (衍生)” and “Beautymate (美肌の誌)” across more than nine provinces in the PRC. With rising health consciousness and focus on food safety among consumers, increasing disposable income and rapid urbanisation and the one-child policy in the PRC, we expect that the market for personal care products

BUSINESS

and health care products will continue to expand in the coming years. We differentiate ourselves from domestic personal care and health care product providers in the PRC by (i) emphasising that our brands are well recognised Hong Kong brands; and (ii) offering different own-branded products at affordable prices to meet the changing demands of the end customers in the PRC.

Our sales in the PRC was approximately HK\$12.8 million, HK\$15.1 million and HK\$21.1 million for the three years ended 31 March 2012, 2013 and 2014 respectively, representing an average growth of approximately 28.8%. We believe that sale of our own-branded products through distributors is a cost effective channel to expedite market penetration of our own-branded products in the PRC market. This distribution network has proven to be successful in enhancing our market penetration in the PRC and shortening the lead time for introducing our products to new markets. We will continue to make use of distributors for our expansion in the PRC.

Building upon the popularity of our own brands and our strong base of operation in Hong Kong and the benefit from our distributors across different provinces in the PRC, we will continue to expand our business in the PRC market in terms of the number of distributors and our product portfolio in order to timely respond to changes in the preferences of our customers in the PRC.

We will at the same time continue to expand the distribution of our own-branded products to other provinces in the PRC and increase the number of sales representatives to assist in the expansion of our sales network coverage. In order to expand the distribution of our own-branded products to other provinces in the PRC, we have acquired commercial properties in Shenzhen and the majority part of which is used as office for our sales team in the PRC. As at the Latest Practicable Date, we had a total of 63 employees in the PRC, of which 58 employees were located in our Group's office in Shenzhen.

We intend to focus on the promotion of our own brands, in particular, when we enter into new geographic markets and reach new end-user bases. We will continue to enhance the effectiveness of our branding efforts by devoting resources to customer services and conducting in-person or phone interviews with end-users to collect their feedbacks on our own-branded products. We will also work closely with retailers and distributors to promote our brands and products in different regions.

Further enhance brand recognition through effective marketing strategy

We believe that successful branding is key to our business development. We have developed “Hin Sang (衍生)” brand into a well-recognised brand in Hong Kong through our effective and targeted advertising, marketing strategies and continuous emphasis on product safety and quality. To further enhance the popularity of our products in Hong Kong and brand awareness and image in the PRC, we will continue our effective and targeted marketing efforts. This includes placing television commercials and sponsoring television programs, advertising in newspapers, magazines, the internet, public transportation, billboards and banners, selecting suitable celebrities as our brand ambassadors, participating in exhibitions and trade fairs, organising promotional campaigns at shopping malls and organising events with commercial organisations, and the media. We also plan to make use of innovative multimedia promotional channels such as social media and mobile phone applications. We intend to enhance our online shop which will provide a convenient ordering system for our customers.

BUSINESS

Continue to expand our product portfolio

We believe that the success and growth of our business will largely depend on our ability to develop and source new products that can meet consumer preferences and changing market demands. We will conduct market research on new products before launching these products in the market, including but not limited to, comparing the price of similar products in the market, product differentiation, and market saturation in respect of existing similar products. All the above market research will be conducted by us internally. In order to enlarge our product portfolio and promote synergies among our various product segments, we will explore opportunities to collaborate with suitable Chinese medicine institutions or pharmaceutical companies to develop new health supplements and analyse the ingredients and composition of our products. As at the Latest Practicable Date, no such negotiations are close to materialisation. In consideration of the quality control of our products, we engaged the Hong Kong Standard and Testing Centre Limited to perform our laboratory tests. We aim to diversify our product portfolio by introducing new or improved products under optimal market conditions. With our strong marketing, promotional and sales platform, we are confident that our experience and expertise in product selection will help us identify market opportunities and expand our sourcing activities.

Our Group currently has no plans to acquire other businesses and therefore we have no acquisition target.

THE THREE BUSINESS SEGMENTS

THE BRAND DEVELOPMENT AND MANAGEMENT SEGMENT

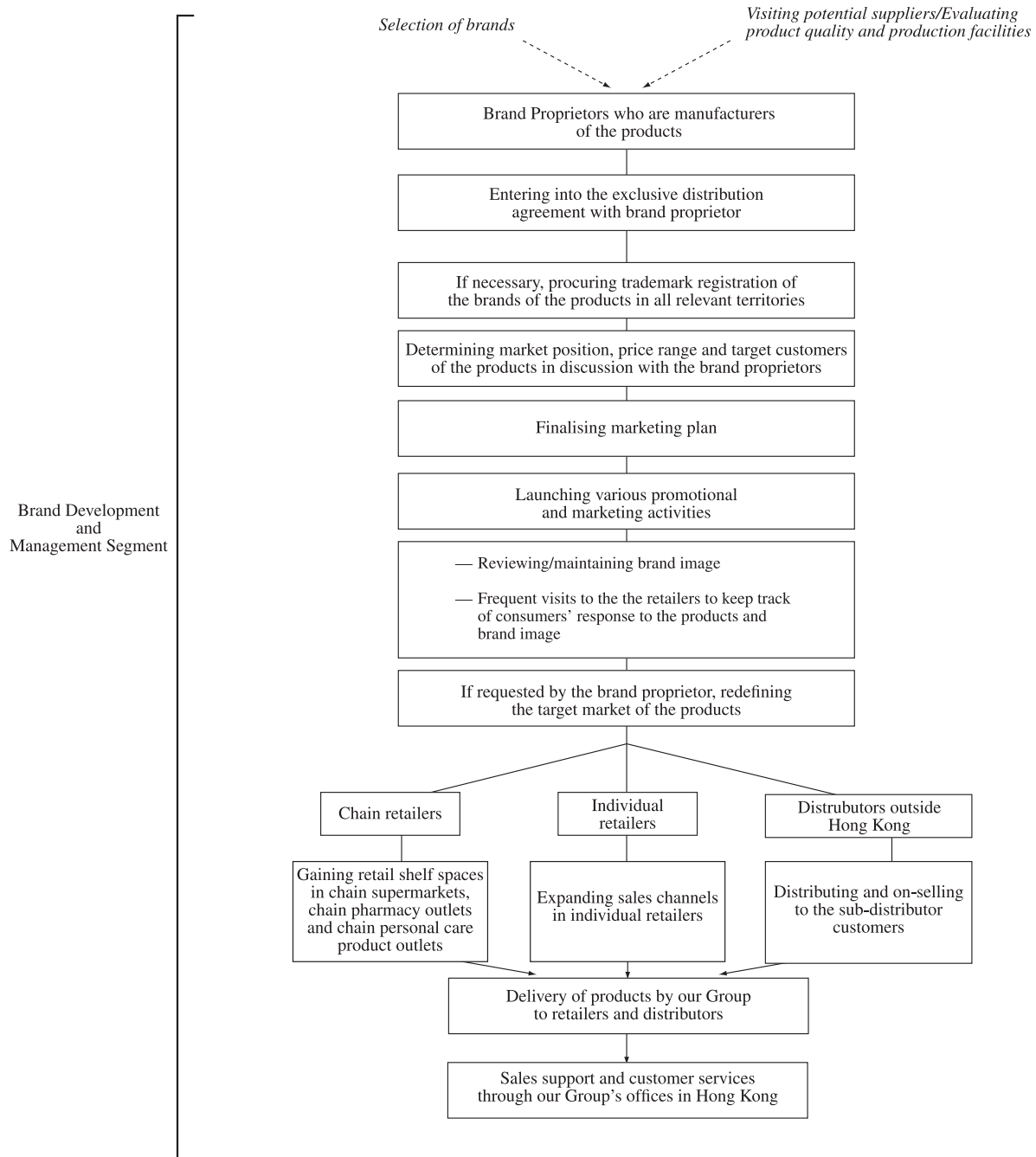
Brand management generally refers to the application of marketing techniques to a specific product or brand in order to increase the perceived value of the product or brand to customers and enhance its image in the market. During the Track Record Period, Mr. Pang and Mrs. Pang sourced and identified popular personal care products in the Guangdong Province in the PRC through their business connections. Once a brand was identified, they approached the brand proprietor directly and negotiated for the exclusive distribution right of the product(s) of a particular brand principally in Hong Kong with a few distribution territories covering other countries and regions including but not limited to Macau, Singapore and Malaysia.

To manage a particular brand, we strive to (i) ensure that the brand is easily recognised and rallies attention; (ii) ensure that the brand enhances the image of its products; (iii) protect the brand under relevant trademark laws and other intellectual property laws; and (iv) ensure that the brand stands out among similar brands of the same kind of products in the market. The brand proprietors in this Business Segment are suppliers of personal care products in the PRC. Save for two brand proprietors, namely Gadgetin Articles of Everyday Use (Zhongshan) Co., Ltd. (中山嘉丹婷日用品有限公司), Magic Cleansing (Zhongshan) Co., Ltd. (中山市美日潔寶有限公司) which also manufacture personal care products and household products for us under our own brands, all other brand proprietors under this Business Segment are not suppliers of our Group's own-branded products.

BUSINESS

Business model of our Brand Development and Management Segment

We purchase primarily personal care products from the brand proprietors and manage and develop the brand of such products. We also sell and distribute these personal care products through chain retailers, individual retailers in Hong Kong and distributors outside Hong Kong, mainly in Macau, Malaysia and Singapore. The following diagram illustrates our current business model in respect to the Brand Development and Management Segment:



BUSINESS

One-stop marketing, sale and delivery services offered to brand proprietors

We provide one-stop marketing, sales and distribution, logistic and delivery services for products under this Business Segment, which mainly include the following:

Marketing services

- determining the market position of the brand, the price range of its products and target consumers in the distribution territories;
- devising promotion and marketing plans for the brand and the relevant product(s), including but not limited to promoting the image and popularity of the brand by (i) placing television commercials in Hong Kong (upon the brand proprietor's requests), advertising in different media such as magazines, newspapers, public transportation displays and the internet; (ii) providing sponsorship to television programmes etc; (iii) looking for suitable ambassadors (upon the brand proprietor's requests) for the brand; (iv) launching promotional activities, in-store marketing and promotional activities; and (v) providing free samples to target consumers;
- maintaining market recognition of the brand to avoid losing resonance in the brand's target market by conducting constant reviews on the sale of the products, interviewing retailers to understand consumers' responses to a particular product, meeting up with the brand proprietors on a regular basis and redefining the target market (if necessary);

The promotion and marketing fees incurred for the products under the Brand Development and Management Segment during the Track Record Period were partly borne by the brand proprietors and partly borne by us. The net amount of the promotion and marketing fees under the Brand Development and Management Segment borne by us were approximately HK\$1.0 million, HK\$1.4 million and HK\$0.1 million for the three years ended 31 March 2012, 2013 and 2014 which represents 3.4%, 4.4% and 0.2% of the total promotion and marketing fees for the three years ended 31 March 2012, 2013 and 2014 respectively.

Protecting the intellectual property rights of the brand proprietors

- procuring registration of the brand's trademark(s) in the distribution territories either in the name of the relevant brand proprietor or our Group. In the latter case, we would transfer the trademark(s) back to the brand proprietor or its nominee upon its request after completion of registration of the trademark(s) at nil consideration;

Expanding sales channels of the products

- developing and expanding the sales networks of the products in both chain retailers and individual retailers in Hong Kong;
- gaining retail shelf spaces in various chain retailers in Hong Kong;

BUSINESS

- expanding the sales network of the products in the distribution territories other than Hong Kong by entering into supply agreements or exclusive distribution agreements with distributors other countries and region, such as Macau, Singapore and Malaysia.

Delivery services

- arranging for delivery of the products to chain retailers and individual retailers in Hong Kong.

Brand selection and cooperation with brand proprietors

We understand that both the variety of products and the network of brand proprietors (who are mainly manufacturers) are essential to our long-term success as a brand manager in Hong Kong. Hence, we have adopted a stringent approach in the selection and sourcing of brand proprietors and brands as follows:

- (i) conducting a preliminary check on the brand proprietor's credentials to ascertain their background and goodwill and estimate the projected sale of a particular product manufactured and/or supplied by it. The selection criteria for potential brand proprietors are based on factors such as: (a) whether the target brand proprietor is carrying on a business which is in the same industry as or complementary to the business of our Group; (b) the profitability and/or sustainability of the brand proprietor's business; (c) the brand proprietor's reputation in the industry; and (d) the prospect of expanding the market share of our Group in the target region; and
- (ii) interviewing frontline salespeople and retail outlets in Hong Kong, such as individual retailers and chain retailers, so as to gather more updated information on, *inter alia*, consumers' preferences on the kind of products, and the quality and safety of the products manufactured and distributed by them.

Although we have managed a wide range of brands for similar products, different brands are sometimes owned by the same brand proprietor for the purposes of gaining retail shelf space, providing more choices to consumers and improving production and marketing efficiency.

Exclusive Distribution Agreements we entered into with Brand Proprietors

Having selected a brand proprietor, the relevant brand and the product(s) to be managed and developed by us, we would enter into exclusive distribution agreements with the brand proprietors. During the Track Record Period, we entered into exclusive distribution agreements with a total of nine brand proprietors. The exclusive distribution agreements generally contain the following terms:

- *Term of the agreement:* generally ranges from two to five years. As our cooperation with the major brand proprietors was generally smooth and mutually beneficial during the Track Record Period, we are confident that we can continue to maintain good and long-standing relationships with the brand proprietors and therefore secure renewal of the agreements upon their expirations;

BUSINESS

- *Distribution territory:* Hong Kong and in some agreements, the distribution territories also cover other regions and countries such as Macau, Malaysia and Singapore;
- *Products:* the agreement specifies the brand(s) and the kinds of product(s) to be distributed and managed by us under the agreement;
- *Minimum Sales Target:* Three brand proprietors imposed a minimum annual sales target in the exclusive distribution agreements. In the event that we fail to achieve the minimum annual sales target of the relevant products, the brand proprietor is entitled to unilaterally terminate the relevant exclusive distribution agreement(s) with us. However, we are not liable to pay any compensation to the brand proprietor under the agreement. Except for the exclusive distribution agreements regarding the brands of “Disenar (迪西茵)”, “Janese (珍妮詩)”, “Panver (潘韵)” and “Mecijo (美仙嬌)” supplied to us by one brand proprietor, our Directors confirmed that we had met the minimum annual sales targets set by the brand proprietors during the Track Record Period. The brand proprietor for which we failed to achieve the minimum annual sales target has not terminated our exclusive distribution agreement. Our Directors consider that this is attributable to (i) our long term business relationship with these brand proprietors; (ii) our reputation in developing and managing various brands of personal care products in Hong Kong; (iii) the extensive marketing and distribution network that we have developed in Hong Kong; and (iv) the effective marketing services that we have provided, which had all in all given confidence to these brand proprietors to continue to retain our services despite our failure to meet their minimum sales target imposed on us. For details, please refer to the paragraph headed “Business — The Three Business Segments — The Brand Development and Management Segment — Our Group’s exclusively distributed brands” in this prospectus;
- *Incentive Bonus:* The brand proprietor pays us an incentive bonus ranging from 1.5% to 3% of the total purchase amount in a particular contractual year. The amount of the incentive bonus paid to us for the three years ended 31 March 2012, 2013 and 2014 was approximately HK\$1.0 million, HK\$0.9 million and HK\$1.4 million respectively. Most of the incentive bonuses were paid in December of each year;
- *Product Liability:* If the quality of the products is proven to be defective by an accredited Hong Kong inspection body, the brand proprietor will be solely responsible for all losses and damages resulting from the defective products. During the Track Record Period, on a few occasions, the labels attached to the packing of certain personal care products in this Brand Development and Management Segment were found to be damaged. Among our sale of products under this Business Segment to chain retailers and individual retailers in Hong Kong, the cost of the products returned from them due to defects in the packing for the three years ended 31 March 2012, 2013 and 2014 was approximately HK\$343,000, HK\$242,000 and HK\$200,000 respectively. Hence, our Directors took the view that the return of defective products under this Business Segment was not a significant amount during the Track Record Period.

BUSINESS

Popular brands managed and developed by us

At present, our Group is the exclusive distributor of various popular brands of personal care products including but not limited to “Acene (澳雪)”, “Sewame (雪完美)”, “Enear (櫻雪)”, “Vcnic (花世界)”, “Janese (珍妮詩)” and “Disenar (迪西茵)” in Hong Kong. As for “Acene (澳雪)” and “Sewame (雪完美)”, our exclusive distributorship of products under these brands also cover other countries and regions such as Malaysia, Singapore, Thailand, India, the USA and Macau. The above products are sold in the PRC by the brand proprietors themselves or their distributors in the PRC.

Brand Proprietors

All our brand proprietors are Independent Third Parties. The table below sets out the particulars of the major brand proprietors of our major products in this Brand Development and Management Segment during the Track Record Period and the proprietors’ business relationship with us as of the Latest Practicable Date:

Relevant brand proprietors of the following brands	Place of business of the brand proprietors	Year of launch/ approximate length of relationship with our Group	Total purchase amount of our Group from this brand proprietor for the year ended 31 March 2012 approximately	Total purchase amount of our Group from this brand proprietor for the year ended 31 March 2013 approximately	Total purchase amount of our Group from this brand proprietor for the year ended 31 March 2014 approximately	Any past or current relationship with any shareholder, director, senior management or any of their respective associates of our Group
The brand proprietor of Acene (澳雪), Bursel (白詩), Vinch (微泉) (Note 1), Sewame Silara (詩萊雅), Softwhite (雪湖灣), Pocool (寶健麗)	PRC	2001–2007/ 13 years	HK\$21.4 million	HK\$9.6 million	HK\$10.2 million	No
The brand proprietor of Enear (櫻雪), Vcnic (花世界), Zici (滋采), Besilke (白絲嬌麗), Pahmi (芭菲), Sunew (閃新)	PRC	1999–2011/ 15 years	HK\$13.2 million	HK\$11.7 million	HK\$12.7 million	No
The brand proprietor of Disenar (迪西茵), Janese (珍妮詩), Panver (潘韻), Mecijo (美仙嬌)	PRC	2007/ 7 years	HK\$0.6 million	HK\$0.3 million	HK\$0.5 million	No
The brand proprietor of Vinch (微泉) (Note 1)	PRC	2007/2012/ 2 years	HK\$0	HK\$0.3 million	HK\$0.3 million	No
The brand proprietor of Sewame (雪完美) (Note 2), PXE	PRC	2002/2012/ 2 years	HK\$0.4 million	HK\$5.7 million	HK\$3.8 million	No

Note 1: The ownership of the brand Vinch (微泉) has been transferred from another brand proprietor to it on 1 January 2012.

Note 2: The ownership of the brand Sewame (雪完美) has been transferred from another brand proprietor to it on 1 January 2012.

BUSINESS

Our Group's exclusively distributed brands

Up to the Latest Practicable Date, we have developed and managed a total of 22 brands, 17 of which are the major brands managed and exclusively distributed by us during the Track Record Period. The particulars of those 17 major brands are as follows:

Brand	Brand proprietor	Year of launch	Key products	Exclusive distribution area	Territories where the products were distributed during the Track Record Period	Term	Rebate
Acene (澳雪) (Note 1)	Brand Proprietor 1	2001	Shampoo, conditioner, hair treatment, shower gel, anti-mosquitoes spray	Hong Kong, Macau [#] , India, Thailand, Malaysia, Singapore, Taiwan and USA	Hong Kong, Macau and Malaysia	From 1 January 2007 to 31 December 2011; From 1 January 2012 to 31 December 2016	1.5%
Sewame (雪完美) (Note 1, 6)	Brand Proprietor 1	2002	Cleanser, toner, lotion, cream, facial mask, sunscreen lotion, facial essence	Hong Kong, Macau, India, Thailand, Malaysia, Singapore, Taiwan and USA	Hong Kong and Macau	From 1 January 2007 to 31 December 2011;	1.5%
	Brand Proprietor 6	2002	Cleanser, toner, lotion, cream, facial mask, sunscreen lotion, facial essence	Hong Kong, Macau, India, Thailand, Malaysia, Singapore, Taiwan and USA	Hong Kong	From 1 January 2012 to 31 December 2016	1%
Bursel (白詩) (Note 1)	Brand Proprietor 1	2003	Facial mask	Hong Kong, Macau [#] , India, Thailand, Malaysia, Singapore, Taiwan and USA	Hong Kong and Macau	From 1 January 2007 to 31 December 2011; From 1 January 2012 to 31 December 2016	1.5%
Softwhite (雪湖灣) (Note 1)	Brand Proprietor 1	2003	Hand soap	Hong Kong, Macau [#] , India, Thailand, Malaysia, Singapore, Taiwan and USA	Hong Kong, Macau and Malaysia	From 1 January 2007 to 31 December 2011; From 1 January 2012 to 31 December 2016	1.5%
Vinch (微泉) (Note 1, 2)	Brand Proprietor 1	2007	Facial mask	Hong Kong, Macau, India, Thailand, Malaysia, Singapore, Taiwan and USA	Hong Kong and Macau	From 1 January 2007 to 31 December 2011	1.5%
	Brand Proprietor 2	2007	Facial mask	Hong Kong, Macau, India, Thailand, Malaysia, Singapore, Taiwan and USA	Hong Kong	From 1 January 2012 to 31 December 2016	1.5%
Vcnic (花世界) (Note 3)	Brand Proprietor 3	1999	Shower gel	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2012 to 31 December 2016	3%
Besilke (白絲嬌麗) (Note 3)	Brand Proprietor 3	2007	Facial mask	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2012 to 31 December 2016	3%
Zici (滋采) (Note 3)	Brand Proprietor 3	2007	Shower gel	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2012 to 31 December 2016	3%
Enear (櫻雪) (Note 3)	Brand Proprietor 3	2008	Shower gel	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2012 to 31 December 2016	3%
Pahmi (芭菲) (Note 3)	Brand Proprietor 3	2009	Laundry detergent	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2012 to 31 December 2016	3%

BUSINESS

Brand	Brand proprietor	Year of launch	Key products	Exclusive distribution area	Territories where the products were distributed during the Track Record Period	Term	Rebate
Sunew (閃新) (Note 3)	Brand Proprietor 3	2010	Laundry detergent	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2012 to 31 December 2016	3%
Mecijo (美仙嬌) (Note 4)	Brand Proprietor 4	2007	Shampoo	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2010 to 31 December 2012; From 1 January 2013 to 31 December 2015	0%–3%*
Janese (珍妮詩) (Note 4)	Brand Proprietor 4	2007	Shampoo	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2010 to 31 December 2012; From 1 January 2013 to 31 December 2015	0%–3%*
Disenar (迪西茵) (Note 4)	Brand Proprietor 4	2007	Shampoo	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2010 to 31 December 2012; From 1 January 2013 to 31 December 2015	0%–3%*
Floral water for baby (寶寶金水)	Brand Proprietor 7	2003	Floral water for baby	Hong Kong and Macau	Hong Kong and Macau	From 1 January 2010 to 31 December 2014	0%
Neoangelac (安琪兒)	Brand Proprietor 8	2012	Milk powder	Hong Kong and Macau	Hong Kong and Macau	From 9 August 2011 to 8 August 2016	0%
Veens (唯茵)	Brand Proprietor 9	2013	Tissue paper	Hong Kong and Macau	Hong Kong and Macau	From 1 November 2013 to 31 October 2018	1%–3%*

* Depending on annual amount of purchase

Our distribution right in Macau ended on 21 January 2014 by mutual agreement with the Brand Proprietor.

Note 1 The brands “Acene (澳雪)”, “Sewame (雪完美)”, “Bursel (白詩)”, “Vinch (微泉)” together with other brands including “Silara (詩萊雅)”, “Softwhite (雪湖灣)” and “Pocool (寶健麗)” belong to the same brand proprietor, namely, Ausnow International Holdings Limited (中山市嘉丹婷日用品有限公司), a company incorporated in the PRC. The ownership of the brand “微泉 (Vinch)” has been transferred from Ausnow International Holdings Limited (中山市嘉丹婷日用品有限公司) to Zhongshan City Vinchbeauty Cosmetics Limited (中山市微泉美肌化妝品有限公司) on 1 January 2012. The ownership of the brand “Sewame (雪完美)” has been transferred from Ausnow International Holdings Limited (中山市嘉丹婷日用品有限公司) to Guangdong Sewame Cosmetics Limited (廣東雪完美化妝品有限公司) on 1 January 2012.

Note 2 The ownership of the brand “微泉 (Vinch)” was transferred from Ausnow International Holdings Limited (中山市嘉丹婷日用品有限公司) to 中山市微泉美肌化妝品有限公司 on 1 January 2012.

Note 3 The brands “Enear (櫻雪)”, “Vcnic (花世界)”, “Zici (滋采)”, “Besilke (白絲嬌麗)”, “Pahmi (芭菲)” and “Sunew (閃新)” belong to the same brand proprietor, namely, Magic Cleansing (Zhongshan) Co., Ltd. (中山市美日潔寶有限公司), a company incorporated in the PRC.

Note 4 The brands “Disenar (迪西茵)”, “Janese (珍妮詩)”, “Panver (潘韻)” and “Mecijo (美仙嬌)” belong to the same brand proprietor, namely, Zhongshan Fenna Daily Chemicals Co., Ltd (中山市芬娜日用化工有限公司), a company incorporated in the PRC.

Note 5 The brand “Neoangelac (安琪兒)” belongs to the brand proprietor Multipower Enterprise Corp. (端強實業股份有限公司), a company incorporated in Taiwan.

Note 6 The ownership of the brand “Sewame (雪完美)” has been transferred from Ausnow International Holdings Limited (中山市嘉丹婷日用品有限公司) to Guangdong Sewame Cosmetics Limited (廣東雪完美化妝品有限公司) on 1 January 2012. The brand “Sewame (雪完美)”, belongs to the same brand proprietor, namely, Guangdong Sewame Cosmetics Limited (廣東雪完美化妝品有限公司), a company incorporated in the PRC.

BUSINESS

Apart from personal care products, we also entered into exclusive distribution agreements with the brand proprietors or suppliers for other kinds of products including milk powder, namely “Neoangelac (安琪兒)” and infant formula products in 2011 and box facial tissue and mini handkerchief tissue, namely “Veens (唯茵)” in 2013. We have been engaged in litigation with the supplier of the infant formula products since 2012. For details about the litigation, please see the paragraph headed “Business — Legal Proceedings and Regulatory Compliance” of this prospectus.

Certain Special Features in the Sub-distribution Arrangement

The products we sold under this Business Segment are predominantly personal care products. We expanded the sales of these products to other regions and countries, mainly in Macau during the Track Record Period, by appointing distributors therein and enter into sub-distribution agreements with them.

Sub-distribution Agreements we entered into with the sub-distributors

We enter into sub-distribution agreements with our sub-distributors which lay down the terms and conditions relating to the sales and distribution of our products outside Hong Kong. The duration of these agreements generally varies from nine months to five years. Our sub-distribution agreements generally contain the following terms:

Distribution territory: We designate a distribution territory to each of our sub-distributors. To avoid cannibalisation, if a sub-distributor breaches the restriction regarding its distribution territory, we are entitled to forfeit the initial deposit in whole or in part, or terminate the distribution agreement. Despite this provision, we have not forfeited any deposit paid to us by our sub-distributors during the Track Record Period.

Pricing policy: Our pricing policy is generally comprised of (i) the price at which we supply our products to the sub-distributor; and (ii) a suggested selling price.

Sales target and incentive bonus: The sub-distribution agreements usually provide a sales target on a monthly or yearly basis. Depending on the provisions in the sub-distribution agreement, if the sales target is met, the sub-distributors will be awarded with a incentive bonus, at a maximum of 6.5% during the Track Record Period.

Minimum purchase amounts: In general, if the sub-distributor is unable to meet the minimum purchase amount as set out in the sub-distribution agreement, we are entitled to forfeit the initial deposit paid to us by the sub-distributor. Despite this provision, we have not forfeited any deposit paid to us by our sub-distributors during the Track Record Period.

Product return policy: We allow our distributors to return or swap our products only if it is due to quality problems after our products are sold to them. We generally do not accept return of products on any other grounds.

Intellectual property rights: We guarantee that the goods we supply to our sub-distributors comply with the applicable intellectual property rights law.

BUSINESS

Return of stock upon termination of cooperation: We generally do not accept any return of products upon termination of the sub-distribution agreement on grounds other than quality problems.

Renewal of distribution agreements: Our agreements do not stipulate that the sub-distributor has priority for the renewal of the sub-distribution agreement.

Payment policy and credit terms: Depending on the terms set out in the agreement between us and our sub-distributor, we either receive payments from them before delivery, or allow them a credit period of 60 days.

This sub-distribution arrangement is not subject to any restriction whatsoever as there is no provision in our exclusive distribution agreement with the brand proprietors which restricts this sub-distribution arrangement. Our Directors confirmed that, since the commencement of the relevant exclusive distribution agreement with the brand proprietors up to the Latest Practicable Date, our Group has not received any objection or complaint from any brand proprietor regarding the sub-distribution arrangement.

The total sales generated from these distributors mainly in Macau with respect to the products under the Brand Development and Management Segment were approximately HK\$1.4 million, HK\$1.3 million and HK\$1.8 million for the three years ended 31 March 2012, 2013 and 2014 respectively.

Though the exclusive rights granted to us for the distribution of products under the brands of “Acene (澳雪)” and “Sewame (雪完美)” also include India, Taiwan, Thailand and United States, we have not conducted any sales or distribution of the products under these brands in these countries during the Track Record Period as we wish to leverage our distribution network mainly in Hong Kong and then in Macau. Our Directors also take the view that the market for sales and distribution of personal care products, in particular, skin care products in these countries is already very intense and it might not be worth deploying our resources to penetrate our business into these markets. Furthermore, the amount payable by us to the brand proprietors is solely based on the amount of our purchase of a particular product regardless of the exclusivity granted to us for distribution in any particular country or region.

On another front, the sub-distribution arrangement can broaden our brand portfolio. Our Directors believe that we are able to bargain for better prices in conducting promotional activities and campaigns, placing advertisements in various kinds of mass media and implementing our marketing plans, which will together benefit our brand proprietors and us in terms of marketing efficiency and efficacy of the products.

Performance of the Brand Development and Management Segment

We have so far developed and managed a number of brands for mainly, personal care products distributed predominantly in Hong Kong. The major selling brands under the Brand Development and Management Segment during the Track Record Period were “Acene (澳雪)”, “Sewame (雪完美)” and “Vcnic (花世界)”. The products sold under the brand of “Sewame (雪完美)” include facial masks, facial cream and other skin care products whereas the products sold under the other three brands are mainly bath and shower gels. The revenue generated from the sale of the products sold under these major brands amounted to approximately HK\$41.7 million, HK\$31.2 million and HK\$25.5 million for

BUSINESS

the three years ended 31 March 2012, 2013 and 2014 respectively, which accounted for approximately 67.1%, 61.7% and 59.3% of our revenue of the Brand Development and Management Segment for the corresponding year.

The average purchase price and selling price of the products under the top four brands of this Business Segment during the Track Record Period are set out in the sub-section headed “Financial Information — Overall Trend of Brand Development and Management Segment” in this prospectus.

We regard ourselves as a brand management company for certain popular brands of bath and shower products in Hong Kong. According to the BMI Report, during the period from January 2013 to December 2013, the aggregate market share of the bath and shower products under the brands managed by our Group including “Acene (澳雪)”, “Enear (櫻雪)”, “Vcnic (花世界)” and “Zici (滋采)” was approximately 3.0% in the bath and shower product market with a market size of approximately HK\$1,005.1 million in Hong Kong in 2013.

In respect of the financial performance of the Brand Development and Management Segment, we recorded revenue of approximately HK\$62.2 million, HK\$50.6 million and HK\$42.9 million, representing approximately 17.3%, 21.5% and 17.0% of our total revenue for the three years ended 31 March 2012, 2013 and 2014 respectively.

We also recorded gross profit of approximately HK\$20.1 million, HK\$15.7 million and HK\$13.8 million, respectively, and our gross profit margin was 32.3%, 31.0% and 32.2% respectively from the Brand Development and Management for the three years ended 31 March 2012, 2013 and 2014.

However, during the Track Record Period, we recorded a decreasing portion of revenue and segment profits to our total revenue and profit before tax for this Business Segment due to the shift in part of our management’s focus from the sale of the products under the Brand Development and Management Segment to those under the Product Development Segment.

THE PRODUCT DEVELOPMENT SEGMENT

Leveraging on our experience in the distribution and sale of personal care products in the Brand Development and Management Segment and our established distribution network in Hong Kong, we have also developed our own personal care products, health care products and household products sold under our own brands, including “Beautymate (美肌の誌)”, “Hin Sang (衍生)”, “King’s Antiseptic (殺菌王)” and “On-guard (安高)”.

In 2004, we started developing health care products under the brand of “Hin Sang (衍生)”. In 2008 and 2009, we started debuting skin care products under our own brands, namely “Yanwaili (因為您)” and “Beautymate (美肌の誌)”. We started developing personal care products and household products under our own brands, namely “On-guard (安高)” and “King’s Antiseptic (殺菌王)”, which were launched in 2006 and 2009 respectively. Up to the Latest Practicable Date, a total of 13 brands (including the brand of “Tai Wo Tong (太和堂)” which was disposed of from our Group in March 2014) had been developed by our Group under the Product Development Segment.

We outsourced the production of all our own-branded products to external manufacturers in Hong Kong, the PRC and Taiwan during the Track Record Period and as at the Latest Practicable Date. Our own-branded personal care products and household products are supplied to us from our external

BUSINESS

manufacturers in the form of finished product. Our health care products, which can generally be classified as PCM and non-PCM, are produced and supplied to us in the form of either finished product or semi-finished product. Semi-finished products were packed by Tai Wo Tong Pharmaceutical as our wholly-owned subsidiary before its disposal from our Group in July 2013 and since then, as a supplier of our Group.

Overlappings between the nature of products under the three Business Segments

In view of the similarities in respect of the nature of products sold and distributed by us in this Business Segment and other Business Segments, there are, to some extents, overlappings of product nature, target customers and distribution network in our three Business Segments.

An overview of our three Business Segments in terms of product nature, target customers and overlapping customers is as follows:

Business Segments	Product Nature	Overlap in the nature of products	Target customers	Overlapping customers
Brand Development and Management Segment	Personal care products developed by brand proprietors and manufacturers in the PRC including mainly bath and shower gels, shampoos and conditioners and skin care products	The skin care products under the brand of “Sewame (雪完美)” overlap with our skin care products developed by us in the Product Development Segment, namely, “Yanwaili (因為您)” and “Beautymate (美肌の誌)” and other personal care products purchased from parallel traders and suppliers under the Trading of Goods Segment.	Mainly chain retailers and individual retailers with a small portion of the personal care products sold to sub-distributors outside Hong Kong such as in Macau	The chain retailers and individual retailers would overlap with the chain retailers and individual retailers in the Product Development Segment The individual retailers would overlap with the individual retailers in the Trading of Goods Segment
Product Development Segment	(1) Health care products (2) Personal care products, including skin care products (3) Household products	The skin care products developed by us in the Product Development Segment, namely, “Yanwaili (因為您)” and “Beautymate (美肌の誌)” overlap with the skin care products developed by the brand proprietor under the brand of “Sewame (雪完美)”. The skin care products and household products overlap with those products we purchased from parallel traders and suppliers under the Trading of Goods Segment.	Mainly chain retailers, individual retailers and distributors primarily for distribution of our own-branded products in the PRC, Taiwan and Macau	The chain retailers and individual retailers would overlap with those in the Brand Development and Management Segment while only the individual retailers may overlap with those under the Trading of Goods Segment

BUSINESS

Business Segments	Product Nature	Overlap in the nature of products	Target customers	Overlapping customers
Trading of Goods Segment	(1) Personal care products, including skin care products (2) Household products which we purchase from individual traders or parallel importers.	The nature of the products sold under this Business Segment may overlap with the products under two other Business Segments	Individual retailers who purchase the products under this Business Segment in small amount	The individual retailers would overlap with the individual retailers in both Brand Development and Management Segment and Product Development Segment

The personal care products under this Product Development Segment mainly consist of skin care products under our own brands, including “Yanwaili (因為您)” and “Beautymate (美肌の誌)”, which overlap with the skin care products developed and managed by us under the Brand Development and Management Segment, namely “Sewame (雪完美)” by nature. As the market for skin care products is sizeable in Hong Kong and there are numerous skin care products available in the consumer market, our Directors take the view that there shall not be any direct acute competition between these two brands.

Nevertheless, to avoid any possible direct competition between products under these two brands, we have adopted the following measures and policies:

- (i) targeting customers of different age groups when we develop our new skin care products. Those under the Brand Development and Management Segment, we target teenage girls and young ladies in their early 20s. The skin care products under our own brands, namely “Yanwaili (因為您)” and “Beautymate (美肌の誌)” are designed for customers ranging from young to middle-aged women;
- (ii) developing skin care products with different ingredients;
- (iii) marketing our products with different pricing, packaging and other strategies including but not limited to launching advertising campaigns in different magazines that target readers of different categories; and
- (iv) appointing different brand ambassadors to draw the attention of potential customers of different spectrums.

In any event, the distribution agreements between the brand proprietor and us did not prohibit or restrain us from developing and selling similar or same products. Hence, products of our own brands under the Product Development Segment do not and will not contravene any term in the distribution agreements between the brand proprietor(s) and our Group.

Disposal of Tai Wo Tong Pharmaceutical in July 2013***Background:***

Tai Wo Tong Pharmaceutical was a wholly owned subsidiary of Hin Sang Holding prior to 3 July 2013. It was mainly engaged in the research and development, registration and packing of all PCM developed and sold by us under our own brands. Tai Wo Tong Pharmaceutical also provided packing services to parties other than our Group and had generated revenue of approximately nil, HK\$363,000 and HK\$174,000 during the Track Record Period respectively.

Pursuant to CMO, the manufacturing process of PCM means the preparation, production, packing or repacking process of the PCM. Hence, the packing of PCM is regarded as a manufacturing process of the PCM under CMO. It is worth noting that only a holder of a valid PCM Manufacturer Licence, like Tai Wo Tong Pharmaceutical, can (i) pack PCM in Hong Kong; and (ii) register the relevant PCM with the CMB under its name if the manufacture of the PCM takes place in Hong Kong.

According to the PCM Manufacturer Licence held by Tai Wo Tong Pharmaceutical, Tai Wo Tong Pharmaceutical is only allowed, *inter alia*, (i) to manufacture PCM in dose form of liniment; and (ii) to pack and repack PCM in the form of capsule and granule or in dose form of pill, tablet, powder (for external use), plaster, lozenge, eye drops, spray, cataplasm (Babu plaster), adhesive plaster, lotion and mouthwash in the premises specified in the PCM Manufacturer Licence. As Tai Wo Tong Pharmaceutical has not applied to CMB for a GMP certificate, it is not allowed to prepare and produce any PCM and the components or other materials thereof, which are outside the scope of its PCM Manufacturer Licence. Instead, Tai Wo Tong Pharmaceutical is only allowed mainly, to pack and repack PCM in various forms. Our Directors confirm that “packing” is generally referred to the packing of semi-finished products, such as packing granules into small packs or other forms for consumption whereas “repacking” be generally referred to the packing of the already packed PCM, such as the above-mentioned PCM which have been already packed into small packs into different packaging forms for distribution to wholesalers or to retail outlets. Our Directors confirmed that apart from the packing and repacking of PCM and non-PCM, Tai Wo Tong Pharmaceutical had not produced any PCM for our Group during the Track Record Period. For the purpose of this prospectus, both “packing” and “repacking are collectively referred to as “packing” of PCM.

Reasons for the disposal:

In order to apply for GMP certification, Tai Wo Tong Pharmaceutical intended to set up the GMP Plant and had therefore entered into a lease agreement with Hong Kong Science and Technology Parks (the “**Science Parks**”) in June 2010. During the early stage of construction of the GMP Plant, marble with cavities were found beneath the construction site and hence, Tai Wo Tong Pharmaceutical incurred additional costs and time in preparation for the piling and other foundation works thereof.

In light of the above unexpected finding of marble with cavities beneath the construction site of the GMP Plant, though a GMP plant with a GMP certificate would enable our Group to expand our development of PCM, our Directors re-evaluated (i) the feasibility and imminent need for a GMP plant of our own in light of our business plan; (ii) the benefits of outsourcing the production of our PCM to external manufacturers; and (iii) our plan to focus our internal resources on the sale and marketing of our major own-branded products (which include non-PCM and beauty products under the brands of

BUSINESS

“Hin Sang (衍生)” and “Beautymate (美肌の誌)”). Having balanced all pros and cons, our Directors resolved that the construction of our own GMP plant might not be of imminent need for our business development at this stage and decided not to proceed with the set-up of the GMP Plant. As Tai Wo Tong Pharmaceutical is contractually bound to construct the GMP Plant and the lease under the lease agreement is not assignable pursuant to the lease agreement entered into between Tai Wo Tong Pharmaceutical and the Science Parks, we could not carve out the GMP Plant from the Group by simply disposing of the GMP Plant, which would result in a breach of the lease agreement. Hence, our Group disposed of Tai Wo Tong Pharmaceutical to the Controlling Shareholders by way of distribution in specie in July 2013.

After our disposal of Tai Wo Tong Pharmaceutical, Tai Wo Tong Pharmaceutical continued with the construction of the GMP Plant. As Tai Wo Tong Pharmaceutical could not resolve the problem arising from the marble with cavities found beneath the construction site of the GMP Plant, in June 2014, it proposed to surrender the lease and the construction site to Science Parks (the “**Surrender**”). In August 2014, Tai Wo Tong Pharmaceutical and the Science Parks reached an agreement that in consideration of the Surrender, the Science Parks shall refund a sum of approximately HK\$7.8 million to Tai Wo Tong Pharmaceutical.

As at the Latest Practicable Date, the Surrender was still in progress pending completion of all formalities, including execution of the deed of surrender, handing over of all covered walkway and hoarding on the land, the hoarding permit, design calculation and drawings, investigation and testing reports and other related documents to the Science Parks and delivery of vacant possession of the construction site to the Science Parks. As Tai Wo Tong Pharmaceutical has not yet fully discharged all its obligations associated with the Surrender as at the Latest Practicable Date, the Directors are of the view that it may not be in the best interest of the Company to include Tai Wo Tong Pharmaceutical in the Group.

BUSINESS

Impact of the disposal on our Group's financial position

Our Group's revenue in the Product Development Segment was mainly derived from the sales of non-PCM. The following table sets forth the revenue breakdown of our PCM and other products under the Product Development Segment during the Track Record Period:

	Year ended 31 March					
	2012		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Health care products						
Sales of PCM (by brand)						
Hin Sang (衍生)	8,047	7.2	18,289	14.8	26,077	13.8
Shuang Long (雙龍)	—	—	1,570	1.3	1,450	0.8
Tai Wo Tong (太和堂) (Note)	—	—	197	0.2	206	0.1
	8,047	7.2	20,056	16.3	27,733	14.7
Sales of non-PCM	56,668	50.5	68,828	55.8	129,390	68.5
Subtotal	64,715	57.7	88,884	72.1	157,123	83.2
Personal care products	45,347	40.4	32,505	26.4	29,735	15.7
Household products	2,160	1.9	1,893	1.5	1,993	1.1
Total sales under Product Development Segment	112,222	100.0	123,282	100.0	188,851	100.0

Note: The brand "Tai Wo Tong (太和堂)" was transferred from our Group to Tai Wo Tong Pharmaceutical in March 2014 at a consideration of HK\$1.00.

Our sales of PCM was approximately HK\$8.0 million, HK\$20.1 million and HK\$27.7 million for the three years ended 31 March 2012, 2013 and 2014 respectively, representing 7.2%, 16.3% and 14.7% of our revenue of the Product Development Segment for the same year, and representing 2.2%, 8.5% and 11.0% of our total revenue for the same period. Approximately nil, HK\$17.3 million and HK\$26.0 million, representing nil, 86.1% and 93.9% of the sales of PCM for the three years ended 31 March 2012, 2013 and 2014 was packed and supplied by Tai Wo Tong Pharmaceutical and the remaining was packed and supplied by Hong Yan Tong. Our gross profit of the above sales of PCM packed and supplied by Tai Wo Tong Pharmaceutical was approximately nil, HK\$10.9 million and HK\$16.2 million for the three years ended 31 March 2012, 2013 and 2014 respectively, representing nil, 11.1% and 11.4% of our total gross profit for the same period. Despite the increase in sales of our PCM in 2013, our revenue in the Product Development Segment is still and will continue to be mainly generated from the sales and distribution of non-PCM and skin care products under our own brands. Hence, our Directors are of the view that the outsourcing of packing of our PCM to Tai Wo Tong Pharmaceutical does not indicate that we have placed a heavy reliance on the Tai Wo Tong Pharmaceutical insofar as the revenue of our Group is concerned.

BUSINESS

To ensure that Tai Wo Tong Pharmaceutical will continue to provide (i) packing services to our PCM; and (ii) research and development services related to our PCM until our measures to reduce reliance on Tai Wo Tong Pharmaceutical have been fully implemented, we have entered into the Packing Agreement and the Service Agreement with Tai Wo Tong Pharmaceutical. For details of the Packing Agreement and the Service Agreement and the annual cap for our payment to Tai Wo Tong Pharmaceutical under these two agreements for the two years ending 31 March 2016, please refer to the sub-section headed “Connected Transactions — Non-exempt Continuing Connected Transaction” in this prospectus.

In light of the above, given that (i) the sale of our PCM represented less than 20% of the total revenue in our Product Development Segment; (ii) the amount of annual cap payable by us under each of the Packing Agreement and the Service Agreement for the two years ending 31 March 2016 when our reliance on Tai Wo Tong Pharmaceutical is expected to have been mitigated and reduced, our Directors take the view that the disposal of Tai Wo Tong Pharmaceutical would not cause any material financial impact on our Group. Notwithstanding that, we have to pay the relevant services fees to Tai Wo Tong Pharmaceutical under the Service Agreement and the Packing Agreement and reimburse it with all its costs incurred for, *inter alia*, purchasing the semi-finished PCM from the manufacturers in the PRC designated by us, and for purchasing barcode labels and packing materials, etc. on an at cost basis.

Impact of the disposal of Tai Wo Tong Pharmaceutical on our Group’s operation

(A) Continuing Operation

In relation to our Group’s operation, Tai Wo Tong Pharmaceutical has provided and will continue to provide the following services to our Group after its disposal from our Group:

- (i) Provision of packing services to our Group’s PCM pursuant to the Packing Agreement. After disposal of Tai Wo Tong Pharmaceutical, we outsourced the packing of semi-finished PCM to Tai Wo Tong Pharmaceutical, which in turn supply the PCM to us in the form of finished product after packing.
- (ii) To continue and complete the research and development of those of our PCM which were still in the course of development (including registration of PCM with the Department of Health) as at the Listing Date pursuant to the Service Agreements. Tai Wo Tong Pharmaceutical has a team of four experts, who collaborate with the Southern Medical University, in relation to the research and development of new potential PCM identified by our Group;
- (iii) Obtaining registration of our PCM with the Department of Health as it is the holder of a valid PCM Manufacturer Licence, who is eligible to apply for registration of PCM with the CMB in Hong Kong; and

BUSINESS

(iv) Supply of health supplements under the brand of “Tai Wo Tong (太和堂)” to Hin Sang Hong (HK) for distribution in Hong Kong and Macau pursuant to the 2012 Distribution Agreement. In order to enable Hin Sang Hong (HK) to fulfill its obligation under the 2012 Distribution Agreement, Hin Sang Hong (HK) entered into the Supply Agreement with Tai Wo Tong Pharmaceutical. Our Directors confirmed that our Group would cease the distribution of “Tai Wo Tong (太和堂)” brand products after the expiration of the 2012 Distribution Agreement. Further, pursuant to the terms of the Deed of Non-competition, Mr. Pang, Mrs. Pang and the Controlling Shareholders have jointly and severally undertaken, among others, in favour of our Group that Tai Wo Tong Pharmaceutical would not engage in any business or manufacture any products which are in competition with those of our Group. For details of the Supply Agreement, please see the paragraph headed “Connected Transactions — Exempt Continuing Connected Transactions — Supply Agreement” in this prospectus.

(B) *Disposal of the brand of “Tai Wo Tong (太和堂)”*

During the Track Record Period, we had developed and sold health care products comprising non-PCM and PCM under the brand of “Tai Wo Tong (太和堂)”. These health care products were produced and supplied to us from suppliers in the PRC. If there were PCM among the products, the packing of which was undertaken by Tai Wo Tong Pharmaceutical in Hong Kong. Following our disposal of Tai Wo Tong Pharmaceutical in July 2013, we had also disposed of the brand of “Tai Wo Tong (太和堂)” to Tai Wo Tong Pharmaceutical in March 2014. We disposed of the trademark bearing the brand of “Tai Wo Tong (太和堂)” because following the disposal of Tai Wo Tong Pharmaceutical from our Group, we decided to cease the development of health care products under the brand of “Tai Wo Tong (太和堂)” so as to avoid confusion in the market. Further, before we determined to dispose of the brand of “Tai Wo Tong (太和堂)”, our Directors had also taken into account the fact that the health care products under the brand of “Tai Wo Tong (太和堂)” was still in the inception stage and the sale of which was insignificant, and hence, the cessation of using such brand would not cause any material effect to the business and operation of our Group. Subsequent to the disposal, we can focus on the development and marketing of our health care products under other brands owned by us, such as “Hin Sang (衍生)”. It is noted that, apart from the trademark bearing the brand of “Tai Wo Tong (太和堂)”, all other trademarks which bear the brands of our Group are registered under the names of our Group as at the Latest Practicable Date.

BUSINESS

(C) *Cessation of development of PCM under the “Tai Wo Tong (太和堂)” brand*

As a result of our disposal of Tai Wo Tong Pharmaceutical and the brand of “Tai Wo Tong (太和堂)”, the sale of the following PCM registered under the brand of “Tai Wo Tong (太和堂)” had been ceased by Tai Wo Tong Pharmaceutical save for the PCM to be supplied to us pursuant to the Supply Agreement:

<u>Product Name</u>	<u>Registration Number</u>	<u>Date of issue/ registration</u>	<u>Date of expiry</u>	<u>Launch Date</u>
Multi-herbs Tea (Granules) “Tai Wo Tong” 熱必清涼茶顆粒沖劑“太和堂”	HKC-16805	25/8/2011	24/8/2016	July 2012
Hou Tsao San “Tai Wo Tong” 精製猴棗散“太和堂”	HKC-16823	30/11/2011	29/11/2016	May 2013
Bao Ying Dan “Tai Wo Tong” 精製保嬰丹“太和堂”	HKC-16833	3/2/2012	2/2/2017	September 2012
Digestive Care Capsules “Tai Wo Tong” 胃得康膠囊“太和堂”	HKC-16769	5/1/2012	4/1/2017	– ditto –
Menstrual Cramps Capsules “Tai Wo Tong” 經痛靈膠囊“太和堂”	HKC-16746	15/12/2011	14/12/2016	not yet launched
Cough Ceasing Pills “Tai Wo Tong” 咳特靈久咳丸“太和堂”	HKC-16757	6/10/2011	5/10/2016	– ditto –
Deluxe Appetizing Tea (Granules) “Tai Wo Tong” 至尊開奶茶顆粒沖劑“太和堂”	HKC-16785	30/11/2011	29/11/2016	– ditto –
Chut Lee San “Tai Wo Tong” 定驚七厘散“太和堂”	HKC-16828	30/11/2011	29/11/2016	– ditto –

The sale of the above PCM under the brand of “Tai Wo Tong (太和堂)” was insignificant and was less than HK\$300,000 per annum during the Track Record Period. During the Track Record Period, Tai Wo Tong Pharmaceutical had provided packing services for parties other than our Group, which had generated insignificant revenue to our Group. Our Directors therefore take the view that the cessation of the development of these products under the brand of “Tai Wo Tong (太和堂)” would not cause any material adverse effect to our Group’s operation. On the other hand, owing to the terms of the Non-Competition Deed, the Controlling Shareholders are prohibited from developing these PCM and any other products, whether or not using the trademark of “Tai Wo Tong (太和堂)”, which would be in competition with the products developed and sold by us after Listing. Tai Wo Tong Pharmaceutical and the Controlling Shareholders have jointly and severally confirmed that Tai Wo Tong Pharmaceutical has no present plan to develop any product under the brand of “Tai Wo Tong (太和堂)”, even if the development of such product would not be in competition with those of our Group. Tai Wo Tong Pharmaceutical and the Controlling Shareholders further confirmed that Tai Wo Tong Pharmaceutical’s business would focus on the provision of packing services for PCM products.

BUSINESS

Directors' views on the disposal of Tai Wo Tong Pharmaceutical

Our Directors take the view that the disposal of Tai Wo Tong Pharmaceutical would not cause any material impact on our Group's operation. The following table sets forth the summary of the historical amounts we paid to Tai Wo Tong Pharmaceutical for the three years ended 31 March 2012, 2013 and 2014 in respect of its services and products supplied to us by Tai Wo Tong Pharmaceutical:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Supply of products in relation to 2012			
Distribution Agreement	—	240	390
Packing and supply of products			
In relation to PCM	125	6,475	8,624
In relation to non-PCM	9,202	5,170	720
Total amount paid for products	9,327	11,885	9,734 <i>(Note)</i>
Service related to research and development			
Research and development costs reimbursed	1,031	526	396
Quality control charges reimbursed	393	410	288
Total amount paid for services	1,424	936	684
Total	10,751	12,821	10,418

Note: After our disposal of Tai Wo Tong Pharmaceutical on 3 July 2013, we had paid a sum of approximately HK\$6,488,000 to it for our purchase of products from 3 July 2013 to 31 March 2014. On the other hand, prior to the disposal, we had incurred a sum of approximately HK\$3,246,000 due to Tai Wo Tong Pharmaceutical for settlement of purchase price for products it had purchased for us. Hence, for the year ended 31 March 2014, the aggregate amount we paid to Tai Wo Tong Pharmaceutical was approximately HK\$9,734,000.

Given the fact that (i) we have devised a comprehensive control policy to ensure that Tai Wo Tong Pharmaceutical can meet our quality requirements in packing our PCM; (ii) immediately before the Listing, we will enter into the Packing Agreement with Tai Wo Tong Pharmaceutical whereby Tai Wo Tong Pharmaceutical had irrevocably committed (a) to pack our PCM with priority over other customers pursuant to the Packing Agreement; and (b) not to terminate the Packing Agreement without our consent; (iii) we will enter into the Service Agreement with Tai Wo Tong Pharmaceutical immediately before the Listing whereby Tai Wo Tong Pharmaceutical who will provide research and development services to our PCM upon our request, including but not limited to the continuing appointment of the Southern Medical University for completing the development of the PCM where the research and development of which is midway as at the date of the Service Agreement; (iv) the Deed of Indemnity was executed in favour of our Company whereby each of the Controlling Shareholders had irrevocably and unconditionally agreed to indemnify our Group if Tai Wo Tong Pharmaceutical is in breach of its obligations under the Packing Agreement Service Agreement and the Supply Agreement; and (v) Mr.

BUSINESS

Pang, being the holder of 90% of the issued share capital of Tai Wo Tong Pharmaceutical had executed a deed of undertaking pursuant to which he had irrevocably undertaken in favour of us that he would (x) not sell, charge or otherwise dispose of his shares in Tai Wo Tong Pharmaceutical and (y) continue to be the major shareholder of Tai Wo Tong Pharmaceutical during the subsistence of the Packing Agreement and the Service Agreement, our Directors confirm that our Group can receive the same services from Tai Wo Tong Pharmaceutical after its disposal and that the disposal of Tai Wo Tong Pharmaceutical would not cause any material impact to our Group's operation.

Possible ways to reduce dependence on Tai Wo Tong Pharmaceutical

Notwithstanding the above, we still plan to reduce our reliance on Tai Wo Tong Pharmaceutical, in respect of its provision of packing services; provision of research and development services; and provision of services for registration of our PCM with the Department of Health. We have therefore devised the following plans:

- (i) *Engagement of Independent Third Party Suppliers on top of Tai Wo Tong Pharmaceutical for packing our PCM:*

We plan to engage other Independent Third Party suppliers who already possess a PCM Manufacturer Licence under CMO, to undertake the packing of our PCM and obtain registration of our PCM with the Department of Health, so as to take up part of the responsibilities of Tai Wo Tong Pharmaceutical. However, if a supplier is to pack our PCM, as required by CMO, it needs to be a holder of PCM Manufacturer Licence and have our PCM registered with CMB under its name. From our Directors' experience, it would take around two years to obtain and complete registration of the PCM under CMO. For this purpose, each of the Controlling Shareholders undertook to procure our Company to engage other suppliers who are Independent Third Parties or our Group (insofar as our Group has obtained a PCM Manufacturer Licence in the future) to apply for registration of all our PCM after Listing, save and except for those 99 products which are PCM under our own brands where the research and development (including registration of PCM with the Department of Health) of which had already been undertaken by Tai Wo Tong Pharmaceutical and was still in progress as at the Listing Date whereby these PCM will continue to be developed by Tai Wo Tong Pharmaceutical and would be registered under its name pursuant to the Service Agreement. Among these 99 PCM, five of them are in the progress of research and development undertaken by Tai Wo Tong Pharmaceutical, whereas 94 of them are in the course of application for registration with the Department of Health.

On 8 October 2013, our Group entered into an agreement with Kim Lam Medicine Company Limited ("**Kim Lam**") to engage Kim Lam to register certain new PCM of our Group with the Department of Health, so that it can pack those PCM of our Group after completion of the relevant registration. Kim Lam possesses a valid PCM Manufacturer Licence with the manufacturing facilities situated in Hong Kong. It has experience in manufacturing over 50 PCM under various brands and our Directors are confident that there should not be any impediment for Kim Lam to obtain the prerequisite registration of our PCM under its name. Besides Kim Lam, there are other manufacturers available in the market

BUSINESS

and we endeavour to identify and engage some of them to undertake the registration and packing of our PCM should opportunities arise. The major terms and conditions of the agreement between the Company and Kim Lam are as follows:

- Terms** The agreement has a term of two years, from 10 October 2013 to 9 October 2015
- Scope of responsibility**
- (1) Kim Lam shall develop the PCM specified in the agreement and three of which are under our own brands of “Hin Sang (衍生)” and four under the brand of “Tai Wo Tong (太和堂)” and obtain registration of such PCM from the Department of Health within 12 months from the date of the agreement. Subsequent to the disposal of Tai Wo Tong Pharmaceutical and the brand of “Tai Wo Tong (太和堂)”, we had agreed with Kim Lam that it would develop the PCM under our brands of “Hin Sang (衍生)” only.
 - (2) Kim Lam shall ensure that the PCM can meet the requirements imposed by the Department of Health.
 - (3) Kim Lam shall be responsible for providing the product samples for the purpose of product research; submission to examination bodies for testing; and submission to the Department of Health for registration.
 - (4) The packing for the said samples and the PCM shall be based on the mutual agreement between the Company and Kim Lam.
- Consideration** A fee in the sum of HK\$150,000 per PCM shall be payable to Kim Lam within 15 Business Days after the issuance of the Certificate of Registration of PCM by the Department of Health for a particular PCM.
- Termination** If Kim Lam fails to obtain the Certificate of Registration of PCM for any PCM specified in the agreement, we have the right to terminate the cooperation with Kim Lam regarding that particular product.
- Product Ownership** All rights with respect to the PCM shall belong to our Group. We authorise Kim Lam to use the relevant product information for the purpose of obtaining registration of the product with the Department of Health only. Kim Lam is prohibited to use the relevant product information for any other purposes or transfer it to any third parties.

BUSINESS

- (ii) *Contemplating making application to CMB for PCM Manufacturer Licence for packing of our PCM:*

To reduce our reliance on Tai Wo Tong Pharmaceutical, we are currently contemplating making an application to CMB for a PCM Manufacturer Licence for ourselves as only manufacturers with valid PCM Manufacturer Licences are eligible to pack PCM and be transferred with the relevant PCM registration in Hong Kong. According to our legal adviser in relation to business operation, the approval of our application depends, among others, on (i) the level of hygiene of the manufacturing site; (ii) the sufficiency and adequacy of storage area for PCM before and after processing; (iii) the adequacy of our manufacturing machineries and equipment for the relevant manufacturing process as specified in the application; and (iv) the availability of a supervisor and two deputy supervisors for overseeing the relevant PCM manufacture process who shall possess the requisite qualifications recognised by the CMB, such as diploma or bachelor of Chinese medicine degree granted by a university in Hong Kong, with relevant experience in PCM manufacturing in Hong Kong or being a registered or listed Chinese medicine practitioner with relevant experience in PCM manufacturing in Hong Kong. In preparation for our application of the PCM Manufacturer Licence, we have identified a premises as a manufacturing site and storage area for PCM and acquired a few packing machineries and equipment. However, as at the Latest Practicable Date, we have not yet recruited eligible candidates to take up the role of supervisor and deputy supervisors. From the experience of our Directors, it is estimated that it would take about one year for obtaining the manufacturer licence from submission of the relevant application form. To the best knowledge and belief of our Directors after making enquiries with the Department of Health by telephone, the PCM Manufacturer Licence is not transferable from its holder to a third party because there is no rule which provides or governs such transfer of PCM Manufacturer Licence. Notwithstanding the above, as an alternative, we can direct Tai Wo Tong Pharmaceutical to transfer the PCM registration of our PCM held by it to other holders of valid PCM Manufacturer Licences designated by us if we fail to obtain a PCM Manufacturer Licence. The transfer of PCM registration of a PCM would take approximately six months for completion of the transfer process.

- (iii) *Packing of non-PCM by our Group and other suppliers:*

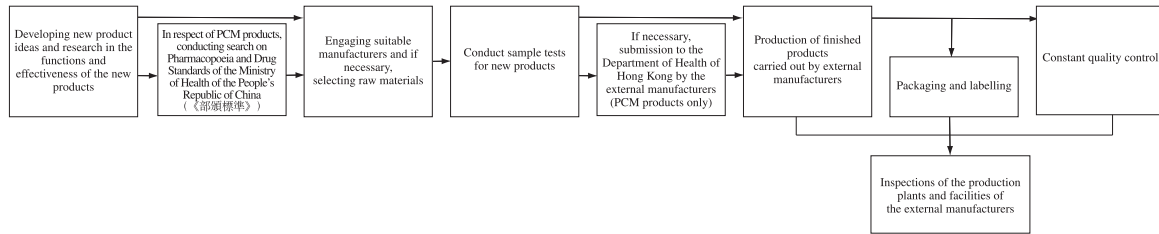
Since March 2014, we no longer engage Tai Wo Tong Pharmaceutical to pack non-PCM for us. Those health supplements which are non-PCM, can be produced by factories with “Food Factory Licence” in Hong Kong and no registration under CMO is required. As we are not involved in the production of such products under our own brand, we do not have to obtain the Food Factory Licence. To cease our reliance on Tai Wo Tong Pharmaceutical in packing our non-PCM, we require our external manufacturers to pack the non-PCM before they deliver the non-PCM to us as finished products. Hence, by outsourcing the production and packing of these non-PCM to other manufacturers, we can reduce our reliance on production facilities of Tai Wo Tong Pharmaceutical.

Business model of the Product Development Segment

We outsourced the manufacture of all our own-branded products to external manufacturers, under our stringent selection.

BUSINESS

The following diagram illustrates our Group's product development model in the Product Development Segment:



(1) *Developing new product ideas*

- Conducting market research and analysis
- Selecting new products based on our findings on market research conducted by our research and development team and on consumer preferences to ensure that our new products can cope with changing consumer demands and preferences
- Evaluating and improving existing products
- Concept development
- In the case of PCM, engaging Tai Wo Tong Pharmaceutical to conduct research on the functions and effectiveness of the new PCM; and procure relevant registration of PCM through Tai Wo Tong Pharmaceutical

(2) *Engaging suppliers and selecting raw materials*

- Selecting suppliers from our approved list for production of finished products, the contents of the products and packing of such products, based on various criteria, including (i) pricing; (ii) quality standard required; (iii) whether the supplier has obtained GMP approval if it is to manufacture and supply PCM in the form of semi-finished product and for other products, the manufacturers shall have ISO certification; (iv) capability and capacity of the manufacturers; (v) track record, credentials and relevant experience of the manufacturers; and (vi) whether the manufacturers have relevant licences to carry out production of any particular kind of products
- Save for manufacturers of finished products, ensuring that the manufacturers will purchase raw materials from the suppliers designated or recommended by us

(3) *Conducting sample tests*

- If we develop any new product, we request the manufacturer to carry out laboratory tests to examine the quality and ingredients of the new product samples in accordance with our requirements in terms of ingredients, product design, raw materials used and packing

BUSINESS

- Analysing product examination reports submitted by the manufacturer for each kind of new product, which generally include laboratory test results on chemicals, microbial or pesticide residuals (if applicable), and/or submit samples of the products to quality evaluation testing at SGS Taiwan Limited, Hong Kong Standards and Testing Centre (香港標準及檢定中心), CMA Industrial Development Foundation Limited (CMA Testing) (香港中華廠商聯合會工業發展基金有限公司(廠商會檢定中心)) or China National Analytical Center, Guangzhou (中國廣州分析測試中心)
- Carrying out onsite visits to the production plants of our external manufacturers in particular those who manufacture new product samples for us

(4) *Submission of PCM to the Department of Health of Hong Kong for registration*

- In the case of PCM, we procure the suppliers to submit new PCM to the Department of Health for registration as PCM under CMO before the product can be sold in Hong Kong

(5) *Production of finished products by suppliers*

- Applying and assigning a barcode to the product which meets the relevant standard
- Supervising and refining the production process with constant inspections and sample checkings
- Ensuring that the production process, packing and labelling are in compliance with the applicable ordinances in Hong Kong
- Monitoring the production progress to achieve punctual delivery

(6) *Packing of semi-finished products, if necessary*

- Conducting random checks of semi-finished products upon receipt of the same from our suppliers
- For PCM, the packing of which is undertaken by Tai Wo Tong Pharmaceutical or Hong Yan Tong. The packing of non-PCM was undertaken by Tai Wo Tong Pharmaceutical before its disposal and gradually by ourselves or other suppliers thereafter. Since March 2014, we no longer engaged Tai Wo Tong Pharmaceutical to provide packing services for our non-PCM

(7) *Constant quality control*

- Notifying the suppliers immediately once products are found to be of unsatisfactory quality and arranging for product return

BUSINESS

(8) *Sale and Marketing of our new product*

- Offer samples of new products to consumers
- Assessment of feedback received from consumers
- Formulate marketing strategies
- Product launch
- We then offer trial products to consumers when they purchase our existing products in order to obtain feedback from them on our new products and their preferences and needs and, if we find it necessary, we will improve our existing products and introduce new products to meet changing market demands. After the trial period, we then formulate marketing strategies for the new products and proceed with mass production and product launches

Information about the suppliers of the Product Development Segment

The following table summarises the particulars of the suppliers of our major products and suppliers of packing materials under this Product Development Segment as at the Latest Practicable Date:

<u>Brands</u>	<u>Number of suppliers</u>	<u>Location of production facilities</u>	<u>Approximate length of relationship with our Group (years)</u>
Hin Sang (衍生)	13*	PRC	1–6
	3	Taiwan	3–4
	7 [#]	Hong Kong	1–5
	1	Malaysia	3
I love BB	1*	PRC	4
	1 ^{#*}	Hong Kong	4
Happy Baby (乖寶貝)	1*	PRC	4
	1 ^{#*}	Hong Kong	4
Beautymate (美肌の誌)	5	PRC	1–6
	7	Taiwan	1–4

BUSINESS

Brands	Number of suppliers	Location of production facilities	Approximate length of relationship with our Group (years)
On-guard (安高)	2	PRC	5–7
	1*	Hong Kong	8
King's Antiseptic (殺菌王)	1*	Hong Kong	5
Shuang Long (雙龍)	1*	Hong Kong	2
	1 [#] *	PRC	4

* There are overlapping suppliers

One of our suppliers is Tai Wo Tong Pharmaceutical, which was a member of our Group during the Track Record Period, but ceased to be our Group's member since 3 July 2013, and became wholly owned by Mr. Pang and Mrs. Pang. For further details, please refer to the section headed "History, Development and Corporate Structure" in this prospectus.

In respect of the suppliers which manufacture our own-branded products, they are generally responsible for (1) production of all products under our own brands according to our instructions and specifications; and (2) product liability and other legal consequences associated with the quality of the products under our own brands.

The terms of the manufacturing agreements generally ranges from two to five years and some of them provide an option for renewal upon negotiation. The agreements usually contain specified terms such as shelf-life of the products, delivery arrangement, payment terms, the rate of rebate, promotions and product return policies. Some of the agreements are supplemented by a confidentiality agreement while others may contain a confidentiality clause which restricts the manufacturers from disclosing the formulae and the specifications of our products to any third party. Further details of the quality control requirements for the manufacturers contained in the manufacturing agreements can be found in the sub-section headed "Business — Quality Control" in this prospectus.

As at the Latest Practicable Date, most of the manufacturing agreements that had expired during the Track Record Period were successfully renewed. Further, for the key products under our own brands, we had engaged more than one external manufacturer with compatible production size and qualifications for production. Our Directors believe that the expiration or non-renewal of any manufacturing agreement with any external manufacturer will not affect our operation and performance under this Business Segment.

The amounts paid to the suppliers (including Tai Wo Tong Pharmaceutical after its disposal from our Group) for purchasing our own-branded products in the form of finished product under the Product Development Segment amounted to approximately HK\$40.1 million, HK\$34.6 million and HK\$51.2 million for the three years ended 31 March 2012, 2013 and 2014 respectively.

BUSINESS

The following table sets forth the amounts we paid to Tai Wo Tong Pharmaceutical (after its disposal from our Group) and other external manufacturers for finished products under the Product Development Segment during the Track Record Period:

	Year ended 31 March					
	2012		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Amount paid to suppliers for finished products						
Tai Wo Tong Pharmaceutical	—	—	—	—	6,488	12.7
					<i>(Note)</i>	
External manufacturers	40,061	100.0	34,625	100.0	44,759	87.3
Total	40,061	100.0	34,625	100.0	51,247	100.0

Note: The amount paid to Tai Wo Tong Pharmaceutical for products after the disposal from 3 July 2013 to 31 March 2014 was HK\$6,488,000.

We also engaged separate external manufacturers to make moulds for the production of some of our products under the Product Development Segment. In such case, the moulds will be provided to the manufacturers for production of such products.

Our Directors believe that outsourcing the production of all our own-branded products under this Product Development Segment to suitable external manufacturers with particular expertise or production capacity is a cost effective way of pooling our resources to focus on developing and managing our own brands, saving overhead cost associated with the operation of a production facility and enhancing our flexibility in developing new products under our own brands.

Our Directors take the view that although we outsourced the production of our own-branded products to external manufacturers during the Track Record Period and as at the Latest Practicable Date, we could still actively participate in the production process of these products in the following ways: (i) insofar as our PCM is concerned, we provided the formulae to the manufacturers for production, which are primarily based on (a) Pharmacopoeia; and/or (b) Drug Standards of the Ministry of Health of the People's Republic of China (《部頒標準》); (ii) prescribing the types of raw materials to be used by external manufacturers for production and in some cases where we engage external manufacturers to pack our products, requesting the suppliers to purchase semi-finished products from the external manufacturers designated by us; (iii) designing the production procedures and packing; (iv) inspecting the production process of the products at different stages of production; and (v) submitting samples of the new products to the well-recognised accredited centres to test their quality before we launch the product in the market.

Major products under the Product Development Segment

Health supplements

Under the terms of the manufacturing agreements related to our health supplements, the external manufacturers are required to produce the products under our own brands in accordance with the formulae provided or referred to by us. If the products are classified as PCM, the formulas are found in (i) Pharmacopoeia; or (ii) Drug Standards of the Ministry of Health of the People's Republic of China (《部頒標準》). For details about our PCM, please see the paragraph headed “Business — The Product Development Segment — Our own-branded health care products which require registration by law — PCM” in this prospectus.

To ensure that the products supplied by suppliers can meet our quality requirements, we generally require the suppliers to source raw materials of our health supplement under our brands of “Hin Sang (衍生)” and “Shuang Long (雙龍)” from the external manufacturers designated or approved by us or use the kinds of raw materials prescribed or approved by us. We are responsible for providing the design of the packing, product development, labels, and barcodes. Our Directors confirm that all the suppliers had obtained the required licences and permits to manufacture our health care products during the Track Record Period.

Skin care products

1. Facial Masks:

For facial mask products under the brand of “Beautymate (美肌の誌)”, the manufacturer in Taiwan acquired the formula for production from a Japanese laboratory. By entering into a manufacturing agreement with this manufacturer in Taiwan, we engaged it to develop and manufacture facial masks and related products under the brand of “Beautymate (美肌の誌)”. According to the manufacturing agreement, the initial term of production engagement was from 1 June 2010 to 1 June 2013, which was subsequently extended to 31 August 2015. At the same time, we also enlarged the product range in the agreement to cover our beauty products under the brand of “Yanwaili (因為您)” in addition to “Beautymate (美肌の誌)”. We also entered into a confidentiality agreement with the Taiwan manufacturer to ensure that the information pertaining to the production of our skin care products would be kept confidential. There is no provision in this manufacturing agreement for a minimum amount of products to be purchased by us per annum but there are provisions setting out (i) the minimum amount of per purchase order; (ii) a rebate of 2% of the total annual purchase amount to be paid to us as an incentive for us to purchase facial mask products from the manufacturer, a provision which the Directors believe to be a normal commercial term; (iii) the manufacturer's obligations for providing us with a test report on each type of the products to be issued by a certification organisation approved by our Group each year; and (iv) the obligation of the manufacturer to keep all formulae and information relating to our facial mask products for a term of 10 years.

We developed the formula jointly with the same external manufacturer in Taiwan in respect of our household products, who had undertaken not to use the formula for manufacturing or developing household products for other brands for a term of five years.

2. Other skin care products under our own brands:

Apart from the above-mentioned Taiwan manufacturer for production of our facial mask products, we also entered into manufacturing agreements with other manufacturers for other “Beautymate (美肌の誌)” skin care products such as lotion, cream and dietary drinks etc. in 2012 and 2013. The manufacturing agreements between these manufacturers and us generally include the following terms: (i) the manufacturer exclusively produces the products for us; (ii) the manufacturer cannot sell the products manufactured for us to third parties; and (iii) we provide the packing design of our products. Usually, there is no provision for a minimum amount of purchase of products by us per annum, but there are provisions stating the minimum amount of purchase of products per purchase order. In general, the manufacturer will provide us with a test report in respect of each type of the products, which is to be issued by an independent third party quality inspection company; and the manufacturer is also responsible for replacing the products which are found to have quality defects before the expiry date of such products.

Our own-branded health care products which require registration by law

Pharmaceutical products

Among all the health care products in the Product Development Segment, only “Hin Sang Shiny Eye Drops 0.8% (衍生采瞳睛亮眼藥水)” is classified as a pharmaceutical product. It was registered with the Certificate of Drug/Product Registration dated 8 February 2010 pursuant to the Pharmacy and Poisons Regulations. We, through Hin Sang Hong (HK), obtained the current Wholesale Poisons Licence dated 2 January 2014 under the Pharmacy and Poisons Ordinance, which allows our Group to deal with and be engaged in the wholesale of this product in Hong Kong. As at the Latest Practicable Date, our Group had ceased the sales of this product because of low market demand.

PCM

Each PCM manufactured or offered for sale in Hong Kong must be registered under CMO in relation to the PCM’s safety, quality and efficacy. According to section 120 of the CMO, an application for the registration of a PCM shall be made by the manufacturer if the PCM is manufactured in Hong Kong. If the PCM is manufactured outside Hong Kong, an application for registration of which shall be made by the relevant importer, the local representative or agent of the manufacturer prior to its importation in Hong Kong.

During the Track Record Period and before our disposal of Tai Wo Tong Pharmaceutical in July 2013, all PCM were supplied to us as semi-finished products and most of them were packed by Tai Wo Tong Pharmaceutical and registered under its name with CMB.

After its disposal from our Group on 3 July 2013, Tai Wo Tong Pharmaceutical continued to pack our PCM pursuant to the terms set out in the Packing Agreement. Tai Wo Tong Pharmaceutical is required to maintain the registration thereof with CMB. According to the Packing Agreement, we shall pay Tai Wo Tong Pharmaceutical a packing fee and reimburse it with all its costs incurred in purchasing the PCM (in semi-finished form) from external manufacturers in the PRC, the packing materials and barcode labels. Hence, after the disposal of Tai Wo Tong Pharmaceutical, Tai Wo Tong Pharmaceutical will purchase semi-finished PCM from our external manufacturers in the PRC and pack such semi-finished products for us and in turn, supply the PCM to us as finished products.

BUSINESS

We do not ask our external manufacturers in the PRC to supply PCM to us in the form of finished products as carrying out the packing process of PCM in Hong Kong will enable us to inspect the quality of PCM on the spot in Hong Kong before we sell the product to our customers. Further, as packing is regarded as a manufacturing process under CMO, the packing to be taken place in Hong Kong by a PCM Manufacturer Licence holder will subject our PCM to the stringent control under CMO, which, in the opinion of our Directors, would not only assist us in ensuring the quality of our PCM but also enhance both the reputation of our PCM and consumer confidence over our PCM.

For developing new PCM under our own brands, we conduct market research and analysis with respect to the demand for any particular PCM in the market from time to time. Once a potential PCM is identified, we search for a suitable PCM and its ingredients from Pharmacopoeia or Drug Standards of the Ministry of Health of the People's Republic of China (《部頒標準》). Pursuant to the terms of the Service Agreement, we entrust Tai Wo Tong Pharmaceutical, to continue to engage the Southern Medical University to conduct research on the potential PCM, produce the report therein as to its ingredients and composition and functionalities and a sample of the potential PCM. We submit the sample of the potential PCM to external laboratory for testing by ourselves or suppliers including Tai Wo Tong Pharmaceutical before we launch the PCM to the market.

Further, we also instruct Tai Wo Tong Pharmaceutical or Hong Yan Tong, to obtain the registration of the product as PCM from the Department of Health under CMO. Finally, we devise the marketing plan for promoting and marketing the new PCM.

Apart from the three PCM which are currently registered with CMB under the name of Hong Yan Tong, all PCM under our own brands are registered with CMB under the name of Tai Wo Tong Pharmaceutical as both of these two companies are holders of valid PCM Manufacturer Licences, who are therefore eligible to apply for registration of our PCM pursuant to the CMO. To protect our proprietary interest in our PCM which are packed by Tai Wo Tong Pharmaceutical or Hong Yan Tong, we have taken the following measures:

1. Apart from the trademarks bearing the brand of “Tai Wo Tong (太和堂)”, which have been disposed to Tai Wo Tong Pharmaceutical in March 2014, we have registered all our trademarks which bear the brands of our products including but not limited to “Hin Sang (衍生)” under our Group to ensure that Tai Wo Tong Pharmaceutical or Hong Yan Tong cannot make use of our trademarks to supply similar products for themselves or any third parties;
2. We entered into respective packing agreements with Tai Wo Tong Pharmaceutical and Hong Yan Tong, pursuant to which these suppliers, being holders of valid PCM Manufacturer Licences, are required to obtain registration of our PCM with CMB for the benefit of our Group. If they fail to obtain or maintain registration for any of our PCM, our Group is entitled to seek damages from them and/or terminate the packing agreements with them. If our packing agreements are terminated with them, they shall unconditionally assign the relevant registration of the PCM to us or to our nominee, which must be a holder of a valid PCM Manufacturer Licence.

They have also undertaken to transfer the rights and interests under our PCM, including but not limited to the registration certificate thereof with CMB, to us to the extent allowed by applicable law and regulation, at any time upon our request at nil consideration.

BUSINESS

It is confirmed by our legal advisers to our business operations that the registration certificate of PCM currently held by Tai Wo Tong Pharmaceutical can be transferred to our Group or our Group's nominee by, subject to CMB's approval, varying the name of the registered holder of the PCM. Our Directors understand that to effectuate the transfer of registration certificate of any PCM pursuant to the CMO, the assignee has to be a holder of a valid PCM Manufacturer Licence and an application has to be made to the CMB with supporting information and documents, including but not limited to the information of the new registered holder, its PCM Manufacturer Licence, new labels for the PCM, certificate of the place of origin of the PCM and approval for sale of the PCM issued by the relevant authority of its place of origin and certificate issued by the manufacturer of the products setting out the ingredients of the PCM.

As at the Latest Practicable Date, the following products which were developed by us and registered with CMB under the name of Hong Yan Tong, pursuant to CMO, were available for sale in the market and had obtained the notice of confirmation of (non-transitional) registration application of PCM issued by CMB (the "HKNT Products"). Pursuant to the letter from the Department of Health to us dated 5 January 2012 and the letter from the CMC to us dated 5 January 2012, it was confirmed that by virtue of the notice of confirmation of (non-transitional) registration application of PCM to the following HKNT Products, these products are allowed for sale in Hong Kong.

<u>Product Name</u>	<u>Application Number</u>	<u>Date of issue/ registration</u>	<u>Date of expiry</u>	<u>Launch Date</u>
Healthy Joints Strain Relief Medicated Oil "Hin Sang" 骨骼健活絡油"衍生"	HKNT-16486	August 2009	Until approval of application	April 2010
Deluxe Exquisite Packing Milk Supplement (Granules) "Hin Sang" 至尊雙料開奶茶顆粒沖劑"衍生"	HKNT-16538	March 2010	Until approval of application	June 2011

Applications to register the above two HKNT Products as PCM had been submitted to the Department of Health pursuant to section 121 of the CMO and application serial numbers HKNT-16486 and HKNT-16538 have been assigned to these two HKNT Products respectively. Our Group confirmed that during the application process, the packing of these products had been changed to comply with the labelling and package inserts requirements as prescribed in the Chinese Medicines Regulation. Hence, our Group had to re-submit the new packing and the relevant documents to the Department of Health for its consideration. As such, the application time had been inevitably extended. Our Directors, after discussion with our legal advisers in relation to business operation, formed their view that there should not be any legal impediment for Hong Yan Tong to obtain the Certificates of Registration of PCM for these two HKNT Products, which can still be sold in Hong Kong under the confirmation letters from the Department of Health and CMC dated 5 January 2012. As at the Latest Practicable Date, the registration procedure for these two HKNT Products as PCMs had yet to be completed and the relevant certificates of registration had not yet been issued to the applicant. Once it is confirmed that these two HKNT Products fulfil the required safety, quality and efficacy requirements, the CMB will issue "Certificate of Registration of a PCM" to the respective products which contains registration number in the form of HKC-XXXXX to be printed on their packing.

BUSINESS

In case Hong Yan Tong finally fails in its application for registration as PCM for these two HKNT Products, our Group has the right to terminate the production contract with Hong Yan Tong for these two HKNT Products subject to payment of the price of the confirmed order quantity and the work-in-progress of the products to Hong Yan Tong.

As at the Latest Practicable Date, the following PCM developed by us had been registered as PCM under the name of Hong Yan Tong, and had been launched for sale in the market:

<u>Product Name</u>	<u>Registration Number</u>	<u>Date of issue/ registration</u>	<u>Date of expiry</u>	<u>Launch Date</u>
Supreme Cough & Cold Remedy (Granules) "Hin Sang" 至尊感冒止咳顆粒沖劑“衍生”	HKC-16541	13 August 2013	12 August 2018	February 2011

As at the Latest Practicable Date, the following PCM developed by us had been registered as PCM under the name of Tai Wo Tong Pharmaceutical upon our request and for our benefit, and have been launched for sale in the market:

<u>Product Name</u>	<u>Registration Number</u>	<u>Date of issue/ registration</u>	<u>Date of expiry</u>	<u>Launch Date</u>
Deluxe Health Star (Granules) "Hin Sang" 至尊精裝七星茶顆粒沖劑“衍生”	HKC-16596	14/6/2011	13/6/2016	April 2012
Hou Tsao San "Hin Sang" 精製猴棗散“衍生”	HKC-16753	6/10/2011	5/10/2016	July 2012
Bao Ying Dan "Hin Sang" 精製保嬰丹“衍生”	HKC-16755	6/10/2011	5/10/2016	September 2012
Deluxe Appetizing Tea (Granules) "Hin Sang" 至尊開奶茶顆粒沖劑“衍生”	HKC-16756	12/9/2011	11/9/2016	March 2012
Supreme Cough & Cold Remedy (Granules) "Hin Sang" 至尊感冒止咳顆粒沖劑“衍生”	HKC-16759	30/11/2011	29/11/2016	May 2012
Multi-herbs Tea (Granules) "Hin Sang" 熱必清涼茶顆粒沖劑“衍生”	HKC-16760	12/8/2011	11/8/2016	November 2012
Heart Tonic Pills "Shuang Long" 寶心丹“雙龍”	HKC-16763	15/12/2011	14/12/2016	April 2012

As at the Latest Practicable Date, the following PCM developed by us have been registered as PCM under the name of Tai Wo Tong Pharmaceutical, but have not yet been launched as we planned to procure registration first before we found suitable timing to launch the product(s) in the market:

<u>Product Name</u>	<u>Registration Number</u>	<u>Date of issue/ registration</u>	<u>Date of expiry</u>	<u>Launch</u>
Chut Lee San "Hin Sang" 定驚七厘散“衍生”	HKC-16754	6/10/2011	5/10/2016	July 2014
Febrifuge Granules "Hin Sang" 退熱靈顆粒沖劑“衍生”	HKC-16758	6/10/2011	5/10/2016	

BUSINESS

Product Name	Registration Number	Date of issue/ registration	Date of expiry	Launch
Cough Ceasing Pills “Hin Sang” 咳特靈久咳丸“衍生”	HKC-16955	5/6/2012	4/6/2017	
Deluxe Appetizing Tea (Granules) “Happy Baby” 至尊開奶茶顆粒沖劑“乖寶貝”	HKC-16786	30/11/2011	29/11/2016	
Hou Tsao San “Happy Baby” 精製猴棗散“乖寶貝”	HKC-16824	5/1/2012	4/1/2017	
Chut Lee San “Happy Baby” 定驚七厘散“乖寶貝”	HKC-16826	5/1/2012	4/1/2017	
Bao Ying Dan “Happy Baby” 精製保嬰丹“乖寶貝”	HKC-16830	3/2/2012	2/2/2017	
Deluxe Appetizing Tea (Granules) “I love BB” 至尊開奶茶顆粒沖劑	HKC-16784	30/11/2011	29/11/2016	
Hou Tsao San “I love BB” 精製猴棗散	HKC-16825	5/1/2012	4/1/2017	
Chut Lee San “I love BB” 定驚七厘散	HKC-16827	5/1/2012	4/1/2017	
Bao Ying Dan “I love BB” 精製保嬰丹	HKC-16831	3/2/2012	2/2/2017	
Deluxe Appetizing Tea (Granules) “Yin Sang” 至尊開奶茶顆粒沖劑“延生”	HKC-16783	30/11/2011	29/11/2016	
Multi-herbs Tea (Granules) “Yin Sang” 熱必清涼茶顆粒沖劑“延生”	HKC-16806	25/8/2011	24/8/2016	
Hou Tsao San “Yin Sang” 精製猴棗散“延生”	HKC-16822	30/11/2011	29/11/2016	
Chut Lee San “Yin Sang” 定驚七厘散“延生”	HKC-16829	30/11/2011	29/11/2016	
Bao Ying Dan “Yin Sang” 精製保嬰丹“延生”	HKC-16832	3/2/2012	2/2/2017	
Cough Ceasing Pills “Yin Sang” 咳特靈久咳丸“延生”	HKC-16956	5/6/2012	4/6/2017	
Multi-herbs Tea (Granules) “Yabune” 熱必清涼茶顆粒沖劑“神之傳”	HKC-16808	25/8/2011	24/8/2016	
Cough Ceasing Pills “Yabune” 咳特靈久咳丸“神之傳”	HKC-16954	5/6/2012	4/6/2017	
Multi-herbs Tea (Granules) “Dragon Seed” 熱必清涼茶顆粒沖劑“龍子牌”	HKC-16807	25/8/2011	24/8/2016	
Cough Ceasing Pills “Dragon Seed” 咳特靈久咳丸“龍子牌”	HKC-16953	5/6/2012	4/6/2017	

Note: Applications for the registration of PCM can be made by the respective suppliers who hold valid PCM Manufacturer Licences. Therefore more than one application would be made if the PCM concerned is supplied by different suppliers who hold valid PCM Manufacturer Licences.

Non-PCM

Our major products during the Track Record Period, such as Hin Sang Exquisite Packing Milk Supplement (Granules) (衍生雙料開奶茶顆粒沖劑) and Hin Sang Health Star (Granules) (衍生精製七星茶顆粒沖劑), are health supplements and not PCM. The Directors, after seeking relevant legal advice, confirmed that the sales and distribution of our other orally consumed health supplements, which are not PCM, does not require any registration in Hong Kong.

The major differences between PCM and non-PCM lie on their ingredients and claimed functionalities. A PCM shall be composed solely of (i) Chinese herbal medicines; (ii) materials of herbal, animal or mineral origin customarily used by Chinese, which should be documented in Chinese medicines classics or bibliographies, including but not limited to Pharmacopoeia; or (iii) any medicines and materials referred to above. Hence, a PCM shall be manufactured in strict adherence to the instructions of the relevant Certificate of Registration of PCM, which takes reference from the Pharmacopoeia.

As concern functionalities, a PCM is claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or for the regulation of the functional state of human body whereas a non-PCM cannot claim to have any of such healing or preventing functions. In terms of pricing, in general, the raw materials for production of PCM may be more expensive than those for production of non-PCM. However, our Group adopts the same pricing policy for both types of product. For details of our pricing policy, please see the paragraph headed “Business — Pricing Policy and Payment Terms — Pricing policy” in this prospectus.

Customers can differentiate PCM and non-PCM by referring to the PCM registration number printed on the packing of our PCM as only PCM products would have PCM registration number printed on their packing.

Non-PCM are supplied to us from our suppliers in the form of finished product or semi-finished product. Regarding the non-PCM which were supplied to us in the form of semi-finished product, before disposal of Tai Wo Tong Pharmaceutical in July 2013, the packing of which was undertaken by Tai Wo Tong Pharmaceutical. Consequential to the disposal, the packing services provided by Tai Wo Tong Pharmaceutical for our non-PCM had reduced gradually as since July 2013, we started taking up the packing of non-PCM by ourselves and our suppliers by requesting our suppliers to pack the products before delivery of which to us. Since March 2014, we no longer engaged Tai Wo Tong Pharmaceutical to pack our non-PCM.

Our best-selling brands

During the Track Record Period, we sold and distributed approximately 71 personal care products, health care products including health supplements and 11 household products under our own brands. Our major brands of these products under this Product Development Segment during the Track Record Period were “Hin Sang (衍生)”, “Beautymate (美肌の誌)” and “King’s Antiseptic (殺菌王)”. The products sold under the brand of “Hin Sang (衍生)” include medicated oil and orally consumed health supplements, which mainly consist of child specific vitamins, milk supplements, dietary supplements, nutritive drinks, cough and cold remedies and herbal tea in terms of sales volume.

BUSINESS

Our revenue generated from the sales of the products sold under these major brands amounted to approximately HK\$109.7 million, HK\$119.3 million and HK\$185.4 million for the three years ended 31 March 2012, 2013 and 2014, which accounted for approximately 97.8%, 96.8% and 98.2% of our total revenue of the Product Development Segment for the corresponding year.

The average purchase price and selling price of the products under these major brands owned by us during the Track Record Period are set out in the sub-section headed “Financial Information — Overall trend of Product Development Segment” of this prospectus.

Performance of the Product Development Segment

The following table sets forth the revenue breakdown by product categories under the Product Development Segment during the Track Record Period:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Product Development Segment			
(by product categories)			
Health care products	64,715	88,884	157,123
Personal care products	45,347	32,505	29,735
Household products	<u>2,160</u>	<u>1,893</u>	<u>1,993</u>
Total	<u>112,222</u>	<u>123,282</u>	<u>188,851</u>

Our revenue generated from the Product Development Segment was approximately HK\$112.2 million, HK\$123.3 million and HK\$188.9 million, representing approximately 31.1%, 52.4% and 74.6% respectively of our total revenue for the three years ended 31 March 2012, 2013 and 2014.

We also recorded gross profit of approximately HK\$69.3 million, HK\$78.7 million and HK\$127.0 million, respectively, and our gross profit margin was 61.7%, 63.9% and 67.3% respectively from the Product Development Segment for the three years ended 31 March 2012, 2013 and 2014.

The significant growth of the Product Development Segment during the Track Record Period was primarily due to the shift in our management's focus from the Brand Development and Management Segment to the Product Development Segment during the same period, which had relatively high profit margins.

BUSINESS

THE TRADING OF GOODS SEGMENT

Since the inception stage of our Group in 1996, we have been engaged in trading and distributing of skin care products, personal care products and household products purchased from suppliers including various authorised dealers and independent traders in the countries set out in the table below or directly from suppliers. As a result of a wide range of sourcing, the products sold by us under this Business Segment include parallel-imported goods. The table below sets out the number of suppliers by countries and regions as at the Latest Practicable Date from whom we purchased products for distribution in Hong Kong in this Business Segment:

<u>Locations</u>	<u>No. of suppliers</u>	<u>Year of business relationship with our Group</u>	<u>Whether the authorised dealers are Independent Third Parties</u>
Taiwan	4	7	Yes
Indonesia	1	7	Yes
Thailand	1	7	Yes
Singapore	1	1	Yes
Hong Kong	27	7	Yes

We have not entered into any long-term supply contract with any of the suppliers in this Trading of Goods Segment. We generally select suppliers based on the price of their products and the variety of products offered by them such that we are able to compare the prices and the variety of the products offered by different suppliers in this Business Segment. By doing so, we can purchase products at a more favourable price whilst maintaining flexibility in choosing suppliers and enhancing our ability to source the widest possible variety of products. As a result, we have accumulated business relationships with a number of suppliers. The amount purchased from each supplier varies constantly from time to time.

The products distributed by us under this Business Segment also include products which are classified as PCM under the CMO. As we are not the proprietor, manufacturer or authorised dealer of these PCM, we will not be responsible for and have not been requested to be responsible for the relevant PCM registration applications.

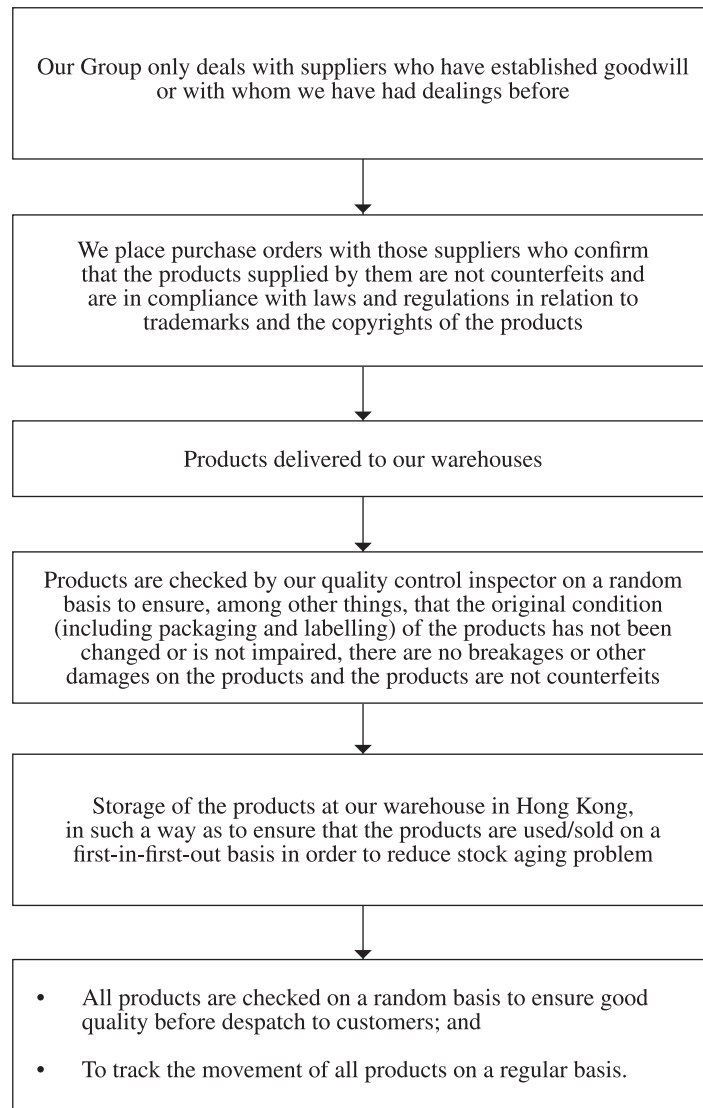
The purchase price for our purchases from suppliers in Hong Kong under this Business Segment are paid upon delivery of the products to our warehouses. Purchases from overseas suppliers are normally settled by way of telegraphic transfer upon delivery of the products.

Our customers in this Business Segment are mainly individual retailers including pharmacy stores and drug stores in Hong Kong. These retailers settle payments in cash upon delivery of the products.

BUSINESS

Business model of our Trading of Goods Segment

The following diagram illustrates the business model of the Trading of Goods Segment:



Strategies adopted in the Trading of Goods Segment

To ensure that our sale of products under this Trading of Goods Segment (including but not limited to parallel-imported goods) will not breach any laws and regulations in Hong Kong or the intellectual property rights of any third party before we put the products, in particular the parallel-imported goods, on sale in the market in Hong Kong, we will at all times ensure that:

- (i) the products (including but not limited to parallel-imported goods) are legitimately manufactured in the territory from which they are imported and are not counterfeits or pirated goods;
- (ii) the products have been put on the market (by way of sale) anywhere in the world (including Hong Kong) by the owner or with his consent when we purchase the products from the authorised dealers outside Hong Kong, manufacturers or independent traders in or outside of Hong Kong;
- (iii) the original condition (including the packing and labelling) of the products has not been changed nor impaired after they have been put on sale by us and thus, the reputation or distinctiveness of the trademarks of the products will not be adversely affected as a result of the sale;
- (iv) our use of the registered trademarks does not tarnish the reputation or dilute the distinctiveness of the registered trademarks of the products;
- (v) we will not present our sale of any parallel-imported goods as having been authorised by the trademark owner or its authorised dealer in Hong Kong or any party with goodwill in Hong Kong in relation to that trademark when it is not the case;
- (vi) we will not represent our Group as the authorised dealer of the relevant product in Hong Kong in relation to the products;
- (vii) the products being offered by us are of the same quality as those being offered by the trademark owners or its authorised dealers in Hong Kong; and
- (viii) the published works contained in the parallel-imported goods sold by us are “accessory works” under the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), i.e. which are, *inter alia* (i) related to the packing of the product, labels affixed to or displayed on the product, the packing or container; or written instruction, warranty or other information accompanied with the product; and (ii) the economic value of the relevant product is not predominantly attributable to the economic value of such published works.

Our Directors, after seeking legal advice on our business operations, are of the view that the sale of parallel-imported goods will not constitute an infringement if our Group has fully complied with the requirements set out in paragraphs (i) to (viii) above; and our Group should not be liable for copyright infringement in our trading and sale of parallel-imported goods provided that the published works contained in the parallel-imported goods sold by us shall fall within the definition of “accessory works” under the Copyright Ordinance.

BUSINESS

Our Directors confirmed that we had fully complied with the requirements set out in paragraphs (i) to (viii) above when we engaged in the trading of parallel-imported goods during the Track Record Period. Our Directors further confirmed that we had complied with the relevant applicable laws and regulations in Hong Kong in all material aspects regarding the distribution of parallel-imported goods.

Based on the litigation search record of each of the companies of our Group and the Controlling Shareholder's confirmation, since the establishment of our Group in 1996, we have not received any complaint against us for any alleged infringement of intellectual property rights of any third party in connection with the parallel-imported goods sold by us, which would cause a material adverse effect on our business. However, Hin Sang Hong (HK) has commenced a civil action at the High Court of Hong Kong, namely Action No. HCA 1754/2012 against Aomori on 21 September 2012 as a result of a trademark infringement and/or passing off by the defendant. Hin Sang Hong (HK) demanded Aomori to deliver up or destroy all infringing goods, disclose manufacture, supply and sales related information, and damages. For details, please refer to the sub-section headed "Business — Legal Proceedings and Regulatory Compliance" of the prospectus.

Our Directors further confirmed that during the Track Record Period, there was no material claim and complaint against us relating to the quality of the parallel-imported goods sold by us. Although one of the Japanese milk powder brands sold by our Group, namely Snow Brand Smart Baby 1 Infant Formula with Iron (雪印思敏兒1初生嬰兒奶粉), was once found to have iodine content below Codex (an international food standards defined by Codex Alimentarius Commission) standard by the Centre for Food Safety ("CFS") of the Food and Environmental Hygiene Department of Hong Kong dated 8 August 2012, CFS had subsequently published a press release dated 16 August 2012 based on the results of a subsequent test which showed that the product met the standard of iodine content. There was neither any claim for refund nor for exchange for other products recorded by our Group in connection with the incident. Nonetheless, Mr. Pang and Mrs. Pang had jointly and severally, irrevocably and unconditionally, agreed to indemnify us for all loss and damages suffered by us for any claim pursuant to the Deed of Indemnity instituted by any third party against us in relation to the quality of the parallel-imported goods sold by us during the Track Record Period. On this basis, our Directors further believe that even if there is a possibility that proprietors of the parallel-imported goods may institute legal proceedings against our Group in respect of, though remote, our sale of parallel-imported products during the Track Record Period, our Group shall be indemnified in full by Mr. Pang and Mrs. Pang under the Deed of Indemnity.

Our Group will still maintain the business of this Business Segment which contributed steady revenue to our Group during the Track Record Period to complement the marketing, sales and distribution of our own-branded products and the non-own branded products under Brand Development and Management Segment although the revenue from this Business Segment continued to decrease during the Track Record Period after we had shifted our focus to the Product Development Segment. By selling parallel-imported goods to our customers, we have the opportunity to promote and offer our products under the Brand Development and Management Segment and Product Development Segment to these customers. Thus, we will continue to maintain this Business Segment at the current scale for the time being.

Performance of the Trading of Goods Segment

During the Track Record Period, we had been trading approximately 60 brands relating to approximately 300 kinds of products, mainly including milk powder products, personal care products, skin care products and facial masks. The top five brands under the Trading of Goods Segment during the Track Record Period include milk powder of a Japanese brand, skin care products of a low-end brand from USA, a low-end facial mask product from Taiwan, personal care products from USA and diapers of a brand from USA. The revenue generated from the sale of the products sold under these top five brands amounted to approximately HK\$27.5 million, HK\$18.2 million and HK\$11.2 million for the three respective years ended 31 March 2012, 2013 and 2014, which accounted for approximately 14.8%, 29.7% and 52.3% of our total revenue of the Trading of Goods Segment for the corresponding year.

Our revenue generated from the Trading of Goods Segment was approximately HK\$186.0 million, HK\$61.3 million and HK\$21.4 million, representing approximately 51.6%, 26.1% and 8.4% respectively of our total revenue for the three years ended 31 March 2012, 2013 and 2014.

We also recorded gross profit of approximately HK\$12.1 million, HK\$4.0 million and HK\$1.5 million, respectively, and our gross profit margin was 6.5%, 6.5% and 6.9% respectively from the Trading of Goods Segment for the three years ended 31 March 2012, 2013 and 2014.

For a more detailed analysis, please refer to the section headed “Financial Information” of the prospectus.

ASPECTS COMMON TO ALL SEGMENTS**Brands of Products Distributed by Our Group in All Segments**

As a brand management company for certain popular personal care products under the brands owned by third party brand proprietors and at the same time, the brand owner of certain popular brands for products developed by us, we adopt a multi-branded portfolio strategy to market our products to a wide range of consumer groups. We believe that our multi-brand portfolio strategy has enabled us to expand our product portfolio and increase our market share in the corresponding product sectors. Our Directors believe that the target consumer groups of our products in all our Business Segments are middle and low-end markets based on the retail price range of our products set according to consumer preferences and the end-customers’ affordability.

BUSINESS

The following table is a summary of the timeline of the development of different major brands under each Business Segment of our Group as at the Latest Practicable Date:

Year of Introduction	Trading of Goods Segment	Brand Development and Management Segment	Product Development Segment	Product Type
1996	Various brands of skin care, personal care, hygiene products and household products			Skin care products, personal care products, hygiene products and household products
1999		Vcnic (花世界)		Bath gel
2001		Acene (澳雪)		Bath gel
2002		Sewame (雪完美)		Skin care products
2003		Floral Water for Baby (寶寶金水)		Health supplements
		Bursel (白詩)		Skin care products
		Softwhite (雪湖灣)		Household products
2004			Hin Sang (衍生)	Health supplements
2006			On-guard (安高)	Household products and personal care products
			Kong May (港美)	Health care products
2007		Vinch (微泉)		Skin care products
		Zici (滋采)		Bath gel
		Besilke (白絲嬌麗)		Skin care products
		Janese (珍妮詩)		Shampoo
		Mecijo (美仙嬌)		Shampoo
		Disenar (迪西茵)		Shampoo
2008		Enear (櫻雪)		Bath gel
			Yanwaili (因為您)	Skin care products
2009			Beautymate (美肌之誌)	Skin care products
		Pahmi (芭菲)		Household products
			King's Antiseptic (殺菌王)	Household products
2010		Sunew (閃新)		Household products
			I love BB	Health care products
			Happy Baby (乖寶貝)	Health care products
2011			Yin Sang (延生)	Health care products
2012		Neoangelac (安琪兒)		Milk powder
			喜陽揚	Health supplements
			喜得勁	Health supplements
			Shuang Long (雙龍)	Health supplements
2013		Veens (唯茵)		Household products

BUSINESS

The table below sets out the different major brands and products distributed and sold by our Group, including the brands managed by our Group and our own brands.

Our Group's Products by category

<p>Health care products (including but not limited to health supplements)</p> <ul style="list-style-type: none"> ● Floral Water for Baby (寶寶金水) ● Hin Sang (衍生) ● Kong May (港美) ● I love BB ● Happy Baby (乖寶貝) ● Yin Sang (延生) ● Neoangelac (安琪兒) ● 喜陽揚 ● 喜得勁 ● Shuang Long (雙龍) 	<p>Personal care products (including but not limited to bath and shower gels, shampoos and conditioners, hair treatments and skin care products)</p> <ul style="list-style-type: none"> ● Venic (花世界) ● Acene (澳雪) ● Sewame (雪完美) ● Bursel (白詩) ● Vinch (微泉) ● Zici (滋采) ● Besilke (白絲嬌麗) ● Janese (珍妮詩) ● Mecijo (美仙嬌) ● Disenar (迪西茵) ● Enear (櫻雪) ● Yanwaili (因為您) ● Beautymate (美肌之誌) ● On-guard (安高) 	<p>Household products (including but not limited to laundry detergent, mosquito repellent, antiseptic germicide, pesticide and tissue paper)</p> <ul style="list-style-type: none"> ● Softwhite (雪湖灣) ● On-guard (安高) ● Pahmi (芭菲) ● King's Antiseptic (殺菌王) ● Sunew (閃新) ● Veens (唯茵)
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Major brands and products

Health care products

Only the Product Development Segment and the Trading of Goods Segment would involve sale of our health care products.



Our Directors believe that the aging population in Hong Kong, the outbreak of pandemics in the last decade such as bird flu, swine flu and Severe Acute Respiratory Syndrome (SARS), the increasing health consciousness among the general public in Hong Kong and the growing popularity of traditional Chinese medicine in Hong Kong will all attribute to the increase in demand for health supplements in Hong Kong. Our health supplements are manufactured mainly based on well-known formulae found in (i) Pharmacopoeia; and/or (ii) Drug Standards of the Ministry of Health of the People's Republic of China (《部頒標準》) and thus, our health supplements mainly contain Chinese herbs as part of the ingredients.

In relation to the market share of our Group's health care products in Hong Kong, according to the BMI Report, our Group's "Hin Sang (衍生)" vitamin and dietary supplements for babies and children were in the leading position of the market in Hong Kong; and the market share of the child-specific vitamin and dietary supplements under "Hin Sang (衍生)" brand in Hong Kong was approximately




BUSINESS

42.4%, 38.7% and 53.6% in 2011, 2012 and 2013 respectively. For more information and details of data sources, please refer to the sub-section headed “Industry Overview — Competitive Landscape” in this prospectus. To the best knowledge of our Directors, there is no information for our Group’s relevant market size for our products globally. To increase our market share, we have developed other product lines under the “Hin Sang (衍生)” brand including “金裝小兒系列”, “經典小兒系列” and “成人保健系列”, which allow our customers to have more choices.

The following is a list of our major health care products distributed by us during the Track Record Period and the functions of which are confirmed by our Directors:

Brand	Year of launch	Key products/ key product series	Aims	Shelf life (years)	Suggested retail price (Note) as at the Latest Practicable Date (HK\$)	Sample products pictures	Major ingredients described on the packing of the relevant products
Hin Sang (衍生)	2008–2011	Healthy Joints Strain Relief Medicated Oil 骨節健活油	Relief of minor aches, pains of muscles, joints, and sprains	2	47.8		methyl salicylate, menthol, turpentine oil, camphor, clove oil
		Smart Scholar Tea (Granules) 聰明仔狀元茶顆粒沖劑	Improve thinking, concentration and learning capability	3	89.9		semen juglandis, dried longan pulp, dendranthema morifolium, paeonia lactiflora, radix ginseng, alpinia oxyphylla miq, poria cum radix pini, poria, semen ziziphi spinosae, rehmannia glutinosa libosch, rhizoma pinelliae preparatum, rhizoma atractylodis macrocephalae, polygala tenuifolia willd, bupleurum chinense dc, lycium barbarum l, seman platycladi
		Exquisite Packing Milk Supplement (Granules) 雙料開奶茶顆粒沖劑	Clear the body of inner heat, inner dampness and impurities	3	100.0		glucose, coix seed extract, phaseolus calcaratus extract, chinese yam extract, tuckahoe extract, white hyacinth bean extract, malt extract, lophatherum gracile extract, root of lobed kudzu vine extract, membrane of chicken gizzard extract, orange peel extract, natural fruit extract
		Health Star (Granules) 精裝七星茶顆粒沖劑	Relieve inner gas, purify the body	3	100.0		glucose, coix seed extract, phaseolus calcaratus extract, malt extract, hawthorn fruit extract, lophatherum gracile extract, membrane of chicken gizzard extract, licorice root extract, natural fruit extract
		Deluxe Health Star (Granules) 至尊精裝七星茶顆粒沖劑	Promote appetite, eliminate stagnation, remove heat and arrest convulsion	2	115.0		coid 1 phaseolus calcaratus semen coicis coix seed, fructus oryzae germinatus, herba lophatheri, fructus crataegi, ramulus uncaria cum uncis, periostracum cicadae, radix rhizoma glycyrrhizae
		Multi-Herbs Tea (Granules) 熱必清涼茶顆粒沖劑	Clear heat and protect against summer heat, quench thirst	2	110.0		radix et caulis ilicis asprellae, radix rosae laevigatae, herba lygodii, herba viticis negundo, herba polygona chinensis, radix helicteris, desmodii styracifolii herba, folium microcotis, lophatheri herba, oroxyli semen
		Supreme Cough and Cold Remedy (Granules) 至尊感冒止咳顆粒沖劑	Clear heat, relieve phlegm and cough	2	88.0		puerariae lobatae radix, bupleuri radix, loniceriae flos, artemisiae annuae herba, forsythiae fructus, scutellariae radix, artemisiae semen amarum, platycodonis radix, menthol
	2011	Deluxe Appetizing Tea (Granules) 至尊開奶茶顆粒沖劑	Strengthens organ functions, improves appetite	2	115.0		pseudostellariae radix, glehniae radix, poria, dioscoreae rhizoma, lablab semen album (fried), crataegi fructus (fried), hordei fructus germinatus (fried), citri reticulatae pericarpium, paeoniae radix alba (fried), ophiopogonis radix, puerariae lobatae radix (stewed)
	2012	Hou Tsao San 精製猴棗散	Eliminates phlegm and calms the mind, dispels wind-dampness and clears away heat	2	123.8		bambusae concretio silicea, gastrodiae rhizoma (processed), arisaema cum bile, bombyx batryticatus, scorpio, margarita, concha margaritifera usta, bovis calculus sativus, borneolum syntheticum, calcalus gasteris macacae, l-menthol
		Bao Ying Dan 精製保嬰丹	Promotes digestion, tranquilizes the mind, clears away heat and eliminates phlegm	2	123.8		gastrodiae rhizoma, fritillariae cirrhosae bulbus, scorpio, succinum, bombyx batryticatus (fried with bran), rhei radix et rhizoma, coptidis rhizoma, arisaema cum bile, glycyrrhizae radix et rhizoma, bovis calculus sativus, borneolum syntheticum






BUSINESS

Brand	Year of launch	Key products/ key product series	Aims	Shelf life (years)	Suggested retail price (Note) as at the Latest Practicable Date (HK\$)	Sample products pictures	Major ingredients described on the packing of the relevant products
	2013	She Dan Ultimate Powder 蛇膽陳皮川貝末	Nourishes the lung	3	123.8		fel serpentis liquidum, citri reticulatae pericarpium, fritillariae cirrhosae bulbas
	Sep 2013	Premium Exquisite Packing Milk Supplement (Granules) 金裝小兒雙料開奶茶 顆粒沖劑	Enhance appetite	3	118.0		maltodextrin, chinese yam, sharpleaf galangal fruit, coix seed, tuckahoe, root of lobed kudzuvine, phaseolus calcaratus, orange peel, lophatherum gracile, malt, membrane of chicken gizzard, white hyacinth beam, exocarpium citri rubrum, mulberry leaf, stevioside, fructo-oligosaccharide
	Sep 2013	Premium Health Star (Granules) 金裝小兒雙料七星茶顆粒沖劑	Help babies have good dream	3	118.0		maltodextrin, sharpleaf galangal fruit, exocarpium citri rubrum, hawthorn fruit, coix seed, lophatherum gracile, malt, mulberry leaf, phaseolus calcaratus, membrane of chicken gizzard, liquorice root, stevioside, fructo-oligosaccharide

Note: The suggested retail price will be subjected to change at the time of promotion.

Personal care products

Our Group's shower gel and bath products are popular in the Hong Kong market as these products are regularly promoted in the mass media and are available for sale in chain supermarkets, chain personal care product stores and chain pharmacy stores in Hong Kong. For more information and details of data sources, please refer to the sub-section headed "Industry Overview — Competitive Landscape" in this prospectus. To the best knowledge of our Directors, there is no information for our Group's relevant market size for the personal care products globally. The following is a list of our key personal care products and product series distributed during the Track Record Period:

Brand	Year of launch	Key products/ key product series	Purpose	Shelf life (years)	Suggested retail price (Note 1) as at the Latest Practicable Date (HK\$)	Sample products pictures	Major ingredients described on the packing of the relevant products
Venic (花世界)	1999-2008	Fresh and Refreshing Healthy Bath Lotion 健康沐浴露(冰爽提神)	Bath	3	39.9		deionized water, twelve potassium, eighteen potassium, fragrance
		Moisturising Type Healthy Bath Lotion 健康沐浴露(滋養柔潤)	Bath	3	45.6		deionized water, lauryl alcohol polyoxyethylene ether sulfate, ethylene glycol distearate
		Herbal Skin Activating Healthy Bath Lotion 健康沐浴露(草本活膚)	Bath	3	39.9		dimethylol-1,3-5,5-b of the acyl dimethylol urea, disodium EDTA, coconut oil amide of diethanolamine
		Refreshing Type Healthy Bath Lotion 健康沐浴露(薄荷清涼)	Bath	3	45.6		cocamidopropyl hydroxysultaine, deionized water, disodium EDTA, fragrance, stearic acid potassium salt
Acene (澳雪)	2001-2010	Seahorse Perfume Shower Gel 夢幻海馬香水沐浴露	Bath	3	45.9		deionized water, sodium laureth sulfate, sodium lauryl sulfate, cocamide mea, disodium laureth-7 citrate, sodium lauriminodipropionate, coco-hydroxysultaine, glycerin, sodium chloride

BUSINESS

Brand	Year of launch	Key products/ key product series	Purpose	Shelf life (years)	Suggested retail price (Note 1) as at the Latest Practicable Date	Sample products pictures	Major ingredients described on the packing of the relevant products
					(HK\$)		
		Poly-Flower Love Skin Caring Bath 百花戀沐浴露	Bath	3	45.6		deionized water, sodium laureth sulfate, coco-hydroxysultaine, lauryl betaine, cocamide dea, sodium lauryl sulfate, disodium laureth-7 citrate, disodium laureth sulfosuccinate, sodium chloride, glycol stearate, glycol distearate, fragrance, polyquaternium-39, disodium edta, anthemis nobilis extract, lavandula angustifolia extract
	2012	Comforting Moisture Body Wash (Honey+Aloe) 滋潤舒緩水嫩沐浴露 (蜂王漿+蘆薈)	Comforting, moisturising, cleansing	3	45.6		honey extract and aloe extract
		Whitening Moisture Body Wash (Peach+Pomegranate) 潤白舒緩水嫩沐浴露 (蜜桃+紅石榴)	Whitening, moisturising, cleansing	3	45.6		peach extract, pomegranate extract
		Refreshing Moisture Body Wash (Cucumber+Lemon Grass) 澳雪滋潤舒緩水嫩沐浴露(青瓜 +檸檬草)	Moisturising, refreshing, cleansing	3	45.6		cucumber extract, lemongrass extract
櫻雪 Enear	2008	Moisturising Bathing Lotion 清新冰涼沐浴露	Bath	3	49.9		deionized water, lauryl alcohol polyoxyethylene ether sulfate, potassium, coconut oil amide of diethanolamine, potassium, fragrance, mentholum, ginkgo biloba extract, ginkgo moisturising essence, disodium EDTA
		Lavender + Ginkgo Moisturising Essence 舒眠柔膚沐浴露	Bath	3	49.9		deionized water, lauryl alcohol polyoxyethylene ether sulfate potassium, coconut oil amide of diethanolamine, glycol distearate, fragrance
		Moisturising Bathing Lotion 深層滋潤沐浴露	Bath	3	49.9		deionized water, lauryl alcohol polyoxyethylene ether sulfate, coconut oil amide of diethanolamine, sodium lauryl acyl sarcosine fragrance, ginkgo biloba extract, ginkgo moisturising essence, citric acid
美仙嬌 Mecijo	2007-2010	Moisturising Treatment Conditioner 均衡滋潤抗護焗油精華	Moisturising, conditioning	3	15.9		moisture essence and conditioning essence
珍妮詩 Janese	2007-2008	Anti-dandruff 2 in 1 Shampoo 皮膚護理2合1洗髮露	Shampoo	3	37.9		polyquaternium-10, climbazole sodium laureth sulfate, dimethicone, cocamide MEA, coconut oil amide propyl betaine, fragrance, citric acid
迪西茵 Disenar	2007-2010	Anti-dandruff 2 in 1 Shampoo 皮膚護理2合1洗髮露	Shampoo	3	37.9		ammonium dodecyl poly oxyethylene sulfate, dimethicone, cocamide MEA, coconut oil amide propyl betaine, fragrance, climbazole, EDTA acid disodium salt, citric acid, ammonium chloride
安高* On-Guard	2006	Ginger Lily and White Tea Body Wash 安高薑花白茶沐浴露	Bath	3	38.0		silicone oil, wax and emulsifier, fragrance












Note 1: The suggested retail price will be subjected to change at the time of promotion.

BUSINESS





Note 2: The brand marked “*” is our Group’s own brand. Save and except for such brand, our Group is the exclusive distributor of the other aforesaid brands in designated jurisdictions.

Skin care products and cosmetics

The following is a list of our Group’s key skin care products and product series distributed during the Track Record Period:

Brand	Year of launch	Key products/ key product series	Purpose	Shelf life (years)	Suggested retail price (Note 1) as at the Latest Practicable Date (HK\$)	Sample products pictures	Major ingredients described on the packing of the relevant products
Beautymate (美肌の誌)*	2009-2010	Refining Smooth Mask 《嫩白緊緻面膜》升級版	Firming, deep whitening, improving skin texture	3	89.9		aloe barbadensis leaf extract, chlorella vulgaris extract, pueraria lobata root extract, tuber aestivum extract, scutellaria baicalensis root extract, paeonia suffruticosa extract
		Purifying and Brightening Mask 《淨白淡斑面膜》升級版	Deep nourishing, brightening, anti-blemishing	3	89.9		yeast extract, actinidia chinensis (kiwi) fruit extract, mangifera indica (mango) fruit extract, cocos nucifera (coconut) extract, aloe barbadensis leaf juice, gentiana lutea root extract
		Anti-Blemish Repairing Mask 《控油修護面膜》升級版	Anti-irritating, replenishing moisture, regulating oil balance	3	89.9		cucumis sativus (cucumber) fruit extract, aloe barbadensis leaf juice, mangifera indica (mango) fruit extract, actinidia chinensis (kiwi) fruit extract, cocos nucifera (coconut) extract, chamomilla recutita (matricaria) flower extract
		Hydro Power Collagen Mask 《膠原蛋白極致保濕面膜》 升級版	Moisturising, anti-oxidant, enhancing elasticity	3	89.9		aloe barbadensis leaf juice, algae extract, chamomilla recutita (matricaria) flower extract, soluble collagen
		Purifying & Hydrating Mask 《淨白補水面膜》升級版	Moisturising, refining, reducing wrinkles	3	89.9		morus nigra leaf extract, ginkgo biloba leaf extract, aloe barbadensis leaf juice, soluble collagen
	2011	Aloe Vera & Cereus Grandiflorus Moisturising Mask 《蘆薈仙人掌花保濕面膜》 升級版	Moisturising, soothing and anti-Irritating	3	89.9		epilobium angustifolium extract, cereus grandiflorus (cactus) flower extract, aloe barbadensis leaf extract, luffa cylindrica extract
		Hydro-Nourishing & Revitalizing Snail Mask 《蝸牛極致滋潤活膚面膜》 升級版	Moisturising, soothing, anti-oxidant	3	89.9		epilobium angustifolium extract and camellia sinensis leaf extract
	2012	Ultimate Whitening Invisible Mask 極致煥白隱形面膜	Anti-oxidant, cell renewal	3	89.9		DL-mandelic acid, methylparaben, dipotassium glycyrrhizinate, xanthan gum, PEG-40 hydrogenated castor oil, hydroxyethylcellulose, sodium hyaluronate, sodium polyglutamate
		Hydropower Moisturising Invisible Mask 終極水嫩隱形面膜	Deep moisturising	3	89.9		oryza sativa (rice) extract, imperata cylindrica root extract, methylparaben, dipotassium glycyrrhizinate, xanthan gum, PEG-40 hydrogenated castor oil, hydroxyethylcellulose, sodium hyaluronate, sodium polyglutamate
		Deluxe Beauty Drink 奢華尊龍晶鑽奇肌飲	Nourishing	1	12.0		apple condensed juice, fructose, dried longan & jujube juice, the four herbs (si-wu) extract, puerariae radix extract, collagen, malic acid, vitamin C, green papaya powder, rose extract, jujube extract
2013	Intelligent Soft CC Cream SPF50+ 超智能柔焦防曬CC霜 SPF50+	Whitening	3	119.0		zinc oxide and ethylhexyl methoxycinnamate	

BUSINESS

Brand	Year of launch	Key products/ key product series	Purpose	Shelf life (years)	Suggested retail price (Note 1) as at the Latest Practicable Date	Sample products pictures	Major ingredients described on the packing of the relevant products
					(HK\$)		
Sewame (雪完美)	2002-2010	Spots-removing and Trace-free series 去豆無印系列	Spots-removing	3	99.9		deionized water, alcohol, glycerin, phenoxyethanol, menthol, 3-chlorohydroxy diphenyl, disodium EDTA, tocopheryl acetate
		PXE Fruit and Vegetable Aqua series PXE 瓜菜水系列	Moisturising	3	99.9		water, dimethicone copolycol, propylparaben, citrullus vulgaris (watermelon) fruit extract, daucus carota sativa (carrot) root extract, PEG-40 hydrogenated castor oil, alcohol, disodium PCA, allantoin, disodium EDTA, diazolidinyl urea
		PXE Pore Refining series PXE 踢黑頭系列	Cleansing	3	99.9		water, glycerin, disodium EDTA, phaseolus vulgaris (kidney bean) seed extract, methylparaben, panthenol, allantoin, witch hazel extract, propylene, perfume, isopropyl myristate, dimethicone, carbomer, glycolic acid
		PXE Fresh and Moist series PXE 清新保濕系列	Moisturising	3	99.9		water, glycerin, panthenol, carbomer, disodium EDTA, allantoin, siloxanetriol alginate, dimethylsilanol hyaluronate, citrullus vulgaris (watermelon) fruit extract, prunus avium (sweet cherry) fruit extract, toosendan fruit power, sodium PCA

Note 1: The suggested retail price will be subjected to change at the time of promotion.

Note 2: The brand marked “*” is our Group’s own brand. Save and except such brand, our Group is the exclusive distributor of the other aforesaid brand in designated jurisdictions.

During the Track Record Period, the total revenue generated from the sale of facial mask products under the brands of “Sewame (雪完美)”, “Besilke (白絲嬌麗)”, “Bursel (白詩)”, “Vinch (微泉)”, and our own brands of “Beautymate (美肌の誌)” and “Yanwaili (因為您)” was approximately HK\$17.8 million, HK\$18.8 million and HK\$32.0 million, representing approximately 4.9%, 8.0% and 12.6% of our total revenue for the three years ended 31 March 2012, 2013 and 2014 respectively.

According to the BMI Report, during the period from January 2013 to December 2013, the aggregate market share of facial mask products of our Group under the brands including “Beautymate (美肌の誌)”, “Sewame (雪完美)”, “Besilke (白絲嬌麗)”, “Bursel (白詩)”, “Vinch (微泉)” and “Yanwaili (因為您)” was approximately 6.9% (including 4.4% for our own brands which are “Beautymate (美肌の誌)” and “Yanwaili (因為您)” and remaining 2.5% for the other brands which are not owned, but exclusively managed by us) in the entire facial mask market in Hong Kong in 2013 with a market size of approximately HK\$543.7 million. For more information and details of data sources, please refer to the sub-section headed “Industry Overview — Competitive Landscape” in this prospectus.











According to the BMI Report, during the period from January 2013 to December 2013, the aggregate market share of the skin care products of our Group under the brands including “Beautymate (美肌の誌)”, “Sewame (雪完美)”, “Besilke (白絲嬌麗)”, “Bursel (白詩)”, “Vinch (微泉)” and “Yanwaili (因為您)” was approximately 0.7% (including 0.4% for our own brands which are “Beautymate (美肌の誌)” and “Yanwaili (因為您)” and remaining 0.3% for the other brands which are not owned, but exclusively managed by us) in the skin care market in Hong Kong in 2013 (with a market size of approximately HK\$6,486.7 million). For more information and details of data sources, please refer to the sub-section headed “Industry Overview — Competitive Landscape” in this prospectus.

BUSINESS



To the best knowledge and belief of our Directors, there is no information for our Group's relevant size of the market share for the skin care products and facial mask products in the global market place.

Household products

The following is a list of our Group's key household products and product series distributed during the Track Record Period:

Brand	Year of launch	Key products/ key product series	Purpose	Shelf life (years)	Suggested retail price (Note 1) as at the Latest Practicable Date (HK\$)	Sample products pictures	Major ingredients described on the packing of the relevant products
Pahmi (芭菲)	2009	Palm Oil Softener + TCS Sterilization Components Laundry Detergent (除菌潔淨配方)柔軟洗衣液	Laundry detergent	3	79.9		surfactant, softener and fungicide
		Palm Oil Softener + AGS Non Residual Essence Laundry Detergent (寶寶除菌配方)柔軟洗衣液	Laundry detergent	3	79.9		surfactant, softener, complex lipid agent, bacteriostats
		Palm Oil Softener +APG Green Active Factors Laundry Detergent (倍柔配方) 柔軟洗衣液	Laundry detergent	3	79.9		surfactant, softener, fragrance, complex lipid agent
	2011	Palm Oil Softener + Extra 6 Efficiency Factors Laundry Detergent (六效呵護配方)柔軟洗衣液	Laundry detergent	3	79.9		surfactant, softener, fragrance, complex lipid agent, detergent
On-Guard (安高*)	2006	Antiseptic Germicide 確使得消毒藥水	Antiseptic germicide	3	35.9		PCMX
King's Antiseptic (殺菌王*)	2009	Antiseptic Germicide 消毒藥水	Antiseptic germicide	3	39.9		PCMX, Isopropyl alcohol, terpineol, ethanol
Sunew (閃新)	2010	Residual Essence Laundry Detergent (Repair Formula) 除菌洗衣液(全效修呵護配方)	Detergent	3	68.0		sodium lauryl ether sulfate, cross-linked acrylate copolymer, lauric acid diethyl amide alcohol, citric acid, C12-14 fatty alcohol polyoxyethylene ether, propylene, fragrance
		Residual Essence Laundry Detergent (Softener Formula) 除菌洗衣液(柔順配方)	Detergent	3	68.0		sodium lauryl ether sulfate, cross-linked acrylate copolymer, Lauric acid diethyl amide alcohol, citric acid, fragrance
		Residual Essence Laundry Detergent (Reduce Spot Formula) 除菌洗衣液(去漬配方)	Detergent	3	68.0		sodium lauryl ether sulfate, cross-linked acrylate copolymer, lauric acid diethyl amide alcohol, citric acid, fragrance
Veens (唯茵)	2014	Bathroom Tissues 無印花卷紙	Cleaning	3	28.0		virgin wood pulp
		Washable Handkerchiefs (Neutral) 可濕水紙巾(原味)	Cleaning	3	16.0		virgin wood pulp

BUSINESS

Brand	Year of launch	Key products/ key product series	Purpose	Shelf life (years)	Suggested retail price (Note 1) as at the Latest Practicable Date	Sample products pictures	Major ingredients described on the packing of the relevant products
					(HK\$)		
		Facial Tissues (180 sheets) 軟抽紙180抽3包裝	Cleaning	3	18.0		virgin wood pulp
		Facial Tissues (120 sheets) 盒抽紙120抽4盒裝	Cleaning	3	28.0		virgin wood pulp

Note 1: The suggested retail price will be subjected to change at the time of promotion.

Note 2: The brand marked “*” is our Group’s own brand. Save and except for such brand, our Group is the exclusive distributor of the other aforesaid brands in designated jurisdictions.

Shelf life of our products

The shelf life of individual products sold and distributed by us under all the three Business Segments is determined based on the date specified by supplier on the product, which ranges from two to three years in general.

SUPPLIERS

Our relationship with suppliers in different Business Segments

Under the Brand Development and Management Segment, we enter into exclusive distribution agreements with our major suppliers who are brand proprietors of the relevant products thereunder, generally for a term of two to five years, and the purchase price for the products is negotiated between individual suppliers and us on an annual basis subject to adjustments by our suppliers with at least 60 days’ notice. For details of the exclusive distribution agreement we have entered into with our brand proprietors, please see the paragraph headed “Business — The Brand Development and Management Segment — Brand selection and cooperation with brand proprietors” in this prospectus.

The suppliers under the Product Development Segment are mainly suppliers of the products under our own brands and the suppliers of packing materials from an approved list of suppliers whom we selected based on criteria set out in the paragraph headed “Business — Product Development Segment — Business model of our Product Development Segment” in this prospectus. Our purchases under this Business Segment are predominantly finished products and semi-finished products. As at the Latest Practicable Date, our Group sourced products from a total of 38 suppliers under this Business Segment. Except for Tai Wo Tong Pharmaceutical, all of our suppliers are Independent Third Parties.

Under the Trading of Goods Segment, given the great variety of products sold and the wide range of choices of suppliers for most of the products, we had not entered into any contractual arrangements with the suppliers during the Track Record Period. We place purchase orders for a particular kind of product when needed and the sale is usually concluded by payment upon delivery. The length of our business relationships with our top five suppliers ranges from four years to fifteen years.

BUSINESS

The following table sets out the breakdown of the suppliers of our Group by Business Segments and regions as at 31 March 2014:

<u>Segment</u>	<u>Total no. of suppliers</u>	<u>Region</u>							
		<u>Hong Kong</u>	<u>PRC</u>	<u>Macau</u>	<u>Taiwan</u>	<u>Indonesia</u>	<u>Thailand</u>	<u>Malaysia</u>	<u>Singapore</u>
Brand Development and Management Segment <i>(Note 1)</i>	9*	2	6*	0	1	0	0	0	0
Product Development Segment <i>(Note 2)</i>	35*	8	17*	0	9	0	0	1	0
Trading of Goods Segment <i>(Note 3)</i>	34	27	0	0	4	1	1	0	1
Total:	76	37	21	0	14	1	1	1	1

Note 1: The suppliers in the Brand Development and Management Segment supply our Group with products originated from the place in which their respective business and operation takes place.

Note 2: The suppliers in the Product Development Segment supply our Group with products originated from the place in which their respective business and operation takes place.

Note 3: All the suppliers in Hong Kong in the Trading of Goods Segment supply our Group with products originated from the PRC. The rest of the suppliers in the Trading of Goods Segment supply our Group with products originated from the place in which their respective business and operation takes place.

* There are 2 overlapping suppliers.

We did not experience any difficulty in sourcing products during the Track Record Period. Our Directors anticipate that there will not be any supply problems in the foreseeable future.

Overlapping of suppliers and customers in different Business Segments

In the Brand Development and Management Segment and the Product Development Segment, we sell products in these two Business Segments to various chain retailers in Hong Kong. In the Trading of Goods Segment, we purchase certain products from these chain retailers in large quantities and enjoy bulk purchase discounts when these chain retailers put their stock on sale from time to time. As such, there are customers and suppliers overlapping among our Group's suppliers and customers in these two Business Segments insofar as the transactions between the chain retailers and us are concerned.

For the year ended 31 March 2014, there were four overlapping customers and suppliers, two of which were among our Group's top five customers and none was among our Group's top five suppliers. For the year ended 31 March 2013, there were nine overlapping customers and suppliers, two of which were among our Group's top five customers and none was among our Group's top five suppliers. For the year ended 31 March 2012, there were nine overlapping customers and suppliers, of which four were among our Group's top five customers and two were among our Group's top five suppliers.

BUSINESS

Our Group's five largest suppliers during the Track Record Period are all Independent Third Parties. The purchases from the top five suppliers amounted to approximately HK\$151.1 million, HK\$65.6 million and HK\$65.7 million respectively, representing approximately 58.4%, 48.0% and 59.2% of total cost of sales for the three years ended 31 March 2012, 2013 and 2014.

The purchases from the largest supplier amounted to approximately HK\$64.8 million, HK\$17.5 million and HK\$28.6 million respectively, representing approximately 25.0%, 12.8% and 25.8% of total cost of sales for the three years ended 31 March 2012, 2013 and 2014 respectively.

The following tables set forth certain information about our top five suppliers during the Track Record Period:

Top 5 suppliers of our Group for the year ended 31 March 2012	Approximate total amount of purchase (HK\$'000)	Approximate percentage to the total purchases of our Group (%)	Nature of product purchased	Business started from	Credit terms	Settlement information	Principal business	Location
Supplier A (an operator of a chain pharmacy stores in Hong Kong)	64,805	26.0%	Household products and personal care products	1996	Prepayment	Cheque	Pharmacy and personal care chain	Hong Kong
Supplier B	24,553	9.8%	Household products, beauty and personal care products	2007	Cash on delivery	Bank transfer	Trading	Taiwan
Supplier C	21,378	8.6%	Skin care and personal care products under the brands Acene (澳雪), Sewame (雪完美) and Bursel (白詩)	2001	60 days	Bank transfer	Research and development and manufactory of personal care products	ZhongShan, PRC
Supplier D	20,822	8.3%	Household products	2009	Cash on delivery	Cheque	Pharmacy Business	Hong Kong
Supplier E	19,561	7.8%	Skin care products	2006	60 days	Bank transfer	Taiwan personal care manufactory	Taiwan

Top 5 suppliers of our Group for the year ended 31 March 2013	Approximate total amount of purchase (HK\$'000)	Approximate percentage to the total purchases of our Group (%)	Nature of product purchased	Business started from	Credit terms	Settlement information	Principal business	Location
Supplier B	17,477	14.2%	Household products, beauty and personal care products	2007	Cash on delivery	Bank transfer	Trading	Taiwan
Supplier F	14,935	12.1%	Health care products	2008	60 days	Cheque	Research and development and manufactory of health care products	ZhongShan, PRC
Supplier G	11,849	9.6%	Household products	1996	Cash on delivery	Cheque	Trading	Hong Kong
Supplier H	11,741	9.5%	Skin care products, personal care products and household products under the brands of Enear (櫻雪), Pahmi (芭菲), Vcnic (花世界) and Besilke (白絲嬌麗)	2001	60 days	Bank transfer	Research and development and manufactory of personal care products	ZhongShan, PRC
Supplier C	9,644	7.8%	Skin care and personal care products under the brands Acene (澳雪), Sewame (雪完美) and Bursel (白詩)	2001	60 days	Bank transfer	Research and development and manufactory of personal care products	ZhongShan, PRC

BUSINESS

Top 5 suppliers of our Group for the year ended 31 March 2014	Approximate total amount of purchase (HK\$'000)	Approximate percentage to the total purchases of the Group (%)	Nature of product purchased	Business started from	Credit terms granted	Settlement information	Principal business	Location
Supplier F	28,625	26.9%	Health care products	2008	60 days	Cheque	Research and development and manufactory of health care products	ZhongShan, PRC
Supplier H	12,739	12.0%	Skin care products, personal care products and household products under the brands of Enear (櫻雪), Pahmi (芭菲), Venic (花世界) and Besilke (白絲嬌麗)	2001	60 days	Bank transfer	Research and development and manufactory of personal care products	ZhongShan, PRC
Supplier C	10,246	9.6%	Skin care and personal care products under the brands Acene (澳雪), Sewame (雪完美) and Bursel (白詩)	2001	60 days	Bank transfer	Research and development and manufactory of personal care products	ZhongShan, PRC
Supplier E	7,559	7.1%	Skin care products	2009	60 days	Bank transfer	Taiwan personal care manufactory	Taiwan
Tai Wo Tong Pharmaceutical*	6,488	6.1%	Health care products	2009	60 days	Cheque	Research and development and manufactory of health care products	Hong Kong

* *Tai Wo Tong Pharmaceutical was a member of our Group, but ceased to be our Group's member since 3 July 2013, and became wholly owned by Mr. Pang and Mrs. Pang. For further details, please refer to the paragraph headed "History, Development and Corporate Structure — Tai Wo Tong Pharmaceutical" in this prospectus.*

Our five largest suppliers in aggregate accounted for approximately 60.5%, 53.2% and 61.7% of the total purchases of our Group and the largest supplier accounted for approximately 26.0%, 14.2% and 26.9% of the total purchases of our Group for the three years ended 31 March 2012, 2013 and 2014 respectively.

Save and except for Tai Wo Tong Pharmaceutical, to whom we outsourced the packing of our "Hin Sang (衍生)" products after it was disposed of from our Group in July 2013, all our suppliers are Independent Third Parties. None of our Directors or any existing shareholders holding more than 5% of our issued share capital, or their respective close associates, had any interest in any of our top five suppliers for any of the three years ended 31 March 2012, 2013 and 2014.

RAW MATERIALS

Before the disposal of Tai Wo Tong Pharmaceutical in July 2013, the principal raw materials we sourced were mainly (i) semi-finished products in granules or powder form for packing undertaken by Tai Wo Tong Pharmaceutical and Hong Yan Tong and (ii) packing materials for blister packing, external packing and labeling of our products. Since the disposal of Tai Wo Tong Pharmaceutical, we no longer own any PCM Manufacturer Licence and thus, we engaged Tai Wo Tong Pharmaceutical and Hong Yan Tong to pack the semi-finished PCM which subsequently provide the PCM to us as finished products after packing. For our non-PCM, we pack the products by ourselves and other external suppliers. Our raw materials, after the disposal of Tai Wo Tong Pharmaceutical, therefore mainly consist of packing materials.

BUSINESS

Our packing materials are mainly paper boxes, glass bottles, labels, oriented polypropylene heat sealable film and stretch film. Regarding packing materials, we entered into several supply agreements with the major suppliers usually for a term of three years. The supply agreements stipulate that the intellectual property rights in relation to the design of the relevant packing belongs to us and the supplier is responsible for providing materials according to our design and specification. On the other hand, we have entered into a supply agreement with a major supplier of semi-finished products for a term of five years which will expire in 2016. Pursuant to this supply agreement, this supplier is responsible for procuring raw materials that comply with all relevant regulatory and quality requirements applicable to the products and shall indemnify us against any claims or losses arising from the quality of the goods.

Our total purchase cost of raw materials and packing materials amounted to approximately HK\$11.4 million, HK\$10.8 million and HK\$7.4 million, accounting for approximately 4.4%, 7.9% and 6.7% of the total cost of sales for the three years ended 31 March 2012, 2013 and 2014 respectively.

We did not experience any material price fluctuation in raw materials throughout the Track Record Period. We will manage the raw material costs by, among others, (i) avoiding over reliance on a single or small number of suppliers; (ii) building up long standing business relationship with suppliers; and (iii) managing our product mix.

CUSTOMERS

Customers of our Group in all segments

We sell and distribute our products to chain retailers, individual retailers and distributors, which, in turn, sell our products directly to ultimate consumers, and/or distribute and on-sell to the sub-distributors.

During the Track Record Period, our customers could therefore generally be classified as follows:

- (i) Chain retailers which sell our products directly to ultimate consumers in Hong Kong and for the skin care products under the brand of “Beautymate (美肌の誌)” to customers in Taiwan and the PRC;
- (ii) Individual retailers which sell our products directly to ultimate consumers in Hong Kong; and
- (iii) Distributors, which are generally granted exclusive rights for sale of our products in a designated distribution territory outside Hong Kong, and then sell our products directly to ultimate consumers, or distribute and on-sell our products to sub-distributors outside Hong Kong.

Our customers in both the Brand Development and Management Segment and the Product Development Segment include both chain retailers (i.e. chain supermarkets, chain personal care product stores and chain pharmacy stores), individual retailers (i.e. pharmacy stores and drug stores and outlets) located in Hong Kong, and distributors primarily in the PRC and then in Macau, Taiwan and Malaysia. The target customers for the Trading of Goods Segment are predominantly individual retailers scattered across different districts in Hong Kong.

BUSINESS

We have not entered into any long-term or short-term supply agreements with retailers save for master trading agreements with the chain retailers in Hong Kong containing those terms related to the rebates, discounts or promotion offers offered by our Group to these chain retailers so that our products are allowed to be put on sale on the shelf spaces of these chain retailers in Hong Kong. On 18 August 2010, we opened our first direct sales outlet in Yuen Long which sold a wide range of products in the three Business Segments. We closed this sales outlet in 31 May 2012. The revenue generated in the direct sales outlet for the three years ended 31 March 2012, 2013 and 2014 were approximately HK\$2,826,000, HK\$65,000 and nil respectively.

Leveraging on our success in Hong Kong, we explored the overseas market. We started selling “Beautymate (美肌の誌)” skin care products in Taiwan and the PRC through an operator of chain pharmacy stores in these two areas in September and November 2010 respectively. We have expanded our sales network in Malaysia and Macau for products in both the Product Development Segment (mainly “Beautymate (美肌の誌)” skin care products) and the Brand Development and Management Segment (mainly “Acene (澳雪)”, “Sewame (雪完美)” products); and in Singapore, Taiwan and the PRC for the “Beautymate (美肌の誌)” skin care products. We entered into supply agreements or exclusive distribution agreements with distributors in different territories, such as Macau, Singapore, Malaysia, Taiwan and the PRC. We sold and delivered most of our products to these exclusive distributors directly in Hong Kong during the Track Record Period who (save for the distributor for “Beautymate (美肌の誌)” in the PRC and Taiwan) are responsible for formulating and implementing marketing plans for the products at their own costs within their designated distribution territories.

Pursuant to the exclusive distribution agreement we entered into with the chain pharmacy stores in the PRC and Taiwan in respect of “Beautymate (美肌の誌)”, we deliver the skin care products under the brand of “Beautymate (美肌の誌)” to their chain pharmacy outlets directly and receive payments thereof. We also bear all promotion costs of “Beautymate (美肌の誌)” products in Taiwan and the PRC.

The following tables set forth the breakdown of our Group’s revenue in terms of customer category during the Track Record Period:

	Year ended 31 March 2012		Year ended 31 March 2013		Year ended 31 March 2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Chain retailers	112,754	31.3	91,328	38.8	99,932	39.5
Individual retailers	175,842	48.8	83,851	35.7	73,387	29.0
Distributors (including sale network in the PRC, Taiwan, Macau, Singapore, and Malaysia)	49,016	13.6	46,041	19.6	69,618	27.5
Others, mainly stores and salons etc.	<u>22,802</u>	<u>6.3</u>	<u>13,894</u>	<u>5.9</u>	<u>10,234</u>	<u>4.0</u>
Total	<u>360,414</u>	<u>100.0</u>	<u>235,114</u>	<u>100.0</u>	<u>253,171</u>	<u>100.0</u>

BUSINESS

Top five customers

Save for Brighten Hong Limited (銘輝行有限公司) which was our third and fifth largest customer for the two years ended 31 March 2013 and 2014 respectively, all our Group's five largest customers during the Track Record Period were all Independent Third Parties. The sales to the top five customers amounted to approximately HK\$128.8 million, HK\$88.4 million and HK\$101.5 million respectively, representing approximately 35.7%, 37.6% and 40.1% of our Group's total revenue for the three years ended 31 March 2012, 2013 and 2014. For details relating to our sales to Brighten Hong Limited, please see the paragraph headed "Connected Transaction — Sales of products under our own brands to Brighten Hong Limited" in this prospectus.

The sales to our largest customer amounted to approximately HK\$38.3 million, HK\$39.8 million and HK\$46.1 million respectively, representing approximately 10.6%, 16.9% and 18.2% of our Group's total revenue for the three years ended 31 March 2012, 2013 and 2014.

The following tables set forth certain information about our top five customers during the Track Record Period.

Top 5 customers of the Company for the year ended 31 March 2012	Approximate total amount of sales (HK\$'000)	Approximate percentage to the total revenue of our Group (%)	Nature of product sold	Business started from	Credit terms allowed	Settlement information	Principal business	Location
Customer A (who is also Supplier A)	38,262	10.6%	"Hin Sang (衍生)" brand products and non-own branded products distributed by us exclusively	2001	75 days	Bank transfer	Retail business	Hong Kong
Customer B	32,989	9.2%	Hair care, "Hin Sang (衍生)" brand products and non-own branded products distributed by us exclusively	2001	60 days	Bank transfer	Pharmacy and personal care chain	Hong Kong
Customer C	26,852	7.5%	"Hin Sang (衍生)" brand products and non-own branded products distributed by us exclusively	2006	Cash on delivery	Cheque	Retail business	Hong Kong
Customer D	18,055	5.0%	Hair care, personal care, "Hin Sang (衍生)" brand products and non-own branded products distributed by us exclusively	2001	45 days	Cheque	Beauty and health care products and retail stores	Hong Kong
Customer E	12,654	3.5%	"Hin Sang (衍生)" brand products	2006	Cash on delivery	Cheque/Cash	Pharmacy business	Hong Kong

BUSINESS

Top 5 customers of the Company for the year ended 31 March 2013	Approximate total amount of sales (HK\$'000)	Approximate percentage to the total revenue of our Group (%)	Nature of product sold	Business started from	Credit terms allowed	Settlement information	Principal business	Location
Customer A	39,833	16.9%	“Hin Sang (衍生)” brand products and non-own branded products distributed by us exclusively	2001	75 days	Bank transfer	Retail business	Hong Kong
Customer B	27,504	11.7%	Hair care, “Hin Sang (衍生)” brand products and non-own branded products distributed by us exclusively	2001	60 days	Bank transfer	Pharmacy and personal care chain	Hong Kong
Brighten Hong Limited	9,009	3.8%	“Hin Sang (衍生)” brand products	2012	60 days	Bank transfer	Trading business	Hong Kong
Customer D	6,610	2.8%	Hair care, personal care, “Hin Sang (衍生)” brand products and non-own branded products distributed by us exclusively	2001	45 days	Cheque	Beauty and health care products and retail stores	Hong Kong
Customer G	5,444	2.3%	“Hin Sang (衍生)” brand products and non-own branded products distributed by us exclusively	2001	75 days	Bank transfer	Retail business	Hong Kong

Top 5 customers of our Group for the year ended 31 March 2014	Approximate total amount of sales (HK\$'000)	Approximate percentage to the total revenue of our Group (%)	Nature of product sold	Business started from	Credit terms allowed	Settlement information	Principal business	Location
Customer A	46,111	18.2%	“Hin Sang (衍生)” brand products and non-own branded products distributed by us exclusively	2001	75 days	Bank transfer	Retail business	Hong Kong
Customer B	25,805	10.2%	“Hin Sang (衍生)” brand products and non-own branded products distributed by us exclusively	2001	60 days	Bank transfer	Pharmacy and personal care chain	Hong Kong
Customer E	10,984	4.3%	“Hin Sang (衍生)” brand products	2006	Cash on delivery	Cheque/Cash	Pharmacy business	Hong Kong
Customer H	9,423	3.7%	“Hin Sang (衍生)” brand products and non-own branded products distributed by us exclusively	2007	Cash on delivery	Cheque	Trading Business	Macau
Brighten Hong Limited	9,179	3.6%	“Hin Sang (衍生)” brand products and non-own branded products distributed by us exclusively	2012	60 days	Bank transfer	Trading Business	Hong Kong

BUSINESS

OUR SALES AND DISTRIBUTION NETWORK

Our Group's sales team consisted of 105 salespersons as at 31 March 2014. They are primarily responsible for keeping constant contact with our customers, approaching potential customers in Hong Kong, and obtaining purchase orders from them. They hold meetings with customers on a regular basis through physical visits or telephone calls to gather information from them, including consumer preferences, sales and market receptiveness and levels of inventory maintained by them. This information enables us to monitor the performance of our products in the market. The salespersons also obtain first-hand feedback on our products from the frontline sales of such retailers through regular visits.

Our sales team has established long-standing relationships with both chain retailers and individual retailers for the sale of our products.

SALES TO RETAILERS

Sales to individual retailers

The table below sets out the number of individual retailers in Hong Kong during the Track Record Period.

	<u>Commencement of the financial year</u>	<u>Number of new engagements</u>	<u>Number of terminations^(Note)</u>	<u>End of the financial Year</u>
Year ended 31 March 2012	671	127	86	712
Year ended 31 March 2013	712	150	83	779
Year ended 31 March 2014	779	235	117	897

Note: Termination refers to the situation where no sales occur during the financial year between us and the retailer.

We sell our products in all the Business Segments directly to individual retailers in Hong Kong. We select individual retailers based on their business scale, payment record and reputation.

Sales to chain retailers

We sell our products in both the Brand Development and Management Segment and the Product Development Segment to chain retailers, who display our products in their stores for sale to the general public. The chain retailers place replenishment orders and we supply products to the chain retailers accordingly by delivering the products to the warehouses designated by the chain retailers from time to time. The retail prices of our products are determined by us, in consultation with the chain retailers. We invoice the chain retailers at wholesale prices, which is recognized as revenue by us when the products are accepted by the chain retailers after delivery of the products to their respective warehouse(s). Thus, when the products are sold to the general public at the chain retailers' stores, the proceeds of sales belong to the chain retailers.

We have maintained stable relationships with most of our chain retailers for over 9 years.

BUSINESS

The table below sets out the number of chain retailers in Hong Kong during the Track Record Period:

	<u>Commencement of the financial year</u>	<u>Number of new engagements</u>	<u>Number of terminations^(Note)</u>	<u>End of the financial year</u>
Year ended 31 March 2012	19	1	1	19
Year ended 31 March 2013	19	2	2	19
Year ended 31 March 2014	19	0	5	14

Note: Termination refers to the situation where no sales occur during the financial year between us and the retailer.

As for our sales of products to chain retailers including chain supermarkets, chain personal care product stores and chain pharmacy stores in both Hong Kong and the PRC, we generally enter into master sales agreements with them in the form prescribed by these chain retailers on an annual basis. Some of these master agreements specify annual target purchase volumes and product prices whereby, if the annual target purchase volumes are met, the chain retailers concerned will be entitled to the rebates specified in the master sales agreements. Some master sales agreements also specify certain terms such as delivery, payment, discounts and/or rebates payable to the chain retailers, promotion and return policy. We generally do not set any initial purchase requirements or minimum purchase requirements for chain retailers.

Discounts and rebates to retailers

We generally offer discounts and rebates to our retailers. We will give discounts and rebates to our chain retailers when they achieve a certain sales amount for our products under both the Product Development Segment and the Brand Development and Management Segment. The discount is determined based on (i) the negotiation between individual chain retailers and our Group; and (ii) the market sentiment in the relevant period. The amount of rebates is calculated based on the sales amount of a particular product by a chain retailer. This arrangement is intended to enable the chain retailer to gain a higher profit margin when we promote a particular kind of product or clear the stock of that product.

For the three years ended 31 March 2012, 2013 and 2014, the total discounts offered to our retailers (including both chain retailers and individual retailers) amounted to approximately HK\$87 million, HK\$81 million and HK\$98 million respectively, which had already included the rebates offered to our chain retailers that amounted to approximately HK\$0.7 million, HK\$0.6 million and HK\$0.9 million, respectively.

BUSINESS

During the Track Record Period, the discounts and rebates offered to our retailers were off-set by the revenue generated from the sales of our products to them. The decrease in the amount of discounts and rebates during the Track Record Period was attributable to the improvement of the bargaining power of our Group as a result of the gradual market recognition of the brands of “Hin Sang (衍生)” and “Beautymate (美肌の誌)”. Set out below is the range of the discount rates, save for discount rates given as promotional items, given to the Hong Kong distributors during the Track Record Period:

	Discount range
Chain retailers	30% to 41%
Individual retailers	0% to 30%

The range of the rates of rebates given during the Track Record Period was from 0.5% to 3% on the sales amount of the products.

SALES TO DISTRIBUTORS

During the Track Record Period, we expanded the sales network of some products developed by us under the brands of “Beautymate (美肌の誌)”, “Hin Sang (衍生)”, “Happy Baby (乖寶貝)”, “I love BB” and “Tai Wo Tong (太和堂)” and some personal care products developed by the brand proprietors by appointing distributors in different countries and regions mainly outside Hong Kong. Revenues generated by our sales to distributors outside Hong Kong amounted to approximately HK\$49.0 million, HK\$46.0 million and HK\$69.6 million for the three years ended 31 March 2012, 2013 and 2014 respectively, representing approximately 13.6%, 19.6% and 27.5% of our revenue for the respective year. The table sets out below the number of distributors of our products during the Track Record Period:

Distributors	Commencement of the financial year ended			For the year ended 31 March			For the year ended 31 March			For the year ended 31 March	
	31 March 2012	Additions	Terminations	2012	Additions	Terminations	2013	Additions	Terminations	2014	
Brand Development and Management Segment	1*	3	0	4#	2	2	4#	1	1	4#	
Products Development Segment	5*	12	2	15#	42	17	40#	28	26	42#	
Trading of Goods Segment	Nil	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	

* one of the distributors in the above Business Segments is overlapped.

three of the distributors in the above Business Segments are overlapped.

Changes in the number of distributors during the Track Record Period were mainly due to the increase in the number of new distributors in the PRC for the sale of “Beautymate (美肌の誌)” and “Hin Sang (衍生)” products alongside with our expansion in our distributor network in the PRC.

It is noticeable from the above table that most of our distributors are appointed for the sales and distribution of our own-branded products in the Product Development Segment. In particular, we have appointed distributors for the distribution and sale of our skin care products under the brand of

BUSINESS

“Beautymate (美肌の誌)”, and health supplements under the brands of “Hin Sang (衍生)”, “Happy Baby (乖寶貝)” and “I love BB”. The following table shows the number of distributors for the sales and distribution of our own-branded products as at the Latest Practicable Date:

	<u>PRC</u>	<u>Taiwan</u>	<u>Singapore</u>	<u>Malaysia</u>	<u>Brunei</u>	<u>Hong Kong</u>	<u>Macau</u>	<u>Generally outside Hong Kong</u>
Beautymate (美肌の誌)	3 (Note 1)	1	2 [#]	1 [#]	1	0	0	1
Hin Sang (衍生)	31 (Note 2)	1	1 [^]	1 [^]	0	0	0	3
Happy Baby (乖寶貝)	3 (Note 3)	0	0	0	0	1	0	1
I love BB	4 (Note 4)	0	0	0	0	0	1	0

[#] One of the distributors of our “Beautymate (美肌の誌)” skin care products in Singapore is also the sole distributor of our “Beautymate (美肌の誌)” skin care products in Malaysia.

[^] The sole distributor of our “Hin Sang (衍生)” health supplements in Singapore is also the sole distributor of our “Hin Sang (衍生)” health supplements in Malaysia.

Note 1: The three distributors of our “Beautymate (美肌の誌)” skin care products in the PRC include one distributor in the Guangdong Province, one distributor in Hubei Province and one operator of the Aeon supermarket (Guangdong), A Best supermarket (Guangdong and Hunan) and CR Vanguard supermarket (Guangdong) in the PRC.

Note 2: The 31 distributors for our “Hin Sang (衍生)” health supplements in the PRC cover different distribution territories, namely Guangdong, Shanxi, Heilongjiang, Hainan, Guangxi, Zhejiang, Gansu, Fujian, Hubei and Hunan Province. They are responsible for distributing our products through wholesale channels, supermarkets, infant product stores and pharmacy stores.

Note 3: The three distributors of our “Happy Baby (乖寶貝)” health supplements in the PRC are based in different cities in Guangdong Province of the PRC.

Note 4: The four distributors for our “I love BB” health supplements in the PRC include three distributors based in different cities in Guangdong Province and one operator of chain stores in the PRC.

Sale arrangements with distributors which operate chain stores outside Hong Kong

We entered into a master distribution agreement with an operator of a renowned retail chain of health care products in the PRC in 2011 and 2012 for the sales and distribution of skin care products under our own brand of “Beautymate (美肌の誌)”. Our Directors subsequently decided that it would expand the distribution network of our “Beautymate (美肌の誌)” by distributing in different territories in the PRC instead of relying on the sales points operated by a single retail chain operator. As such, from March 2012, we ceased the exclusive sales arrangement with this renowned retail chain operator but continued to sell our “Beautymate (美肌の誌)” products to it on a non-exclusive basis. On the other hand, on 18 April 2012, we entered into a master trading agreement with another operator of a renowned retail chain of health care products in the PRC on a non-exclusive basis. Since March 2012, we have supplied skin-care products under our own-branded of “Beautymate (美肌の誌)” to the chain stores operated by this operator in the PRC.

BUSINESS

We have also entered into a master distribution agreement with an operator of a renowned retail chain of health care products in Taiwan since 2010 for the sales and distribution of skin care products under our own brand of “Beautymate (美肌の誌)” in Taiwan on an exclusive basis.

Our sales team conducts regular visits to the sales points and/or chain stores of the distributors outside Hong Kong in order to collect more information about the market receptiveness of our products in their local markets and the inventory levels of our products in the relevant distribution territories.

Distribution agreement with our distributors other than the distributors operating chain stores outside Hong Kong

Our relationship with our distributors is that of between seller and buyer but not principal and agent. We entered into distribution agreements with our distributors which lay down the terms and conditions for their sales and distribution mainly of our own-branded products outside Hong Kong. The duration of these distribution agreements generally varies from a few months to approximately two years. Save for our master sales agreements with the operators of the chain retailers in the PRC and Taiwan, our distribution agreements with distributors generally contain the following principal terms:

- Distribution territory: in general, to avoid cannibalisation, each distributor is permitted to sell or distribute our products only within a particular distribution territory as stipulated in the relevant distribution agreement. If a distributor breaches the restriction regarding its distribution territory, depending on the circumstances, the initial deposit paid to us by the distributors may be forfeited to us in whole or in part at our discretion, or in extreme cases, the distribution agreement may be terminated by us. Despite this provision, no deposit paid to us by the distributors was forfeited during the Track Record Period.
- Pricing policy: the pricing policy for our products is generally comprised of (i) an ex-factory price at which we provide products to our distributors; (ii) minimum price levels for our distributors to resell our products either through retailing or sub-distribution and (iii) a uniform retail price across the country.
- Sales target: our distribution agreements usually provide a sales target on an annual, quarterly and/or monthly basis. Depending on the specific provisions in each distribution agreement, if the distributor fails to achieve the sales targets for a specified period, depending on the circumstances, we may terminate the business relationship with the distributor.
- Incentive bonus: for some of our distributors, as an incentive for them, our distribution agreements provide that if they achieve the sales targets set out in the distribution agreement, they will be rewarded an incentive bonus. During the Track Record Period, the incentive bonus ranged from 0.5% to 6.5% of their purchase amount.
- Product return policy: we allow product return or product exchange by our distributors only due to quality problems after our products are sold to them. We generally do not accept the return of products on any other grounds.

BUSINESS

- Intellectual property rights: our distribution agreements contain provisions prohibiting the distributor from selling counterfeit products.
- Stock arrangement upon termination of cooperation: We generally do not accept the return of products upon termination of the distribution agreement on grounds other than quality problems.
- Renewal of distribution agreements: our distribution agreements usually contain a provision that if the distributor has not breached any terms of the distribution agreement, it has priority for the renewal of the distribution agreement.
- Payment policy: we deliver our products to our distributors upon receiving payment from them.

To manage our distributors, our sales staff maintain regular contact with our distributors by both telephone conversations and physical visits to their sales points, reviewing their amount of purchase of our products, and keeping track of their inventory level of our products. These measures, together with our general requirements for payment of all or part of the purchase prices from our distributors before delivery of our products and our policy of no return other than defective or damaged goods, would, in the opinion of our Directors, be sufficient for us to ensure that (i) our products are distributed by our distributors within the specified distribution territory; (ii) there will not be any potential competition among our distributors; and (iii) the terms and conditions of the distribution agreements are duly complied with.

Online sales

In Taiwan, we have contracted with 20 online marketing companies who are all Independent Third Parties for the sales of our “Beautymate (美肌の誌)” products, pursuant to which online space is provided on their respective websites for display of our “Beautymate (美肌の誌)” products or they will assist us in the sale of our products on other websites. We have more than two years of relationship with most of these online platforms.

In October 2013, we entered into an exclusive distribution agreement with a PRC company pursuant to which the PRC company was appointed as the exclusive distributor of our “Hin Sang (衍生)” branded products on the online platform through the internet in the PRC from October 2013 to the end of 2018.

These online distributors assist us in advertising, marketing and selling our products on their online platform or other websites. Our Directors confirm that the grant of distribution rights to these online distributors in Taiwan and the PRC will not violate the terms of other distribution agreements.

COMPETITION

Our Directors believe that the markets for the sales and distribution of health care products, personal care products and household products in Hong Kong are highly competitive. Market players mainly compete in areas such as, among other things, brand image, brand popularity, product quality, price and the ability to fulfill delivery commitments. We also face competition from other brand

BUSINESS

management companies in Hong Kong and international companies. Price competition in respect of our products is one of the major elements in the competition faced by us. Thus, in order to reduce costs, we negotiate with suppliers for a lower purchase price and offering an one-stop shop business model to the suppliers with a comprehensive range of brand building and management services, marketing and promotion expertise, sales and distribution channels, logistics and delivery services.

Our Directors believe that we have the competitive advantage over our competitors in that our Group offers a wide range of branded health care products, personal care products and household products at competitive prices in addition to our experienced sales team. Our Directors believe that, as a result of the advertising and promotional activities conducted during the past few years, we have built up a good reputation in Hong Kong.

Entry Barriers

The entry barriers for engaging in the developing, marketing, sales and distribution of a multitude of personal care products, health care products and household products, under the brands of third party brand proprietors or our own brands in Hong Kong would, in our Directors' point of views, include: (i) dominance of leading players in the market who are familiar with the preferences and demands of consumers and the market trends of different kinds of the products; (ii) established distribution networks in both Hong Kong and other markets we wish to enter into such as the PRC, Macau and other Southeast Asian countries such as Singapore and Malaysia; (iii) in-depth knowledge of the functions, safety and production process of different kinds of personal care products, health care products and household products; and (iv) long standing relationships with suppliers of these products.

PRICING POLICY AND PAYMENT TERMS

Pricing policy

As we are committed to serve consumers who are more price-conscious, through lower-priced offerings with desired performance, we have adopted a competitive pricing policy.

The retail prices of the products under the Brand Development and Management Segment are generally recommended by the brand proprietors. If there is no recommended price from the brand proprietors, we will finalise the retail price of the products under the Brand Development and Management Segment with reference to a number of factors, including the selling price guideline and discount range provided by the brand proprietors to us (if any), the prices of other competitive products available in the same market, the perceived market trends and our pricing strategy as ultimately determined by our management.

The pricing of the products under our own brands is determined by us on a cost-plus basis. We take into account the costs related to raw materials, manufacturing, packing and marketing etc. We decide on an initial price range for a new product. Once the product is launched in the market, we will evaluate market response to the product and compare retail price and market response and demand with similar products already available (if any) in the market in order to ascertain if we need to adjust the initial price of the product.

BUSINESS

We have a suggested retail price policy that applies to all retailers to help maintain both brand image and consistent pricing and prevent price competition among retailers. Please refer to the paragraph headed “Business — Sales to retailers — Discounts and rebates to retailers” in this prospectus. Our Directors believe that, alongside with our expansion, we will be able to purchase larger quantities of products at a more favourable price from different suppliers and will therefore be able to maintain competitive wholesale prices of our products.

Payment terms and credit control

Our Group offers an average grace period of 15 days to our retailers to settle payments except for individual retailers that are usually requested to settle payments in cash upon delivery of products under the Trading of Goods Segment. Our Group generally grants longer credit terms to some chain retailers, up to 75 days (excluding the 15 days’ grace period), during the Track Record Period, where they purchased our products in bulk. However, this is dependent on their credit record, historical sales performance, annual purchase and accounts settlement patterns.

For individual retailers, all sales are made on “cash on delivery” except for certain individual retailers that, due to their long-standing business relationships with us, who are given less than 45 days of credit period for some products under the Product Development Segment, during the Track Record Period.

Below is a breakdown of our total sales in the Track Record Period by reference to the sales made on “cash on delivery” terms and those made on credit.

Terms of sales	Year ended 31 March 2012		Year ended 31 March 2013		Year ended 31 March 2014	
	HK\$’000	%	HK\$’000	%	HK\$’000	%
On credits	107,058	29.7	97,621	41.5	132,816	52.5
Cash on delivery	<u>253,356</u>	<u>70.3</u>	<u>137,493</u>	<u>58.5</u>	<u>120,355</u>	<u>47.5</u>
Total	<u>360,414</u>	<u>100.0</u>	<u>235,114</u>	<u>100.0</u>	<u>253,171</u>	<u>100.0</u>

In order to minimise our credit risk, our management has delegated to our accounts department, to determine credit limits, credit approvals and other monitoring procedures to ensure that proper and timely follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of each year during the Track Record Period to ensure that adequate impairment losses were made for irrecoverable amounts. In this regard, our Directors believe that our credit risk is significantly reduced. Our credit risk on liquid funds is limited because the counterparties are banks with a good reputation.

Before accepting any new customer, we define the credit term, if appropriate. Our accounts department carries out regular reconciliations of outstanding receivables balances and our management regularly reviews whether bad debt provisions are to be made. For the three years ended 31 March 2012, 2013 and 2014, our Group had no significant bad debts.

Sales returns policy

We generally permit our retailers and distributors to return products to us due to quality defects but not unsold products. We did not repurchase any unsold products from retailers in Hong Kong or distributors outside Hong Kong during the Track Record Period.

During the Track Record Period, we did not experience any material product returns or make any material product recalls due to any quality defects, perceived product side effects or harmful chemicals or substances. The inventory impairments made for the years ended 31 March 2012, 2013 and 2014 were approximately HK\$57,000, HK\$526,000 and HK\$172,000 respectively.

MARKETING AND PROMOTION

We set up HM Advertising in 2007. Our marketing and promotion strategy, which is formulated and implemented through HM Advertising, was an important component attributed to our success in the past. We adopt a multi-faceted marketing strategy to market and promote the brands managed by us and our own brands and the relevant products. We have implemented our marketing strategies through various channels including (i) placing television commercials and sponsoring television programs; (ii) advertising in newspapers, magazines, the internet, public transportation, billboards and banners; (iii) selecting suitable celebrities as our brand ambassadors; (iv) participating in exhibitions and trade fairs; (v) organising promotional campaigns at shopping malls; and (vi) organising events with commercial organisations and the media.

We place a strong emphasis on television commercials which are broadcasted on various major television stations in Hong Kong and the PRC. We strategically place television commercials in different time slots to capture different consumer groups. We also sponsor television programs that are broadcasted during prime time slots on selected television stations. We believe that this marketing strategy has a positive impact on the public image of our brands and products.

BUSINESS

The highlights of our marketing and promotional events in the past are as follows:

Year	Events	Description
2002–2014	Television commercials and sponsorship of television programs	We participated in the production of a series of television commercials for some of the brands managed by us and all of the products produced and distributed under our own brands. The commercials are broadcasted on various major television channels in Hong Kong and the PRC.
2002–2014	Printed media	We advertised our products in various major Hong Kong magazines and newspapers.
2002–2013	Press conferences	We launched press conferences to promote our new brands and products.
2004–2012	Sponsorship of functions	We sponsored the following events which were broadcasted on prime time slots in both Hong Kong and various provinces of the PRC: <ul style="list-style-type: none">— “Hin Sang (衍生)” brand, the official health food supplement sponsor for the “Miss Asia Pageant” in 2004— “Acene (澳雪)”, the official body cleanser sponsor for the “Miss Asia Pageant” in 2004— “Hin Sang (衍生)” brand, the official health food supplement sponsor for the “Miss Asia Pageant” in 2005— National Day fireworks on 1 October 2010— “Hin Sang (衍生)” brand, title sponsor for “Family Show — Magical Babies” of Shenzhen Satellite TV in 2012
2002–2014	In-store promotional activities	We participated in the production of short commercial clips for showings in chain stores. We also set up promotional counters in supermarkets and chain stores in various locations.

Since 2006, we have engaged various artists as brand ambassadors for our own-branded products as part of our marketing strategies. Generally, the brand ambassadors will attend promotional activities, shoot television commercials, and print advertisements for the relevant brand. During the contractual period of the contract, individual ambassadors and brand ambassadors are generally not allowed to be

BUSINESS

the brand ambassadors of other brands or products of a similar nature. The length of the brand ambassador agreements ranges from two to six years. The following is a list of our brand ambassadors subsisting as at the Latest Practicable Date:

<u>Brand ambassador</u>	<u>Contracted Period of ambassadorship</u>	<u>Brand & Products</u>
陳嘉桓女士 (Ms. Chan Ka Woon, Rose)	May 2009–April 2014	Beautymate (美肌の誌) (skin care products)
杜宇航先生 (Mr. To Yu Hang)	May 2009–April 2014	Hin Sang (衍生) (healthcare and therapeutic products (for external use))
王若琪女士 (Ms. Takki Wong)	December 2009–November 2015	Beautymate (美肌の誌) (skin care products)
盧柏匡先生 (Mr. Lo Bai Hong)	December 2009–November 2015	Beautymate (美肌の誌) (skin care products and cosmetics)
方伊琪女士 (Ms. Fong Yi Kei, Cecilia)	September 2011–September 2015	Hin Sang (衍生) (healthcare products)
張國強先生 (Mr. Cheung Kwok Keung)	June 2011–May 2017	Hin Sang (衍生) (Chinese style healthcare products)
何佩嫻女士 (Ms. Ann Ho)	November 2010–October 2016	Hin Sang (衍生) (all products)
Mr. Jonathan Chu	July 2010–June 2016	Hin Sang (衍生) (healthcare products)
王鈞嫻女士 (Ms. Ong Ke Rou, Carol)	November 2011–November 2017	Beautymate (美肌の誌) (skin care products and cosmetics)
黃詩思女士 (Ms. Jancy Wong)	June 2013–May 2016	Beautymate (美肌の誌) (skin care products)
白健恩先生 (Mr. Ronan Pak)	February 2013–January 2016	Hin Sang (衍生) (Hin Sang Multi — Herbs Tea)
任容萱女士 (Ms. Lorene Ren)	January 2014–December 2014	Beautymate (美肌の誌) (skin care products)

BUSINESS

The aggregate amount of fees payable to the ambassadors for the three years ended 31 March 2012, 2013 and 2014 were approximately HK\$0.5 million, HK\$0.3 million and HK\$0.3 million respectively.

Save and except for the promotional activities discussed above, we also promote our products strategically by offering bundled packages with supplementary products. This marketing strategy allows consumers to try our other products which they may not have used before. As such, we can attract more consumers to purchase our products and increase our sales.

In addition, we operate several customer service hotlines that allow consumers to provide feedback on our products and services. We assess and analyse this information to enhance the quality of our products and services.

For the three years ended 31 March 2012, 2013 and 2014, our total advertising and other promotional expenditures amounted to approximately HK\$29.1 million, HK\$31.5 million and HK\$34.5 million respectively, which accounted for approximately 8.1%, 13.4% and 13.6% of our total revenue during the corresponding period.

The table below sets out the advertising and other promotional expenditures by different Business Segments during the Track Record Period:

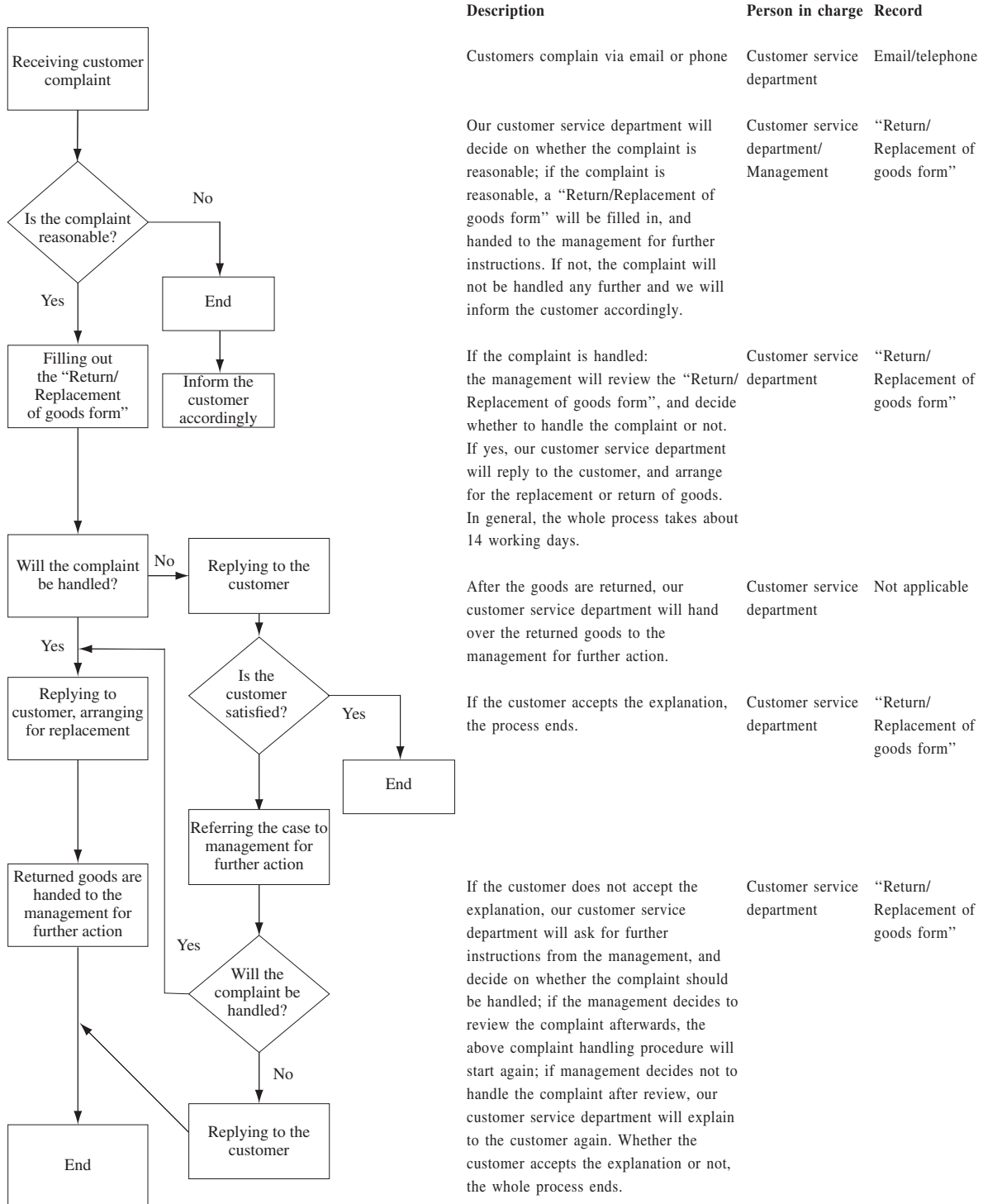
<u>Business Segment</u>	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	<u>HK'000</u>	<u>HK'000</u>	<u>HK'000</u>
Brand Development and Management Segment	974	1,354	64
Product Development Segment	28,077	29,924	34,463
Trading of Goods Segment	<u>28</u>	<u>237</u>	<u>2</u>
Total	<u>29,079</u>	<u>31,515</u>	<u>34,529</u>

During the Track Record Period, save and except for the warning letters from the Department of Health to us related to our possible breach of section 3 of the UMAO, details of which are set out in the sub-section headed “Business — Legal Proceedings and Regulatory Compliance” in this prospectus, there was no claim or claim threatened against us for making any misleading advertisements in respect of our products and their particular effects in our marketing and promotion activities. Our Directors confirmed that there was no claim or claim threatened from any customer against us due to any misleading advertisements during the Track Record Period nor were there any claims alleging that our products were not as effective as what our Group had represented.

BUSINESS

Complaint handling policy

Apart from the marketing and promotion strategies adopted by our Group, we have set up a policy in handling customers' complaints, if any, about our products as follows:



Our Directors confirmed that we had not received any material complaints about the quality of our products from our customers during the Track Record Period.

RESEARCH AND DEVELOPMENT

Before the disposal of Tai Wo Tong Pharmaceutical in July 2013, Tai Wo Tong Pharmaceutical took up the entire responsibility of researching and developing new PCM, including obtaining relevant registration for the new PCM and entering into respective research development and testing contracts (技術開發及檢驗(委託)合同) with the Southern Medical University for the development and testing of our new PCM.

After the disposal of Tai Wo Tong Pharmaceutical in July 2013, we outsourced the research and development of our new PCM to Tai Wo Tong Pharmaceutical as Tai Wo Tong Pharmaceutical is a holder of a valid PCM Manufacturer Licence, only a holder of a valid PCM Manufacturer Licence can apply for PCM registration under CMO. In this regard, we entered into a service agreement with Tai Wo Tong Pharmaceutical on 3 July 2013. This agreement will be superseded by the Service Agreement in its entirety upon Listing. For details of the Service Agreement, please see the paragraph headed “Connected Transactions — Non-Exempt Continuing Connected Transaction — Service Agreement with Tai Wo Tong Pharmaceutical” in this prospectus.

On the other hand, we maintain our own research and development team which focuses primarily on evaluating market trends and consumer preferences for personal care products and health care products in Hong Kong, the PRC and Taiwan in order to devise a plan for developing new products under the Product Development Segment. As at the Latest Practicable Date, our research and development team have five members, three of them either possess a bachelor degree in product engineering with marketing awarded by Hong Kong Polytechnic University, a bachelor degree in professional communication granted by the Hong Kong Polytechnic University, or a bachelor degree of business (management) granted by RMIT University in Australia.

Our research and development team works closely with our sales and marketing team in order to evaluate market trends and consumer preferences, which is essential for us to identify and formulate new products for our own brands.

Our research and development of new products under our own brands is market-oriented. We select new products based on our market research findings conducted by our research and development team on consumer preferences and market trends. We will offer trial products to consumers when they purchase our existing products in order to obtain feedback from them on our new products and their preferences. If we find it necessary, we will improve our existing products and introduce new products to meet changing market demands. After the trial period, we then formulate marketing strategies for the new products and proceed with mass production and product launches.

To strengthen our research capability, our Group, through Tai Wo Tong Pharmaceutical, entered into a technology research master agreement dated 8 October 2009 for a term of two years, which was subsequently renewed on 28 December 2011 and 9 January 2013 with the Southern Medical University, an Independent Third Party, in the PRC. Pursuant to the agreement signed on 9 January 2013, Tai Wo Tong Pharmaceutical appointed the Southern Medical University to (i) analyse the ingredients and composition of certain PCM; (ii) certify whether the PCM contain any metal or poisonous ingredients; and (iii) issue reports in support of our applications for registration of some of our PCM under CMO.

BUSINESS

Confidentiality and exclusivity provisions are provided in the agreement. The fee payable to the Southern Medical University by Tai Wo Tong Pharmaceutical, is RMB75,000 per product. After disposal of Tai Wo Tong Pharmaceutical in July 2013, this research master agreement continues to subsist. By virtue of the Service Agreement with Tai Wo Tong Pharmaceutical, we shall reimburse Tai Wo Tong Pharmaceutical with such fee payable to Southern Medical University with effect from July 2013.

For the three years ended 31 March 2012, 2013 and 2014, the amount paid to the School of Traditional Chinese Medicine of the Southern Medical University (南方醫科大學中醫藥學院) directly or through Tai Wo Tong Pharmaceutical were approximately HK\$1.0 million, HK\$0.3 million and HK\$0.4 million respectively.

We incurred approximately HK\$3.4 million, HK\$3.8 million and HK\$2.2 million respectively in aggregate for the costs of research and development for the three years ended 31 March 2012, 2013 and 2014, which consisted of the fee payable to the Southern Medical University (before the disposal of Tai Wo Tong Pharmaceutical), the staff costs of our research and development team and PCM testing fee.

QUALITY CONTROL

The Brand Development and Management Segment

We select our brand proprietors based on stringent criteria. We inspect the products purchased from them randomly when the products are delivered to our warehouses. During the contractual period with the brand proprietor, the sales team of our Group will also pay visits to the brand proprietor's production plants to inspect the manufacturing process of the products to ensure that the manufacturing process is properly conducted. We also maintain regular communication with the brand proprietors to understand their plans for developing new products.

The Product Development Segment

As at the Latest Practicable Date, our quality control team consisted of four staff members who were mainly responsible for the quality control of our own-branded products. The staff members have relevant logistic management or merchandising experiences from their respective past employments or current employment with our Group. They follow the quality control guidelines of each product when conducting quality control tests.

Our quality control procedure starts from the selection of suppliers and raw materials, based on the costs, place of origin and in case of PCM, whether the raw materials contain the ingredients mentioned in the (i) Pharmacopoeia; and/or (ii) Drug Standards of Ministry of Health of People's Republic of China (《部頒標準》). Once the raw materials and suppliers thereof are selected, in most cases, we request the suppliers to purchase the raw materials from our designated suppliers before they start the production and/or packing process. We have our quality control team participate in the manufacturing process by conducting on-site quality inspections at different stages of the manufacturing process. The end products will be subject to our quality control procedures before they are put on sale in the market.

BUSINESS

Prior to the launching any new own-branded products, we (i) review the internal product examination reports, including laboratory tests prepared by the external manufacturers of the products; and/or (ii) submit samples of our own-branded products to external testing and certification organisations in Hong Kong, Taiwan or the PRC, such as SGS Taiwan Limited, Hong Kong Standards and Testing Centre (香港標準及檢定中心), CMA Industrial Development Foundation Limited (CMA Testing) (香港中華廠商聯合會工業發展基金有限公司 (廠商會檢定中心)) or China National Analytical Center, Guangzhou (中國廣州分析測試中心) for testing and certification by our external manufacturers or ourselves to ensure that the products can meet the essential safety, quality, reliability and performance requirements.

Our Directors confirmed that we had not received any material complaints about the quality of our products from our customers during the Track Record Period and are not aware of any quality problem in connection with our compliance with the social, health or safety regulations, that may have a material effect on our business or relationships with our customers. During the Track Record Period, we had not made any material claim against our manufacturers.

The Trading of Goods Segment

For the Trading of Goods Segment, our logistics department is responsible for conducting random checks on the condition (including physical appearance, packing and labelling) of the products to ensure that their condition has not been changed or impaired when the products are delivered to our warehouses, and that there is no damage to the products. We also check the expiry date of the products upon delivery of the products to our warehouse. For details of our logistics department, please see the paragraph headed “Business — Logistics” in this prospectus.

INVENTORY CONTROL

Our Directors understand that maintaining a sufficient but non-excessive inventory is crucial to the success of our business. We normally maintain the inventory level at an average of approximately six to eight weeks. We place orders with suppliers regularly to replenish the inventory stock to a pre-determined level which in turn allows us to avoid additional warehouse costs. Our Directors have confirmed that the general lead time for the delivery of products to our warehouses ranges from one to seven days for orders placed with local vendors or authorised distributors and dealers. For orders placed with PRC or Taiwan traders or suppliers, the lead time for delivery is approximately 45 days.

We adopt the first-in-first-out inventory management policy in order to minimize stock-ageing problems. To preserve the freshness of certain products that have short life span, we, if necessary, will store them in our own warehouses. The normal holding period for these products is 30 to 60 days. Our average inventory turnover for each of the three years ended 31 March 2012, 2013 and 2014 was approximately 47.0 days, 62.4 days and 49.8 days respectively.

Based on the experience of our management, the average expiration period for certain health care products and personal care products ranges from two to three years while health supplements ranges from one to two years. We have a policy of making provisions against slow moving and obsolete inventories as and when such items are identified.

BUSINESS

We carry out a full inventory check at the end of each financial year. In addition, we conduct monthly rotational inventory checks, surplus inventory checks and ad hoc inventory checks (if necessary).

LOGISTICS

We have our own logistics department which aims at ensuring the cost-effectiveness and timely delivery of our products to our customers. Our logistics department consisted of a truck team and a warehouse team with a total of 18 staff members as at the Latest Practicable Date. Our logistics department coordinates closely with various departments of our Group for the purposes of (i) allocating appropriate storage places for upcoming products; (ii) inspecting the condition of the products upon their arrival to our warehouses; and (iii) arranging the delivery of the products to our customers according to the purchase orders received by our sales division.

We owned and operated four trucks during the Track Record Period, and delivered the products from our warehouse to the designated places of our customers in Hong Kong whilst bearing the entire cost of delivery. For distributors outside Hong Kong, we have different delivery arrangements with individual distributors, such as delivery directly from our suppliers to the distributors' designated locations, delivery by our logistic department within Hong Kong or arranged for delivery of our products by shipment to the distributor's designated ports, and we bear the entire cost of delivery. Such delivery arrangements allow us to minimise the risk of product damage and delays, and to collect trade receivables from some of the individual retailers immediately upon delivery.

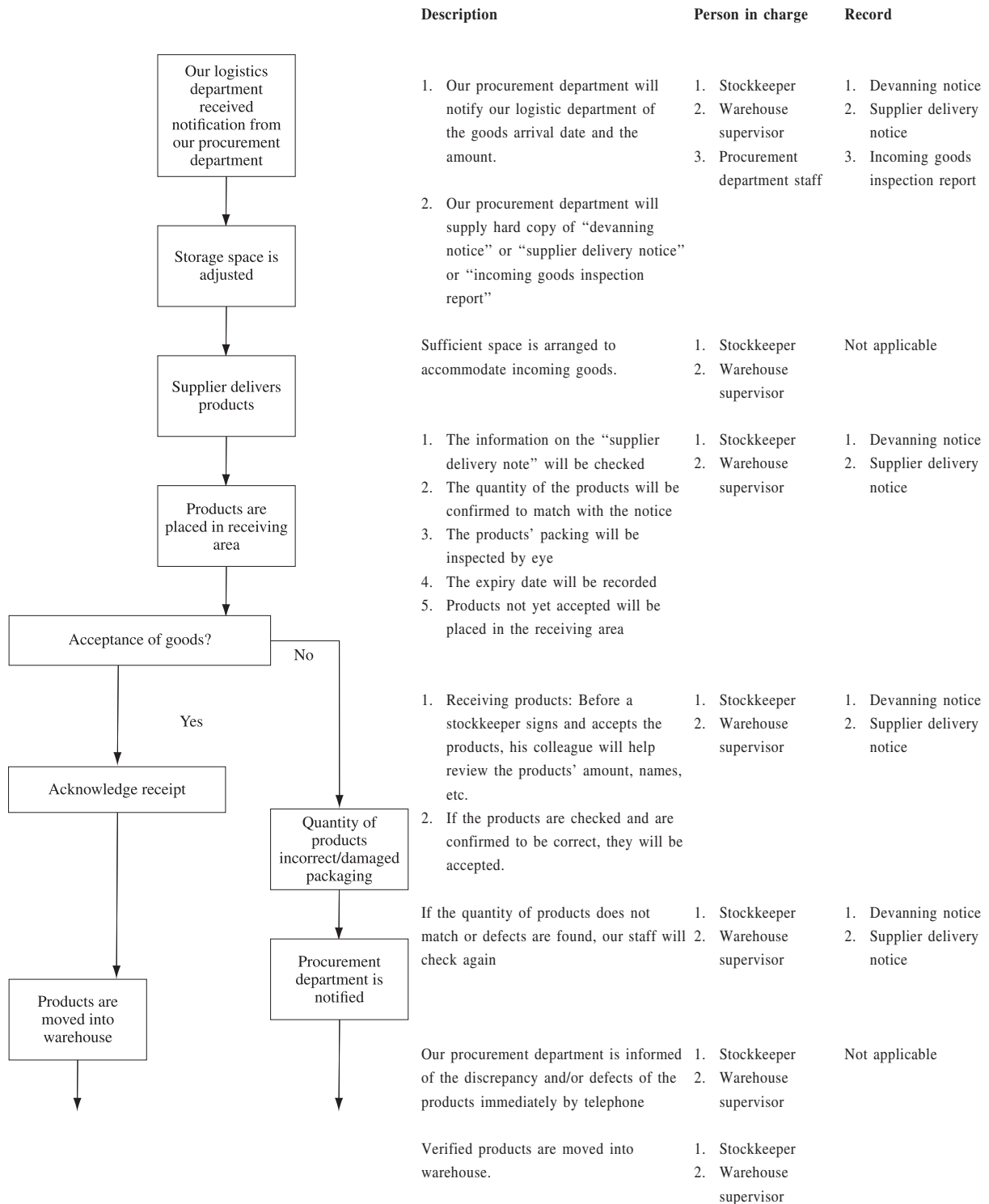
We also outsource our product transportation from the ports of our suppliers to our warehouse to independent logistics companies and the cost of transportation is borne by us. We evaluate the performance of our logistics contractors and renew the relevant contracts annually.

We incurred approximately HK\$1.2 million, HK\$0.9 million and HK\$1.1 million in aggregate for the expenses paid to independent logistics companies for the three years ended 31 March 2012, 2013 and 2014 respectively.

During the Track Record Period, we did not face any material disruption in the delivery of our products and we did not suffer any loss or pay any compensation as a result of delays in delivery or poor services of the logistics companies.

BUSINESS

The following workflow chart sets out the procedure adopted by our logistics department in handling our products when the products arrive at our warehouse:



INTELLECTUAL PROPERTY

We rely primarily on a combination of trademarks and trade secret protections, as well as employee and third party confidentiality agreements, to safeguard our intellectual property rights and know-how.

We consider our trademarks to be valuable assets as most of our revenue are generated from our own-branded products and non-own branded products. As at the Latest Practicable Date, we had over 470 trademarks registered in Hong Kong covering a wide range of major products offered by us. In addition, we had also submitted applications for registration of over 60 trademarks in Hong Kong as at the Latest Practicable Date. Details of the material trademarks of our Group are set out in the sub-section headed “C. Intellectual property rights of our Group” in Appendix V to this prospectus.

Our Group also relies on trade secrets to protect our know-how in formulating our own-branded products, especially where we believe patent protection may not be appropriate or obtainable. Each of the key members of our management and research personnel is required to enter into a confidentiality and non-competition agreement with us. These agreements cover issues involving the protection of our intellectual property, requiring these individuals to assign to us all of their inventions, designs and technologies that they may develop during their employment with us at nil consideration upon our request, and prohibit these individuals from disclosing our trade secrets and confidential information after cessation of their employment with us.

If our trademarks are being challenged and/or our trade secrets become known to our competitors, there could be an adverse effect on our business. Apart from the legal action against Aomori (Japan) Pharmaceutical Limited which was not pursued further (details of which please refer to the sub-section headed “Business — Legal proceedings and regulatory compliance” in this prospectus), our Directors confirmed that there was no ongoing dispute related to our intellectual property rights with any third party as at the Latest Practicable Date and there was no counterfeiting or imitation of our products in Hong Kong or other jurisdictions and thus, we had not taken out any litigation action to prosecute infringements during the Track Record Period.

On the other hand, our Directors believe that all the products sold by us under the Trading of Goods Segment are genuine products and should not be confused with counterfeits. Having considered the current legislation and the legal advice obtained by us with respect to the Trademarks Ordinance, Copyright Ordinance and common laws, our Directors are satisfied that there is no material risk of any action being brought against us related to any alleged infringement of intellectual property rights relating to the products we sourced from authorised dealers or independent overseas traders which, if successful, would have a material adverse effect on our business and operations.

BUSINESS

LAND AND PROPERTIES

We set out below a summary of the properties owned by us in Hong Kong and the PRC. Please refer to “Property Valuation” set out in Appendix III to this prospectus for further details.

Owned properties

Properties located in Hong Kong

As at the Latest Practicable Date, we own a property in Yuen Long, New Territories, Hong Kong, and the use of which is for residential purpose. We have title to this property pursuant to the records of the Land Registry.

The information of the Yuen Long Property is as follows:

<u>Location</u>	<u>Date of acquisition</u>	<u>Saleable area approximate</u>	<u>Consideration</u>	<u>Our use of property</u>
Flat A on Ground Floor including the Garden adjacent thereto of the Block 7 and Car Park No. 128 on Basement Floor of Casa De Oro, 23 Hung Shui Kiu Main Street, Yuen Long, New Territories, Hong Kong	30 December 1999	Flat: 83 sq.m. Garden: 221 sq.m. Car Park: 13 sq.m.	HK\$4,380,000	The use of this property is residential and the property is currently used for accommodating clients of our Group when they visit Hong Kong.

Properties located in the PRC

As at the Latest Practicable Date, we owned the following properties in the PRC:

<u>Location</u>	<u>Date of acquisition</u>	<u>Approximate saleable area</u>	<u>Consideration</u>	<u>Our use/ intended use of property</u>
Room 3005, Tower A, Reith International Building, 1002 Yanhe Road, Luo Hu District, Shenzhen, the PRC	5 November 2013	584.68 sq.m.	RMB15,686,661	Office
Room 3006, Tower A, Reith International Building, 1002 Yanhe Road, Luo Hu District, Shenzhen, the PRC	5 November 2013	216 sq.m.	RMB6,221,552	Office
Room 1308, Tower C, Office Buildings, Fu Li Dongshan Xin Tian Di, Guangzhou*	3 May 2014	158.61 sq.m.	RMB4,925,844	Office

* As at 30 June 2014, we have not yet obtained vacant possession of this property as the purchase of which had not yet been completed.

Investment property

With reference to the accounting principles adopted by the Company as set out in the Accountants' report in Appendix I to this prospectus, the following property owned by us located in the PRC detailed in this sub-section is classified as investment property.

BUSINESS

Since 1 November 2013, we owned the following investment property:

<u>Location</u>	<u>Date of acquisition</u>	<u>Approximate saleable area</u>	<u>Consideration</u>	<u>Use of property</u>	<u>Tenant</u>
Room 3008, Tower A, Reith International Building, 1002 Yanhe Road, Luo Hu District, Shenzhen, the PRC	5 November 2013	179.74 sq.m.	RMB5,257,392	Office	Huang Bao Quan (黃寶全)

A tenancy agreement was signed on 13 December 2013 in respect of the above investment property by Hin Sang Hong (Shenzhen) with the abovenamed tenant for a rental period from 16 December 2013 to 15 December 2016 at a monthly rent of RMB19,771 for office purpose.

Leased property

Properties leased by our Group in Hong Kong

As at the Latest Practicable Date, we had leased two properties in Yuen Long, New Territories, Hong Kong, the uses of which are for residential and office purposes respectively. No registration of these tenancy agreements is required under the laws of Hong Kong.

All properties leased by our Group in Hong Kong were from Independent Third Parties.

Properties leased by our Group in Taiwan

As at the Latest Practicable Date, we had leased one property in Taiwan for office use from Mrs. Pang, our executive Director and Controlling Shareholder. As Mrs. Pang is a connected person of our Group, the transaction contemplated under the above lease agreement therefore constitutes continuing connected transaction (within the meaning of Chapter 14A of the Listing Rules) for our Group. Our Directors confirmed that the rent paid by us to Mrs. Pang in relation to the above-mentioned property was determined on an arm's length basis and reflected the prevailing market rent at the time, and the details of which are set out in the paragraph headed "Connected transactions — Exempt Continuing Connected Transactions — Taiwan Tenancy Agreement" in this prospectus.

Our Taiwan legal advisers confirmed that the tenancy is not required to be registered and they are of the opinion that the tenancy agreement in relation to such property leased by us in Taiwan is legal and valid.

Property leased by our Group in the PRC

As at the Latest Practicable date, we had leased one property in the PRC from an Independent Third Party, for office use.

Our PRC legal advisers are of the opinion that the tenancy agreement in relation to property leased by us in the PRC is legal and valid. The property leased by us in the PRC is not crucial to us as comparable premises can be rented in the respective region if necessary.

BUSINESS

The following table sets out a summary of the properties leased by us as at the Latest Practicable Date:

Location	Our use of property	Gross Floor Area approximate	Tenant	Term of current lease	Rental
Workshop Nos. A & B on 10th Floor, Workshop Nos. A & B on 12th Floor, Workshop Nos. A & B on 20th Floor, and car park No. V10 on 2nd Floor, Yuen Long Hi Tech Centre, 11 Wang Yip Street West, Yuen Long, New Territories, Hong Kong	Workshop, storage and ancillary purposes	4,973.82 sq.m.	Hin Sang Hong (HK)	16 April 2014 to 15 April 2016	HK\$318,000/month
Carpark Nos. V9, V14, V15 and V16 on 1st and 2nd Floor, Yuen Long Hi Tech Centre, 11 Wang Yip Street West, Yuen Long, New Territories, Hong Kong	parking purposes	Not applicable	Hin Sang Hong (HK)	Monthly basis	HK\$10,000/month
Office at Level 4, Farglory Switzerland Economy Trade Center, No. 97 Xinhua 1st Road, Neihu District, Taipei City, Taiwan	Office	300.93 sq.m.	Beautymate (Taiwan)	1 April 2014 to 31 March 2016	NT\$82,000/month (equivalent to approximately HK\$22,162/month)
Unit 407, Tianbao Building, 37 Tiyu East Road, Tianhe District, Guangzhou, the PRC	Office	75 sq.m.	Hin Sang Hong (Shenzhen)	18 August 2013 to 17 August 2014	RMB3,300/month (equivalent to approximately HK\$4,058/month)

Our Directors confirm that all our current leases were negotiated on an arm's length basis with reference to the prevailing market rates. As at the Latest Practicable Date, our Directors confirmed that we had complied with all the applicable laws and the relevant use in respect of our leased properties in all material respects.

LICENCES AND APPROVALS

Our Directors have confirmed that we have obtained all relevant licences, approvals, certificates and permits necessary to conduct our operations in Hong Kong and have complied with all applicable laws and regulations as set out in the section headed "Regulatory Framework" in this prospectus during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

As at the Latest Practicable Date, we held the following licences for the operation of our business in Hong Kong:

<u>Type of licence</u>	<u>Purpose</u>	<u>Holder</u>	<u>Licence/ Registration No.</u>	<u>Validity period</u>
Wholesaler licence in PCM	Conduct business in the wholesale of PCM	Hin Sang Hong (HK)	PW-2004-00009	16 September 2014 to 15 September 2016
Wholesaler licence in pharmaceutical products	Conduct business in the wholesale of pharmaceutical products	Hin Sang Hong (HK)	6/2A/2003	2 January 2014 to 1 January 2015
Registration as food importer/distributor	Import and distribution of food	Hin Sang Hong (HK)	TR- 11-002008	1 February 2012 to 31 January 2015
Pesticides licence	Import and supply of Part I pesticides	Hin Sang Hong (HK)	F017285	2 May 2014 to 21 May 2015

Both the wholesaler licence in pharmaceutical products issued by the Pharmacy and Poisons Board under the Department of Health and the registration as food importer/distributor issued by the Food and Environmental Hygiene Department will be expired in January 2015. Our Directors are confident that, from their past experience, a demand note for licence will be issued by the aforesaid government bodies before the expiry of the respective licences. Once our Company has settled the renewal fees, the licences will be renewed. Our Directors, after discussion with our legal advisers to Company in relation to business operation, are of the view that there should not be any impediment for Hing Sang Hong (HK) to renew the respective licences.

For details of registration of PCM, please refer to the paragraph headed “Business — The Product Development Segment — Our own-branded health care products which require registration by law” in this prospectus.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Legal proceedings

As at the Latest Practicable Date, the Company was involved in the following proceedings:

1. In 2012, we discovered an infringement of our intellectual property right by Aomori (Japan) Pharmaceutical Limited, whereby the trademark and copyrights subsisting in the packing and drawings of “Hin Sang Health Star (Granules) (衍生精製七星茶顆粒沖劑)” and “Hin Sang Deluxe Exquisite Packing Milk Supplement (Granules) (衍生至尊雙料開奶茶顆粒沖劑)” were infringed. As such, Hin Sang Hong (HK) initiated legal proceedings against Aomori (Japan) Pharmaceutical Limited in this regard for trademark infringement and/or passing off. Upon commencement of the legal action, Aomori (Japan) Pharmaceutical Limited had ceased all infringement acts. As a result, the action was not pursued any further and was in the

BUSINESS

status of on hold. However, should Hin Sang Hong (HK) decide to pursue the claim further, it is required to seek leave from the Court to file a full Statement of Claim out of time, subject to a possible nominal costs award to Aomori.

2. On 18 May 2011, Hin Sang Hong (HK) entered into a distribution agreement with Kingdom Overseas Limited (“**Kingdom Overseas**”) pursuant to which Hin Sang Hong (HK) was appointed by Kingdom Overseas as the exclusive distributor in Hong Kong and Macau for three infant formula products under the brand of “Golden Fern”. In July and August 2011, Hin Sang Hong (HK) issued purchase orders in respect of the infant formula products but Kingdom Overseas had only delivered part but not all of the infant formula products to Hin Sang Hong (HK) on the scheduled delivery dates in early 2012 and therefore, in breach of the distribution agreement. On the other hand, between September 2011 and February 2012, Kingdom Overseas had made various complaints to us that our downstream retailers were selling its infant formula products below the recommended retail price set by Kingdom Overseas and we have failed to regulate the pricing systems of our downstream retailers. In February 2012, Kingdom Overseas issued a termination notice to Hin Sang Hong (HK) to terminate the distribution agreement forthwith. As such, Hin Sang Hong (HK) initiated legal proceedings against Kingdom Overseas for breach of distribution agreement arising from (i) Kingdom Overseas’ failure to deliver infant formula products according to our purchase order, which constituted a wrongful repudiation of the distribution agreement; and (ii) wrongful termination of the distribution agreement by its issue of the termination notice to Hin Sang Hong (HK). Hin Sang Hong (HK) claimed for loss and damages in the amount of approximately HK\$54.3 million and the substantial proportion of the damages claim comes from a claim for loss of future profit due to the breach of distribution agreement by Kingdom Overseas. Likewise, Kingdom Overseas also launched a counterclaim against us for an approximate sum of HK\$51.0 million as damages for alleged loss of future profit for being unable to secure an alternative distributor to replace us. As at the Latest Practicable Date, the legal proceeding was still ongoing.

After seeking legal advice from the counsel representing us in the above legal action, our Directors are of the opinion that the counter-claim made against us is unlikely to succeed on the basis, among others, that Kingdom Overseas had failed to (i) adduce sufficient evidence on its effort in finding new distributors for its infant formula products; and (ii) mitigate its loss by reselling the undelivered or recalled infant formula products bearing our trademarks therein. Nevertheless, pursuant to the Deed of Indemnity, our Controlling Shareholder have irrevocably and unconditionally agreed to provide our Group with full indemnity in connection with all losses and damages we may incur from this litigation. Details of the Deed of Indemnity are set out in the paragraph headed “F. Other Information — Estate duty, tax indemnity and other indemnities” in Appendix V to this prospectus.

Save as disclosed herein, as at the Latest Practicable Date, none of the Company or any other members of our Group were engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of our Group.

BUSINESS

Non-compliance with the UMAO

During the Track Record Period, we received a total of 11 warning letters from the Department of Health regarding our suspected non-compliance of section 3 of UMAO. Section 3(1) of the UMAO states that no person shall publish, or cause to be published, any advertisement likely to lead to the use of any medicine, surgical appliance or treatment for the purpose of treating human beings for, or preventing human beings from contracting, any disease or condition specified in column 1 of schedule 1 of the UMAO, except for a purpose (if any) specified in column 2 of that schedule in the UMAO; or treating human beings for any purpose specified in schedule 2 of the UMAO. The details of the warning letters are set out below:

No.	Date of warning letter	Product name	Advertisement or packing involved	Suspected non-compliance	Follow up action
1	16 August 2011	Perfect Physique Capsules (養生御方)	Advertisement published on AM730 dated 5 August 2011	Section 3 of the UMAO — schedule 1 items 6 (any disease of the heart of cardiovascular system), 10 (any disease of the blood or lymphatic system) and 12 (any endocrine disease)	Ceased to use the subject wordings in future advertisement
2	4 October 2012	Strong Kidney Capsules and Deluxe Collagen Cordyceps Sinensis Mycelium Powder Capsules (衍生強腎御方及衍生冬蟲夏草)	Advertisement published on Eastweek dated 8 August 2012	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future advertisement
3	4 October 2012	Deluxe Collagen Cordyceps Sinensis Mycelium Powder Capsules (衍生冬蟲夏草膠囊)	Advertisement published on Sharp Daily dated 13 July 2012	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future advertisement
4	10 October 2012	Menpower Energetic Capsules (喜洋洋朝氣勃勃膠囊)	Packing	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future packing

BUSINESS

No.	Date of warning letter	Product name	Advertisement or packing involved	Suspected non-compliance	Follow up action
5	11 October 2012	POWERUP Booster Capsules (喜得勁)	Advertisement published on the Sun dated 8 June 2012	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future advertisement
6	11 October 2012	POWERUP Booster Capsules (喜得勁)	Advertisement published on Sharp Daily dated 10 August 2012	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future advertisement
7	11 October 2012	Strong Kidney Capsules and Deluxe Collagen Cordyceps Sinensis Mycelium Powder Capsules (衍生強腎御 方及衍生冬蟲 夏草)	Advertisement on Sharp Daily dated 10 August 2012	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future advertisement
8	30 October 2012	POWERUP Booster Capsules (喜得勁)	Advertisement published on Oriental Daily dated 6 July 2012	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future advertisement
9	30 October 2012	POWERUP Booster Capsules (喜得勁)	Advertisement published on the Sun dated 10 August 2012	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future advertisement
10	30 October 2012	POWERUP Booster Capsules (喜得勁)	Advertisement published on Oriental Daily dated 7 September 2012	Section 3 and/or 3B of the UMAO — schedule 4 item 2 (Regulation of the function of the genitourinary system and/or improvement of symptoms of genitourinary problems)	Ceased to use the subject wordings in future advertisement
11	22 March 2013	POWERUP Booster Capsules (喜得勁鋼勁 無比60粒)	Packing	Section 3 and/or 3B of the UMAO — schedule 2 item 2 (The promotion of sexual virility, desire or fertility, or the restoration of lost youth.)	Ceased to use the subject wordings in future packing

BUSINESS

Our Directors confirmed that save as disclosed in the table above, we have not received any notice, warning or letter in relation to any suspected non-compliance or breach of the UMAO. In relation to the suspected non-compliance as set out in the table above, our Directors confirmed that all suggestions of the Department of Health relating to the wordings on advertisements and packing as set out in its warning letters to us had been complied with and thus, no fine had been imposed on us as a result of these warning letters. Notwithstanding the aforesaid, if we were found guilty of contravening the provisions of section 3 or 3B of the UMAO, the maximum penalty for each of the offence would be a fine of HK\$50,000 and imprisonment for 6 months. Our Directors, after discussion with our legal advisers in relation to business operation, understand that upon a second or subsequent conviction, a fine of HK\$100,000 and imprisonment for one year will be imposed. The total potential maximum amount of penalties/fines and liabilities arising from all of the 11 warning letters is approximately HK\$1.1 million. Based on the fact that we have complied with the warning letters and no charge had been laid by the Department of Health against us, the Directors are of the view that the possibility of paying such maximum penalty is remote. Our Directors further confirmed that we are not involved in any actual or threatened legal or administrative proceedings in relation to any suspected non-compliance or breach of the UMAO during the Track Record Period and up to the Latest Practicable Date.

Non-compliance with the Companies Ordinance

<u>Type of non-compliance</u>	<u>Relevant section(s) of the ordinance</u>	<u>Brief summary of the non-compliance</u>	<u>Cause of the non-compliance</u>	<u>Maximum legal consequence to the Group as at the Latest Practicable Date</u>	<u>Rectification actions and measures to prevent any future breaches</u>
Non-compliance in relation to accounts	Section 122 of the Predecessor Companies Ordinance (Corresponding to sections 429, 431 and 610 of the Companies Ordinance)	Audited accounts of Hin Sang Hong (HK) for the financial years ended 31 March 1998, 1999 and 2000 and the financial period from 13 June 1996 to 31 March 1997 (both days inclusive) were prepared but not laid at the annual general meeting within nine months.	The failure was due to the unintended and inadvertent oversights of the time limit requirements under the relevant sections of the Companies Predecessor Ordinance made by an employee of our Group who was responsible for company secretarial and accounting matters at the material times.	The prosecution of such non-compliance is time-barred as the relevant offence was committed more than three years ago.	Our Group has included an independent non-executive director with accounting expertise to the Board. Our Group has also appointed Messrs. HLB Hodgson Impey Cheng to be our Group's auditors since April 2011. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited.

BUSINESS

Type of non-compliance	Relevant section(s) of the ordinance	Brief summary of the non-compliance	Cause of the non-compliance	Maximum legal consequence to the Group as at the Latest Practicable Date	Rectification actions and measures to prevent any future breaches
Non-compliance in relation to accounts	Section 122 of the Predecessor Companies Ordinance (Corresponding to sections 429, 431 and 610 of the Companies Ordinance)	Audited accounts of Tai Wo Tong Pharmaceutical for the financial year ended 31 March 2010 was prepared but not laid at the annual general meeting within nine months.	The failure was due to the unintended and inadvertent oversights of the time limit requirements under the relevant sections of the Predecessor Companies Ordinance made by an employee of our Group who was responsible for company secretarial and accounting matters at the material times.	The prosecution of such non-compliance is time-barred as the relevant offence was committed more than three years ago.	Our Group has include an independent non-executive director with accounting expertise to the Board. Our Group has also appointed Messrs. HLB Hodgson Impey Cheng to be our Group's auditors since April 2011. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited.
Non-compliance in relation to accounts	Section 122 of the Predecessor Companies Ordinance (Corresponding to sections 429, 431 and 610 of the Companies Ordinance)	Audited accounts of Tai Wo Tong for the financial year ended 31 March 2010 was prepared but not laid at the annual general meeting within nine months.	The failure was due to the unintended and inadvertent oversights of the time limit requirements under the relevant sections of the Predecessor Companies Ordinance made by an employee of our Group who was responsible for company secretarial and accounting matters at the material times.	The prosecution of such non-compliance is time-barred as the relevant offence was committed more than three years ago.	Our Group has included an independent non-executive director with accounting expertise to the Board. Our Group has also appointed Messrs. HLB Hodgson Impey Cheng to be our Group's auditors since April 2011. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited.

Applications were made to the Court of First Instance of the High Court of Hong Kong for orders that the period for laying the audited accounts with respects to the periods referred to in the above table be extended, which were heard on 2 May 2014. However, the applications were refused by the Court.

Our Directors confirmed that at the time the non-compliances were committed, these companies were mainly managed and controlled by Mr. Pang and Mrs. Pang. In respect of the possible penalty, after seeking legal advice and in view of the background of the cases and the Court's recent rulings on the application under section 122 of the Predecessor Companies Ordinance, our Directors noted that (i) it is highly unlikely that the relevant directors would be sentenced to imprisonment as a result of the subject breaches given that the prosecution of the above non-compliances has been time-barred under

BUSINESS

section 351(A) of the Predecessor Companies Ordinance (corresponding to section 900 of the Companies Ordinance); and (ii) in any respect, the above-mentioned non-compliances of section 122 of the Predecessor Companies Ordinance are minor in terms of their gravity; and (iii) when the breaches are technical breaches by nature and there is no real prospect of the Company or its director being prosecuted, the court will not in future grant such application.

In addition, the Controlling Shareholders have entered into a Deed of Indemnity with and in favour of our Company to provide indemnities in respect of monetary fines, settlements payments and any related costs and expenses which would be incurred or suffered by our Group in connection with the all non-compliances as to all applicable laws and regulations occurred on or before the Listing Date.

Our Directors further believe that measures as mentioned in the above table will enable our Group to strengthen our internal control environment both at the working level and at the monitoring level, therefore should be adequate and effective to prevent the reoccurrence of the non-compliance and ensure our Group's ongoing compliance with the relevant rules and regulations applicable to our Group. The Sponsor concurs with our Directors.

In view of the facts that (i) the non-compliances were not due to dishonesty nor wilful default of our Directors; (ii) our Directors have attended training held by our legal advisers in Hong Kong to ensure future compliance; and (iii) we have taken measures, including the engagement of legal adviser in Hong Kong to render professional advice as to compliances with the statutory requirements as applicable to our Group from time to time, and implemented internal control policies to prevent the reoccurrence of the non-compliance, our Directors and the Sponsor are therefore of the view that (i) our Directors are competent in ensuring regulatory compliance; and (ii) such non-compliances issues do not cast any doubts on our Directors' integrity and accordingly, our Directors are suitable to act as directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and such non-compliances issues do not affect our Company's suitability for Listing under the Listing Rules 8.04.

INTERNAL CONTROL REVIEW

We have engaged Billy Ho and Associates CPA Limited (the "**Internal Control Reviewer**"), to conduct internal control reviews in 2010, 2013 and 2014. The Internal Control Reviewer is a firm of practising certified public accountants and its directors and consultants have the experience in auditing listed companies. They also have experience in reviewing the internal control and in auditing of companies operating in a wide range of different industries.

The scope of the reviews covered the following areas: (i) overall management control which includes code of conduct, conflict of interests, risk assessment, legal and regulatory compliance, and report of control deficiency, etc., (ii) Group financial reporting and disclosure control, (iii) budgeting, (iv) treasury functions, (v) information system management, (vi) human resources and payroll cycle, (vii) sales, receivables and collection cycle, (viii) purchases, payables, expenses and payments, and (ix) inventory cycle.

A series of measures, such as the engagement of legal advisers in Hong Kong to provide legal opinion on product labelling and advertising, the strengthening of the internal control procedures over the review and approval of product labeling and advertising and the development of the standard operation procedures regarding the review and approval of compliance with Companies Ordinance,

BUSINESS

Companies (Winding Up and Miscellaneous Provisions) Ordinance and other relevant regulatory requirements, have been put in place step-by-step based on the Internal Control Reviewer's recommendations.

MEASURES TO PREVENT THE REOCCURRENCE OF THE NON-COMPLIANCE AND ENSURE FUTURE COMPLIANCE

Our Group has adopted and implemented the following corporate governance and internal control measures to prevent any non-compliance with laws and regulations in the future:

1. we have engaged an external secretarial firm to handle the company secretarial matters to ensure compliance of the Companies Ordinance. Mr. Choy Suk Man has been appointed as the financial controller and company secretary of our Group to monitor and ensure compliance with the Companies Ordinance. The responsibilities of Mr. Choy Suk Man include, among others, (i) advising the Board on governance matters; (ii) facilitating professional development of Directors; (iii) keeping record of all minutes of meetings of the Board and board committees; (iv) ensuring compliance with the Companies Ordinance by our Group, in particular, timely filings with the Companies Registry of Hong Kong and the laying of audited financial statements in our Company's annual general meetings. For biographical details of Mr. Choy Suk Man, please refer to the section headed "Directors, senior management and employees" in this prospectus;
2. our Company has appointed external professional advisers, including auditors, legal advisers or other advisers to render professional advice as to compliance with the statutory requirements as applicable to our Group from time to time;
3. our Company has appointed Ample Capital Limited as its compliance adviser to advise our Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules;
4. our Company had established an audit committee as at the Latest Practicable Date, comprising the three independent non-executive Directors, namely Mr. Lee Luk Shiu, Dr. Tang Sing Hing, Kenny and Mr. Tsui Nam Hung. The responsibilities of the audit committee include reviewing and supervising the financial reporting process and internal control system of our Group. Mr. Lee Luk Shiu, who has over 27 years' experience in commercial accounting and corporate finance, shall be the chairman of the audit committee;
5. the Directors had attended training conducted by Hong Kong legal advisers to our Group and received training materials on directors' obligation, duties and responsibilities under the Listing Rules;
6. our Group had revised its standard operation procedures for product labeling and strengthened the internal control procedures over the review and approval of product labeling and advertising. Accordingly, the revised operation procedure sets out the measures to be taken at the stage of the product labelling, packing and advertising design (including any notice, poster, circular, label, wrapper or documents and any advertisement published in

BUSINESS

newspapers, magazines, leaflets, television and internet etc). All the relevant parties and their corresponding responsibilities at such aforesaid stage are defined and specified. Applicable ordinances are also cited for the relevant parties' easy reference.

Under the revised operation procedures, the responsible parties for each stage must approve and sign off the relevant design before passing it to the next stage so as to ensure that no statement which will be considered as a claim for prevention or treatment of disease or in contravention of UMAO will be published in our packing design or advertisements etc.

All rejected designs will be returned to the previous stage for further amendment and views from our external legal adviser shall be sought if doubt arises. It is only after obtaining all approvals and signatures from each stage that will the design finally be adopted and released in the market. Further, our Company has engaged legal advisers to provide legal opinion in relation to product labeling and advertising;

7. our Group had revised its standard operation procedures to provide specific guidance to our staff in ensuring compliance with the Companies Ordinance and Companies (Winding Up and Miscellaneous Provisions) Ordinance and it will be subject to regular review by the Board.

INVESTMENT POLICIES

During the Track Record Period, our Group had invested a portion of our idle cash generated from our business operations in accordance with our Group's investment policy.

Pursuant to our investment policy, we only invest in shares listed on the Main Board of the Stock Exchange but not otherwise. Furthermore, each investment can be made only if we are able to maintain a significant portion of idle cash in our bank accounts, say at least HK\$8,000,000, immediately after making the investment. In addition, the total amount of investment shall not at any time exceed 10% of the then total assets of our Group. To ensure that the above treasury and investment strategy can be strictly adhered to, our Group's financial controller is responsible for identifying, reviewing, evaluating and analyzing the investment opportunities for our Company. He will keep track of the balance in our Group's bank accounts so as to ensure that a sufficient portion of cash is maintained in our bank accounts from time to time. Concurrently, our Board is also responsible for regularly monitoring the cash position and investment decision of our Group.

No investment recommendation from our Group's financial controller will be executed and effectuated unless prior approvals from the majority of our independent Directors are obtained.

Our Board shall retain overall control over the treasury and investment policy of our Company while at the same time, no investment by our idle cash will be executed without prior approval from the majority of our independent Directors. Our Directors consider that the nature of our treasury and investment policy is conservative to the extent that (i) our Group would not make any investment which would expose it to a level of liability which is larger than the idle cash invested by it; and (ii) our Group did not invest in options, warrants, future contracts, and derivative financial instruments. Upon Listing, our Group may continue to adopt the treasury and investment strategy and our Board will review the investment policy of our Group from time to time and make relevant disclosures in the annual reports of our Company.

BUSINESS

INSURANCE POLICIES

As at the Latest Practicable Date, we maintained employees compensation insurance for our employees' public liability, and fire and motor vehicle insurance for our premises and motor vehicles. Our Directors also confirmed that we had maintained a product liability insurance up to a maximum of US\$10 million per annum and US\$3 million per occurrence at the request of a chain retailer in Hong Kong for all products supplied by our Group to it in Hong Kong and Macau, except for tobacco (which is not part of the products sold and distributed by our Group). Save for this product liability insurance which is applicable to that chain retailer only, our Group did not maintain any product liability, third party liability or business interruption insurance in Hong Kong during the Track Record Period. Our Directors are of the view that we have maintained insurance required by the relevant applicable laws. To the best knowledge of our Directors, there is no prevailing industrial practice on the type of insurance to be maintained.

Health and work safety

Our Group strives to provide employees with a safe and healthy environment. Our Directors confirm that there were no material accidents, health injuries or any non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND CERTIFICATES

Our Group and our various brands have received a number of awards and certificates which include the following:

<u>Year of grant</u>	<u>Award/Certificate</u>	<u>Awarding body</u>
2013	Customer's Most Favorable Hong Kong Brand 2013 (香港名牌金獎品牌2013)	China Enterprise Reputation & Credibility Association (中華海外企業信譽協會)
2013	Most Popular Hong Kong & Macau Brands 2013 (最受遊客歡迎港澳卓越品牌2013金爵獎)	CMN (中華傳媒聯合體港澳自由行組委會)
2013	Hong Kong Top Brand Awards — 2013 Hong Kong Top Brand (香港名牌選舉 — 2013年香港名牌)	The Chinese Manufacturers' Association of Hong Kong (香港中華廠商聯合會), Hong Kong Brand Development Council (香港品牌發展局)
2013	The Most Favourite Chinese Medicine Brand Award (至愛優質保健中藥品牌)	Hong Kong Chinese Medicine Industry Association (香港中藥業協會)
2012	親子至Love品牌大獎2012 — 親子至Love保健產品	MyBB Parent Child Platform (MyBB親子平台)
2012	5 Consecutive years Caring Company 2007–2012 (連續5年“商界展關懷”標誌)	Hong Kong Council of Social Service (香港社會服務聯會(社聯))
2012	The Most Favourite Chinese Medicine Brand Award (至愛優質保健中藥品牌)	Hong Kong Chinese Medicine Industry Association (香港中藥業協會)
2012	Consumer's Most Favourable Hong Kong Brands 2012 — Gold Award (2012年度香港名牌 — 金獎品牌)	Chinese Enterprise Reputation and Credibility Association (Overseas) Ltd (中華(海外)企業信譽協會)

BUSINESS

Year of grant	Award/Certificate	Awarding body
2011	Asia Beauty Golden Bauhina Awards (卓越貢獻企業金紫荊大獎)	Asia International Beauty Association & Asia International Beautiful Golden Bauhina Awards (亞洲美業文化交流協會及亞洲美業金紫荊大獎盛典組委會)
2011	Caring Company 2010/2011 (“商界展關懷” 標誌)	Hong Kong Council of Social Service (香港社會服務聯會(社聯))
2011	The Most Favourite Chinese Medicine Brand Award (至愛優質保健中藥品牌)	Hong Kong Chinese Medicine Industry Association (香港中藥業協會)
2011	中國企業創新傑出人物	中華民營企業家協會
2011	港澳卓著品牌2011 — 星光獎	Chinese Media Association (中華傳媒聯合體)
2011	Consumer's Most Favourable Hong Kong Brands 2011 — Gold Award (2011年度香港名牌 — 金獎品牌)	Chinese Enterprise Reputation and Credibility Association (Overseas) Ltd (中華(海外)企業信譽協會)
2011	2011年中國優秀創新企業	(中國中小企業促進會及中華民營企業家協會)
2010	The Most Favourite Chinese Medicine Brand Award (至愛優質中藥品牌大獎)	Hong Kong Chinese Medicine Industry Association (香港中藥業協會)
2010	Consumer's Most Favourable Hong Kong Brands 2010 — Gold Award (2010年度香港名牌 — 金獎品牌)	Chinese Enterprise Reputation and Credibility Association (Overseas) Ltd (中華(海外)企業信譽協會)
2010	Outstanding Brand of HK and Macau (港澳卓越品牌)	Chinese Media Association (中華傳媒聯合體)
2010	Caring Company 2009/2010 (“商界展關懷” 標誌)	Hong Kong Council of Social Service (香港社會服務聯會(社聯))

CONNECTED TRANSACTIONS

The Directors confirm that the following transactions, which will continue after the Listing, will constitute continuing connected transactions of the Company. Details of the connected transactions are as follows:

A. EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Taiwan Tenancy Agreement

On 1 April 2014, a tenancy agreement (the “**Taiwan Tenancy Agreement**”) was entered into between Mrs. Pang (as landlord) and Beautymate (Taiwan) (as tenant) in respect of the property situated at 4th Floor, Farglory Switzerland Economy Trade Center, No. 97 Xinhua First Road, Nehui District, Taipei City, Taiwan (台北市內湖區新湖一路97號遠雄瑞士貿易中心4樓) (the “**Taiwan Premises**”). Since Mrs. Pang is a Director and a Controlling Shareholder, Mrs. Pang is a connected person of the Company, the entering into of the Taiwan Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The Taiwan Premises is leased for a term of 2 years commencing on 1 April 2014 and ending on 31 March 2016 (both days inclusive) at a monthly rental of NT\$82,000 (equivalent to approximately HK\$22,162) (exclusive of utility charges, building management fee and tax).

The rental under the Taiwan Tenancy Agreement was determined by making reference to the market rates of neighboring properties. Stirling Appraisals Limited, an independent property valuer, has confirmed that the rent under the Taiwan Tenancy Agreement is at market rate.

As the relevant applicable percentage ratios with respect to the transactions contemplated under the Taiwan Tenancy Agreement on an annual basis is less than 5% and the annual consideration is less than HK\$3,000,000, the entering into of the Taiwan Tenancy Agreement constitutes an exempt continuing connected transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

2. Supply Agreement

Hin Sang Hong (HK) entered into the 2012 Distribution Agreement with a distributor in relation to the distribution of health care products under the brand of “Tai Wo Tong (太和堂)” (the “**Tai Wo Tong Products**”) in Hong Kong and Macau from 1 April 2012 to 31 March 2017.

In order to source the Tai Wo Tong Products, on 25 September 2014, Hin Sang Hong (HK) entered into the Supply Agreement with Tai Wo Tong Pharmaceutical, pursuant to which Hin Sang Hong (HK) agreed to purchase and Tai Wo Tong Pharmaceutical agreed to sell the Tai Wo Tong Products at a price to be determined from time to time with reference to the product types, sales volume and selling price offered to Independent Third Parties in order to ensure the price and terms offered by Tai Wo Tong Pharmaceutical are fair and reasonable and comparable to those offered by Independent Third Parties. The Directors consider that the above procedures can ensure the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders after Listing. The term of the Supply Agreement

CONNECTED TRANSACTIONS

shall commence from the Listing Date until 31 March 2017. The cost of products provided by Tai Wo Tong Pharmaceutical was approximately nil, HK\$240,000 and HK\$390,000 for the three years ended 31 March 2012, 2013 and 2014.

It is expected the aggregate purchase cost payable to Tai Wo Tong Pharmaceutical under the Supply Agreement for each of the three financial years ending 31 March 2017 will not exceed the annual caps of HK\$0.6 million. The annual cap was determined by making reference to (i) the historical purchase cost for the three years ended 31 March 2012, 2013 and 2014; and (ii) the expected volume of goods to be purchased from Tai Wo Tong Pharmaceutical.

Since Tai Wo Tong Pharmaceutical is owned by Mr. Pang and Mrs. Pang, Tai Wo Tong Pharmaceutical is a connected person of our Company and the transactions contemplated under the Supply Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios with respect to the transactions contemplated under the Supply Agreement on an annual basis is less than 5% and the annual consideration is less than HK\$3,000,000, the entering into of the Supply Agreement constitutes an exempt continuing connected transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Service Agreement with Tai Wo Tong Pharmaceutical

Principal terms of the Service Agreement

On 25 September 2014, the Service Agreement was entered into between Hin Sang Hong (HK) and Tai Wo Tong Pharmaceutical, pursuant to which our Group engaged Tai Wo Tong Pharmaceutical to continue to provide research and development service (including registration of PCM with the Department of Health) for our Group's 99 products which are PCM under our own brands where the research and development of which had already been undertaken by Tai Wo Tong Pharmaceutical and was still in progress as at the Listing Date. Among these 99 PCM, 5 of them are in the progress of research and development undertaken by Tai Wo Tong Pharmaceutical, whereas 94 of them are in the course of application which had been submitted to the Department of Health. The services to be provided by Tai Wo Tong Pharmaceutical include but not limited to product research and development, assisting our Group to obtain relevant PCM registration and approvals for the new PCM and sample checking of our Group's new PCM to ensure compliance with the relevant laws and regulations in Hong Kong, to ensure such products are safe for human consumption and obtaining the necessary PCM registration and approvals from the relevant authorities for our Group's products before delivering the same for sale in Hong Kong. On top of the product development service fee charged by Tai Wo Tong Pharmaceutical, PCM registration and sample testing fees will be reimbursed based on the actual expenses incurred by Tai Wo Tong Pharmaceutical in the research and development process for our PCM. The parties agreed that the total expenses to be borne by our Group under the Service Agreement shall

CONNECTED TRANSACTIONS

not exceed HK\$1.7 million and HK\$1.5 million respectively for each of the two years ending 31 March 2016, failing which a supplemental agreement shall be signed by the parties. The term of the Service Agreement shall commence from the Listing Date until 31 March 2016.

In order to ensure the price and terms offered by Tai Wo Tong Pharmaceutical are fair and reasonable and comparable to those offered by Independent Third Parties, the Board will solicit at least two other independent institutions to provide quotation in relation to the same type of services provided by Tai Wo Tong Pharmaceutical prior to the renewal of the Service Agreement. As such, the Directors consider that the above procedures can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders after Listing. Our Directors confirm that the fees in relation to the Service Agreement were determined on an arm's length basis and reflected the prevailing market price at that time.

For the three years ended 31 March 2012, 2013 and 2014, the fees paid to Tai Wo Tong Pharmaceutical in relation to research and development and quality control were approximately HK\$1,424,000, HK\$936,000 and HK\$684,000 respectively.

Annual caps for the two financial years ending 31 March 2016

It is expected our aggregate service fees payable by our Group to Tai Wo Tong Pharmaceutical under the Service Agreement for each of the two financial years ending 31 March 2016 will not exceed the annual cap of HK\$1.7 million and HK\$1.5 million respectively. The annual cap was determined by making reference to (i) the historical fees incurred by Tai Wo Tong Pharmaceutical in relation to the product research and development for the three years ended 31 March 2012, 2013 and 2014; (ii) the number of products which are PCM under our own brands where the research and development of which had already been undertaken by Tai Wo Tong Pharmaceutical; (iii) the prevailing market price for engaging similar PCM registration and product research and development services; (iv) the expected volume of product research and development services required by our Group during the relevant periods; and (v) the measures to be taken by us to reduce our reliance on Tai Wo Tong Pharmaceutical for provision of research and development services which would have been substantially implemented by the end of the year ending 31 March 2016 and thus our reliance and demand for the research and development services from Tai Wo Tong Pharmaceutical will be reduced correspondingly albeit the anticipated increase in demand of our Group's PCM.

Since Tai Wo Tong Pharmaceutical is owned by Mr. Pang and Mrs. Pang, Tai Wo Tong Pharmaceutical is a connected person of our Company and the transactions contemplated under the Service Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

2. Packing Agreement with Tai Wo Tong Pharmaceutical

Principal terms of the Packing Agreement

On 25 September 2014, the Packing Agreement was entered into between Hin Sang Hong (HK) and Tai Wo Tong Pharmaceutical pursuant to which our Group engaged Tai Wo Tong Pharmaceutical to pack certain PCM of our Group for the period from the Listing Date to 31 March 2016. Tai Wo Tong Pharmaceutical is also required under the Packing Agreement to hold and maintain relevant production licence under CMO. We retain all rights to the products under the Packing Agreement, including but not limited to the trademarks which bear our brands and/or designs registration. Apart from the trademarks bearing the brand of “Tai Wo Tong (太和堂)”, which had been disposed of by us in March 2014, all trademarks bear our brands are registered under the name of our Group as at the Latest Practicable Date. The fees for packing shall be determined from time to time by the parties on arm’s length basis and with reference to the market price for packing similar type of product and of similar quantity. Our Group shall be entitled to request Tai Wo Tong Pharmaceutical to source the packing materials and semi-finished products from designated suppliers. The Packing Agreement may be terminated prior to the end of the term by the Group at any time or by Tai Wo Tong Pharmaceutical giving nine months’ prior written notice.

For the three years ended 31 March 2012, 2013 and 2014, the cost of products packed by Tai Wo Tong Pharmaceutical was approximately HK\$9.3 million, HK\$11.6 million and HK\$9.3 million respectively.

Annual caps for the two financial years ending 31 March 2016

It is expected that the aggregate cost of products payable by our Group to Tai Wo Tong Pharmaceutical under the Packing Agreement for each of the two financial years ending 31 March 2016 will not substantially increase due to our efforts to reduce reliance on Tai Wo Tong Pharmaceutical. Notwithstanding the annual consideration will be more than HK\$10,000,000 calculated by reference to Rules 14A.04 and 14A.102 of the Listing Rules, it will not exceed the annual caps of HK\$10.3 million and HK\$10.3 million estimated on the basis of the best information available to the Directors as at the Latest Practicable Date, which include Tai Wo Tong Pharmaceutical’s costs of purchasing semi-finished PCM from the suppliers in the PRC designated by us, and for purchasing barcode label and the packing materials etc. on an at costs disbursement basis as well as a packing fee thereon.

The above were determined by the Directors with reference to (i) the historical cost of products paid to Tai Wo Tong Pharmaceutical for the three years ended 31 March 2012, 2013 and 2014; and (ii) the measures to be taken by us to reduce our reliance on Tai Wo Tong Pharmaceutical for provision of packing service to our PCM which would be substantially implemented by the year ending 31 March 2016 and thus the orders to be placed by our Group with Tai Wo Tong Pharmaceutical will be reduced correspondingly albeit anticipated increase in market demand for our Group’s PCM.

CONNECTED TRANSACTIONS

In order to ensure the price and terms offered by Tai Wo Tong Pharmaceutical are fair and reasonable and comparable to those offered by Independent Third Parties, the Board will compare the price and terms offered by Tai Wo Tong Pharmaceutical to Kim Lam or any other suppliers with PCM Manufacturer Licence whenever a new PCM is launched. Tai Wo Tong Pharmaceutical is obliged to adopt the terms from Kim Lam or such other suppliers so that the price and terms offered by Tai Wo Tong Pharmaceutical are fair and reasonable and comparable to those offered by Independent Third Parties. As such, the Directors consider that the above procedures can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders after Listing.

Since Tai Wo Tong Pharmaceutical is owned by Mr. Pang and Mrs. Pang, Tai Wo Tong Pharmaceutical is a connected person of our Company and the transactions contemplated under the Packing Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

WAIVERS FROM STOCK EXCHANGE

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions under the Service Agreement and the Packing Agreement are aggregated to determine the relevant classification of the connected transactions, as both agreements were entered into with Tai Wo Tong Pharmaceutical, which are in turn owned by Mr. Pang and Mrs. Pang and both agreements were in relation to provision of service by Tai Wo Tong Pharmaceutical to the Group. When aggregated, the annual caps for two years ending 31 March 2016 will be HK\$12.0 million and HK\$11.8 million respectively.

Based on the annual caps under the Service Agreement and the Packing Agreement as mentioned above, the percentage ratios (other than the profits ratio), where applicable, exceed 5% and the annual consideration is more than HK\$10,000,000. Therefore, the transactions under the Service Agreement and the Packing Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in Rules 14A.35, 14A.47, 14A.49, 14A.64 and 14A.71 of the Listing Rules and the Board considers that compliance with the announcement requirement would be impractical and would add unnecessary administrative costs to our Company. The Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the Service Agreement and the Packing Agreement from compliance with the announcement, circular and the independent shareholders' approval requirements under Rules 14A.35 and 14A.64 of the Listing Rules.

Application for waivers

(a) *Reasons for the application*

Given that the Service Agreement and Packing Agreement will be carried out following the Listing on a recurring basis, the Service Agreement and Packing Agreement were entered into in the ordinary and usual course of business and on normal commercial terms, and that the terms of the Service Agreement and Packing Agreement and the annual caps as mentioned above are fair and reasonable and in the interests of the Shareholders as a whole, the Company has applied to the Stock Exchange for, and

CONNECTED TRANSACTIONS

was granted waiver from strict compliance with the relevant announcement and independent shareholders' approval requirements in respect of the transactions for the two financial years ending 31 March 2016 on the conditions set out below:

- (i) The annual cap amounts for the continuing connected transactions under the Service Agreement and Packing Agreement for each of the two financial years ending 31 March 2016 as stated above will not be exceeded.
- (ii) The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules in relation to the transactions under the Service Agreement and Packing Agreement.
- (iii) Upon expiry of the waiver granted for the period ending 31 March 2016, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.
- (iv) In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the continuing connected transactions, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

(b) *Confirmation from the Directors*

The Directors, including the independent non-executive Directors, confirm that the Service Agreement and Packing Agreement were entered into on normal commercial terms, in the ordinary and usual course of business and are fair and reasonable to the Group on the basis that the terms of the Service Agreement and Packing Agreement are no less favourable to the Group than terms offered by Independent Third Parties, and therefore are in the interests of the Company and the Shareholders as a whole.

The Directors, including the independent non-executive Directors, are of the view that the respective annual caps of the transactions under the Service Agreement and Packing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) *Confirmation from the Sponsor*

The Sponsor is of the view that the Service Agreement and Packing Agreement were entered into in the ordinary and usual course of business and on normal commercial terms and that the terms of the Service Agreement and Packing Agreement and the annual caps set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Sale of products under our own brands to Brighten Hong Limited

On 25 September 2014, Hin Sang Hong (HK) and Brighten Hong Limited entered into a master agreement (the "**Brighten Hong Agreement**") from the Listing Date to 31 March 2017, pursuant to which Hin Sang Hong (HK) agreed to sell and Brighten Hong Limited agreed to purchase products under the brands of "Hin Sang (衍生)", "I love BB", "Happy Baby (乖寶貝)" and "Beautymate (美肌の誌)" from our Group at a price to be determined from time to time with

CONNECTED TRANSACTIONS

reference to the product types and specification, sales volume and selling price offered to Independent Third Parties, which was with reference to the average price of approximately HK\$36 of the Group's product sold in PRC and Hong Kong when entering into such agreement. The term of the Brighten Hong Agreement shall commence from the Listing Date until 31 March 2017, provided that either party may terminate the agreement by giving not less than three months' prior written notice to the other party.

Brighten Hong Limited is a limited liability company established in Hong Kong on 22 December 2011 and is engaged in the sales and distribution of health care and skin care products. Brighten Hong Limited sources our products under the brands of "Hin Sang (衍生)", "I love BB", "Happy Baby (乖寶貝)" and "Beautymate (美肌の誌)" for sales and distribution to anywhere in the world save for Hong Kong, Macau, Malaysia, Singapore and Taiwan. The annual amount of sales to Brighten Hong Limited for the three years ended 31 March 2012, 2013 and 2014 were approximately HK\$1.7 million, HK\$9.0 million and HK\$9.2 million, respectively.

Annual Caps for the three financial years ending 31 March 2017

It is expected our total sales to Brighten Hong Limited for each of the three years ending 31 March 2017 will not exceed HK\$18.0 million each year. The proposed caps are determined by making reference to (i) historical amount of sales to Brighten Hong Limited for the three years ended 31 March 2012, 2013 and 2014; (ii) the aggregate amount of sales made to Brighten Hong Limited from 1 April 2014 amounted to approximately HK\$4.3 million up to 30 June 2014; (iii) indicative orders from Brighten Hong Limited based on its customers demand; and (iv) an annual increment of approximately 20% for each of the three years ending 31 March 2017 given the expected increase in market demand of our Group's health care products especially products under the brand of "Hin Sang (衍生)", which should bring about expected increase in demand for our products from Brighten Hong Limited.

Since Brighten Hong Limited is owned by Mr. Pang's brother-in-law, Brighten Hong Limited is a connected person of our Company and the transactions contemplated under the Brighten Hong Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

WAIVERS FROM STOCK EXCHANGE

Based on the annual caps under the Brighten Hong Agreement as mentioned above, the percentage ratios (other than the profits ratio), where applicable, exceed 5% and the annual consideration is more than HK\$10,000,000. Therefore, the transactions under the Brighten Hong Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in Rules 14A.35, 14A.47, 14A.49, 14A.64 and 14A.71 of the Listing Rules and the Board considers that compliance with the announcement requirement would be impractical and would add unnecessary administrative costs to our Company. The Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the Brighten Hong Agreement from compliance with the announcement and the independent shareholders' approval requirements under Rules 14A.35 and 14A.64 of the Listing Rules.

CONNECTED TRANSACTIONS

Application for waiver

(a) *Reasons for the application*

Given that the Brighten Hong Agreement will be carried out following the Listing on a recurring basis, the Brighten Hong Agreement was entered into in the ordinary and usual course of business and on normal commercial terms, and that the terms of the Brighten Hong Agreement and the annual caps as mentioned above are fair and reasonable and in the interests of the Shareholders as a whole, the Company has applied to the Stock Exchange for, and was granted waiver from strict compliance with the relevant announcement and independent shareholders' approval requirements in respect of the transactions for the three years ending 31 March 2017 on the conditions set out below:

- (i) The annual cap amounts for the continuing connected transactions under the Brighten Hong Agreement for each of the three financial years ending 31 March 2017 as stated above will not be exceeded.
- (ii) The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules in relation to the transactions under the Brighten Hong Agreement.
- (iii) Upon expiry of the waiver granted for the period ending 31 March 2017, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.
- (iv) In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the continuing connected transactions, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

(b) *Confirmation from the Directors*

The Directors, including the independent non-executive Directors, confirm that the Brighten Hong Agreement was entered into on normal commercial terms, in the ordinary and usual course of business and is fair and reasonable to the Group on the basis that the terms of the Brighten Hong Agreement are no less favourable to the Group than terms offered by Independent Third Parties, and therefore are in the interests of the Company and the Shareholders as a whole.

The Directors, including the independent non-executive Directors, are of the view that the annual caps of the transactions under the Brighten Hong Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) *Confirmation from the Sponsor*

The Sponsor is of the view that the Brighten Hong Agreement was entered into in the ordinary and usual course of business and on normal commercial terms and that the terms of the Brighten Hong Agreement and the annual caps set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUTURE PLAN AND PROSPECTS

FUTURE PLAN

Our primary objective is to be one of the major distributor and brand manager in health care products, personal care products and household products as well as a leading provider of proprietary health supplements in Hong Kong, the PRC, Taiwan, Macau and other Southeast Asian countries such as Singapore and Malaysia. We will continue to seize market opportunities by (i) exploring business collaboration with new brand proprietors; (ii) expanding our sale and distribution network; (iii) enhancing our marketing and promotion activities in the PRC; and (iv) expanding our product portfolio. Please refer to the sub-section headed “Business — Business Strategies” in this prospectus for details of our strategies.

USE OF PROCEEDS

We estimate that the aggregate net proceeds available to us from the Share Offer will be approximately HK\$201.7 million (assuming an Offer Price of HK\$1.10 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.00 to HK\$1.20 per Offer Share), after deduction of listing related expenses payable by us. We believe that the listing of the Shares on Main Board will enhance our profile and the net proceeds of the Share Offer will strengthen our financial position to pursue the business plans as set out in the sub-section headed “Business — Business Strategies” in this prospectus. We intend to apply the net proceeds as follows:

- (i) up to 48%, or approximately HK\$96.8 million, will be used for exploring business collaboration opportunities with new brand proprietors, including:
 - approximately 10% of the net proceeds for conducting feasibility studies, due diligence works and researches in order to select potential brand proprietors in the PRC;
 - approximately 28% of the net proceeds for launching various marketing activities to promote brand awareness relating to such business collaborations; and
 - approximately 10% of the net proceeds for enhancement of sales support and customer services through our Group to strengthen target market;

- (ii) up to 25%, or approximately HK\$50.4 million, will be used for expanding our sales and distribution network, including:
 - approximately 10% of the net proceeds for expansion of our sales team by recruiting more promoters to sell our own-branded products directly to the consumers in the PRC;
 - approximately 10% of the net proceeds for expanding our distribution network to other provinces in the PRC; and
 - approximately 5% of the net proceeds for strengthening our promoter training activities in order to support and assist in our expansion of sale network coverage including the PRC, Taiwan, Macau, Singapore and Malaysia.

FUTURE PLAN AND PROSPECTS

- (iii) up to 15%, or approximately HK\$30.3 million, will be used for enhancing our marketing and promotion activities in the PRC, such as:
- enhancing our own brand recognition with multi-faceted marketing strategies;
 - strengthening our advertising campaign through various media and channels in order to promote our own-branded products in the PRC; and
 - continue engaging brand ambassadors to promote our own-branded products;
- (iv) up to 6%, or approximately HK\$12.1 million, will be used for expanding our product portfolio, such as:
- engagement of Chinese medicine institutions to perform laboratory tests on our products and obtain relevant licences; and
 - developing more new PCM and health supplements of our own brands;
- (v) the remaining balance of 6%, or approximately HK\$12.1 million, will be used as our Group's general working capital.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.20 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$19.6 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price set at the low-end of the indicative Offer Price range, being HK\$1.00 per Offer Share, the net proceeds we received from the Share Offer will decrease by approximately HK\$19.6 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

To the extent of the net proceeds from the Share Offer are immediately applied for the above purposes, it is the present intention of our Directors that such net proceeds will be placed in short term deposit account with financial institutions in Hong Kong.

We will issue an announcement in Hong Kong if there is any material change in the above proposed use of proceeds.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

LIST OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Year of joining our Group	Present position	Date of appointment	Roles and responsibilities	Relationship among Directors and senior management
Mr. Pang Siu Hin	49	1996	Chairman of the Board, Chief Executive Officer and executive Director	28 October 2010	Formulating corporate business strategies and handling day-to-day management	Spouse of Mrs. Pang
Ms. Kwan Lai Man	43	1996	Managing Director and executive Director	28 October 2010	Overseeing overall business operation	Spouse of Mr. Pang
Ms. Wong Wai Ling	53	2010	Non-executive Director	5 November 2010	Monitoring the executive activities and advising on corporate and business strategies	Not applicable
Mr. Lee Luk Shiu	57	2014	Independent non-executive Director	25 September 2014	Providing independent advice to the Board	Not applicable
Dr. Tang Sing Hing, Kenny	45	2010	Independent non-executive Director	5 November 2010	Providing independent advice to the Board	Not applicable
Mr. Tsui Nam Hung	61	2010	Independent non-executive Director	5 November 2010	Providing independent advice to the Board	Not applicable

DIRECTORS

Executive Directors

Mr. Pang Siu Hin (彭少衍), aged 49, is the spouse of Mrs. Pang. He is a founder of the Group and has been the Chairman and the chief executive officer of our Company since 1996. He is responsible for the overall strategic planning, formulation of the corporate policies and the day-to-day management of the Group. Mr. Pang has about 18 years of experience in the industry of distribution, marketing and sale of health care products, personal care products and household products, the experience of which was gained from the operation of the Group. Mr. Pang was appointed as the director of Hong Kong Chiu Chow Merchants Mutual Assistance Society Limited (香港潮商互助社有限公司) in 2005, the director of Hong Kong Chiu Chow Chamber of Commerce in 2005, the honourable president of Cosmetic & Perfumery Association of Hong Kong (香港化妝品同業協會有限公司) in 2008, the honourable chairman of the Hong Kong Chinese Medicine Industry Association (香港中藥業協會有限公司) in 2009, the vice president of HK & Kln Kit Yeung Clansmen General Association Limited (香港九龍揭陽同鄉總會有限公司) in 2009, the director of YL Chiu Chow Clansmen's Association Limited (元朗區潮州同鄉會有限公司) in 2009, the vice president of Hong Kong Island Chaoren Association in 2010, the life honorary chairman of Hong Kong Listed Chinese Medicine Practitioners Association in 2010, the director of Pok Oi Hospital in Hong Kong in 2009 and 2010 and the honourable president of Junior Police Call (Yuen Long District) in 2010. He is also the life honorary chairman of Xuan Yuan Education Fund Association focusing on the development of education work in PRC since 2010.

His achievement was recognized by the industry and was awarded Chinese Enterprise Creative Figures (中國企業創新傑出人物) by The China Enterprise Directors Association (中華民營企業家協會) in 2011 and Outstanding Brand Promoter of China (中國品牌推廣傑出人物) by The Committee of

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Excellence to Serve the Motherland (中華愛國英才報效祖國活動組織委員會) in 2007. He is devoted in social service work both in Hong Kong and PRC.

Mr. Pang has not been a director of any listed company during the three years preceding the date of this prospectus.

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules. Except for the deviation from CG Code provision A.2.1, our Company's corporate governance practices have complied with the Code on Corporate Governance Practices.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Pang Siu Hin is the Chairman and the chief executive officer of our Company. In view of Mr. Pang Siu Hin is one of the co-founders of our Group and has been operating and managing our Group since 1996, our Board believes that it is in the best interest of our Group to have Mr. Pang taking up both roles for effective management and business development. Therefore our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

Ms. Kwan Lai Man (關麗雯), aged 43, is the spouse of Mr. Pang. She is a founder of the Group and has been the Managing Director of the Company since 1996. She is responsible for supervising the Group's business operations. Mrs. Pang has about 18 years of experience in the industry of distribution, marketing and sale of health care products, personal care products and household products, the experience of which was gained from the operation of the Group. She is also devoted in the development of education work in PRC and is the life honorary chairman of Xuan Yuan Education Fund Association since 2010.

Mrs. Pang has not been a director of any listed company during the three years preceding the date of this prospectus.

Non-executive Director

Ms. Wong Wai Ling (黃慧玲), aged 53, has more than 22 years of experience in accounting, taxation and auditing. She received a bachelor degree in arts from the University of Hong Kong in November 1983 and a diploma in Accounting and Finance from the London School of Economics and Political Science, University of London in the United Kingdom in July 1985. Ms. Wong was registered as a certified public accountant of Hong Kong Institute of Certified Public Accountants in June 1991 and an associate of The Association of Chartered Certified Accountants in April 1990. She has worked for more than seven years in major international accounting firms and major local accounting firms before she set up her own accounting firm, W. L. Wong & Co., in Hong Kong in 1994. Since then, she has been practising as a Certified Public Accountant. Ms. Wong is an executive director and chief executive officer of JC Group Holdings Limited (Stock Code: 8326). Ms. Wong is also an independent non-executive director of five Hong Kong listed companies, namely, Yongsheng Advanced Materials Company Limited (Stock Code: 3608), China Ruifeng Galaxy Renewable Energy Holdings Limited (Stock Code: 527), Overseas Chinese Town (Asia) Holdings Limited (Stock Code: 3366), AVIC International Holdings Limited (formerly known as CATIC Shenzhen Holdings Limited) (Stock Code:

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

161) and Glory Flame Holdings Limited (Stock Code: 8059). Save and except Glory Flame Holdings Limited, Ms. Wong also acts as the chairperson of the audit committee of each of these listed companies.

Independent Non-executive Directors

Mr. Lee Luk Shiu (李祿兆), aged 57, has over 27 years of experience in commercial accounting and corporate finance. Mr. Lee became a fellow member of the Association of Chartered Certified Accountants in April 2001 and an associate of the Hong Kong Institute of Certified Public Accountants in February 1987. He obtained a Diploma in Business Administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1983. He has worked in the Stock Exchange for around 15 years from 1986 to 1993 and from 1997 to 2005, his duties included regulating and monitoring the Hong Kong listed companies in relation to their compliance with the Listing Rules and processing new listing applications. His last position with the Stock Exchange was an Assistant Vice President of the Listing Division. Mr. Lee was also a senior consultant of an investment bank for 5 years from 2007 to 2012 and he has been an independent non-executive director of Huabao International Holdings Limited (stock code: 336) since 1 May 2006.

Dr. Tang Sing Hing, Kenny (鄧聲興), aged 45, has over 11 years of experience in the financial and securities sector. He received a bachelor degree in business, major in finance from Edith Cowan University, Australia in February 1993 and holds a PhD. Degree in Economics from Renmin University of China in July 2007. He became a Senior Associate of the Australian Institute of Banking and Finance in December 1995. He is the General Manager of AMTD Financial Planning Limited, the chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators Limited and the executive committee member of the Hong Kong Securities Professionals Association since April 2010. He has been a part-time lecturer of the Master of Social Science in Global Political Economy Programme of The Chinese University of Hong Kong since September 2010.

Dr. Tang has not been a director of any listed company during the three years preceding the date of this prospectus.

Mr. Tsui Nam Hung (徐南雄), aged 61, has over 22 years of experience in finance control and business logistics. He received a certificate in management jointly held by the Hong Kong Management Association and The Hong Kong Polytechnic University in September 1990. He has worked for more than 20 years in a global distributor of branded personal and family care product from May 1987 and his last position in that company was finance director and supply chain leader before his retirement in May 2010. He gained his finance and business logistics related experience through working in the global distributor.

Mr. Tsui has not been a director of any listed company during the three years preceding the date of this prospectus.

Please refer to the paragraph headed “D. 3. Particulars of service contracts” in Appendix V to this prospectus for information regarding particulars of the Directors’ service contracts and emoluments and information regarding their respective interest (if any) in the Shares within the meaning of Part XV of the SFO.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

As at the Latest Practicable Date, save as the interests of Mr. Pang and Mrs. Pang in the Shares which are disclosed herein, none of the Directors have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) to the Listing Rules as at the Latest Practicable Date.

LIST OF SENIOR MANAGEMENT

Name	Age	Year of joining the Group	Present position	Date of appointment	Roles and responsibilities	Relationship among Directors and senior management
Mr. Choy Suk Man	49	7 July 2014	Financial controller Company secretary	7 July 2014 25 September 2014	Supervising financial reporting, corporate finance, treasury, tax and other financial related matters	Nil
Mr. Cheuk Wah Kit	31	12 July 2005	Key account manager	12 July 2005	Managing daily operation of our sales department and chain stores	Nil
Mr. Mak Wing Keung	47	7 May 2004	Information technology manager	7 May 2004	Providing information technology support and handling network administration	Nil

SENIOR MANAGEMENT

Mr. Choy Suk Man (蔡叔文), aged 49, is the financial controller and Company Secretary of our Company. He joined our Group in July 2014 and is responsible for our Group's financial management. He obtained his bachelor's degree of Arts in Accounting (Hong Kong) from Napier University, Edinburgh in 1999. Mr. Choy is currently a fellow member of both the Association of International Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Choy possesses a solid background of over 25 years of experience in accounting. Prior to joining our Group, Mr. Choy was the Financial Controller of KingsRomans (金木棉集團有限公司) from October 2011 to November 2013 and the Group Financial Controller of Jimei International Hotel Management Company Limited (previously known as Jimei Hotels International Management Company Limited) from January 2005 to September 2011 advising on their listings on the Main Board. Prior to that, he was the Group Deputy Financial Controller of Mission Hills Golf Club Limited from July 1997 to June 2003. Mr. Choy also worked in Universal Leather Tourister Limited as an Accountant from November 1989 to April 1997 and Intermarket Agencies Limited as an Accounts Clerk from March 1988 to October 1989.

Mr. Choy has not been a director of any listed company during the three years preceding the date of this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Cheuk Wah Kit (卓華傑), aged 31, is the key account manager of the Company. He joined the Group in July 2005 since graduation and is responsible for managing the daily operation of the sales department. In particular, he is responsible for managing skin care products and general food products and handling daily operational matters with chain retailers. He graduated from The Hong Kong University of Science and Technology with a bachelor's degree in science in 2005. Since then, he has been working at the Group's sales department and made valuable contribution to the Group. Mr. Cheuk is familiar with the Group's internal operation and external sales strategies. He has accumulated 9 years of relevant experience.

Mr. Cheuk has not been a director of any listed company during the three years preceding the date of this prospectus.

Mr. Mak Wing Keung (麥永強), aged 47, is the information technology manager of the Company. He joined the Group in May 2004 and is responsible for its network administration and provides information technology support. He received a certificate of an advanced diploma in computer studies and in electronic commerce in the London International College for Further and Higher Education in September and June 2001 respectively. Prior to joining the Group, he has worked as a technical support supervisor providing information technology support, network administration, hardware and software development in a firm from 2002 to 2004 and has worked as a supervisor supervising a team of technicians and servicing personnel from 1993 to 2002 and has accumulated 19 years of relevant experience.

Mr. Mak has not been a director of any listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Choy Suk Man (蔡叔文), aged 49, is the Company Secretary of the Company. His details of the qualification and experience are set out in paragraph headed "Senior Management" above in this section.

BOARD COMMITTEES

Audit Committee

The Company established the audit committee pursuant to a resolution of the Directors passed on 5 November 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The audit committee consists of 3 members who are the Independent Non-executive Directors, namely Lee Luk Shiu, Tang Sing Hing, Kenny and Tsui Nam Hung. The Chairman of the audit committee is Lee Luk Shiu.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

The Company established the remuneration committee pursuant to a resolution of the Directors passed on 5 November 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee are, among other things, to review and to determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The remuneration committee consists of 4 members, namely Mrs. Pang, Lee Luk Shiu, Tang Sing Hing, Kenny and Tsui Nam Hung. The Chairman of the remuneration committee is Tsui Nam Hung.

Nomination Committee

The Company established the nomination committee pursuant to a resolution of the Directors passed on 5 November 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary function of the nomination committee is to make recommendations to the Board on the appointment or re-appointment of Directors and the management of the Board succession. The nomination committee consists of 4 members, namely Mrs. Pang, Lee Luk Shiu, Tang Sing Hing, Kenny and Tsui Nam Hung. The Chairman of the nomination committee is Tang Sing Hing, Kenny.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Ample Capital to be the compliance adviser, who will have access to the Company's authorised representatives, Directors and other officers at all times. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of the listed issuer under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date in compliance with Rule 13.46 of the Listing Rules in respect of the financial results for our first full financial year commencing after the Listing.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS' REMUNERATION

The aggregate amount of fees, salaries, allowances and benefits in kind paid by the Group to the Directors for each of the three financial years ended 31 March 2012, 2013 and 2014 amounted to approximately HK\$2,852,000, HK\$2,851,000 and HK\$3,229,000, respectively. Under the respective service contracts of the Directors, the aggregate basic annual remuneration (excluding payment of discretionary bonus) payable by the Group to the Directors will be HK\$4,150,000. During the Track Record Period, none of the Directors waived any emoluments.

The Directors' remuneration policy of the Group after Listing will be substantially the same as the remuneration policy of the Group for the year ended 31 March 2014. Under the remuneration policy of our Company, the remuneration committee will consider factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance, in assessing the amount of remuneration payable to our Directors, senior management and employees. Further details of the service contracts of the Directors and their respective remuneration after Listing are set out in the paragraph headed "D. 3. Particulars of service contracts" in Appendix V to this prospectus.

STAFF

Number of staff members

As at Latest Practicable Date, the Group had a total of 173 full-time staff.

The table below sets out the respective number of staff members in each department, the functions of each department and location among the 173 staff members as at the Latest Practicable Date:

<u>Departments</u>	<u>Job Functions</u>	<u>Located in Hong Kong</u>	<u>Located in Taiwan</u>	<u>Located in the PRC</u>	<u>Total</u>
Sales and marketing	Devising the sale and marketing strategy of the Group; Liaising and maintaining frequent contacts and communications with retailers in Hong Kong and distributors outside Hong Kong and reviewing feedbacks from the retailers, distributors and end-customers of our products;	33	29	46	108
Merchandising	Negotiating with brand proprietors and suppliers	3	2	2	7
Research and development	Research on market trend of our products; liaising with Tai Wo Tong Pharmaceutical and other suppliers regarding the development of new PCM including procurement of registration of the new PCM	5	0	0	5

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Departments</u>	<u>Job Functions</u>	<u>Located in Hong Kong</u>	<u>Located in Taiwan</u>	<u>Located in the PRC</u>	<u>Total</u>
Quality Control	Conducting quality control of our own-branded products and products manufactured by the brand proprietors	4	0	0	4
Advertising	Negotiating with advertising companies and media regarding promotion of our own-branded products and the products of the brand proprietors	2	0	0	2
Logistics	Inventory control; delivery and transportation of products; site inspection of the products under the Trading of Goods Segment.	16	0	2	18
Administration and accounting	Accounting and office administration, human resources and handling customers' complaints	13	2	12	26
Information and Technology	In-house maintenance of our information system	1	0	1	2
Total		<u>77</u>	<u>33</u>	<u>63</u>	<u>173</u>

The following table sets out the number of staff of the Group as at 31 March 2012, 2013 and 2014 by job functions:

Job function

	<u>As at 31 March</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sales and marketing	161	130	105
Merchandising	2	5	6
Research and development	9	8	3
Quality control	6	6	3
Advertising	3	2	2
Logistics	24	27	19
Administration and accounting	32	28	26
Information and Technology	<u>1</u>	<u>1</u>	<u>2</u>
Total	<u>238</u>	<u>207</u>	<u>166</u>

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Group's number of staff dropped to 166 as at 31 March 2014 mainly due to the decrease in the number of sales and marketing staff. From March 2012, the Company ceased the exclusive sale arrangement with a chain retailer of health care products in the PRC for the sales and distribution of skin care products under our own brand of "Beautymate (美肌の誌)". Instead, our Group started to enter into non-exclusive distribution arrangements with various distributors in the PRC for the sales and distribution of skin care products under our own brand of "Beautymate (美肌の誌)". Before ceasing the exclusive sales arrangement with the abovementioned chain retailer in March 2012, our Group recruited sales promoters to station in the sales points of the chain retailer. Therefore, after March 2012, some of the sales promoters have been cut as a result of ceasing the exclusive sales arrangement with the chain retailer and some have been reallocated to certain sales points of other distributors in the PRC. Number of sales promoters have been further reduced in year 2014 as the Directors consider that appointing more distributors on non-exclusive basis, without sending sales promoters to each sales point, is a more cost effective way to expand our Group's distribution network of "Beautymate (美肌の誌)" in the PRC in the current stage. The Directors are of the view that recruitment of sales promoters to station in all the sales points of our distributors in the PRC will only be more efficient and cost effective when our own brand has been widely recognized and accepted in the PRC and sales of the products under our own brand could outweigh the cost of the employment of sales promoters.

Remuneration

The employees of the Group are remunerated by way of fixed salary. The Group has devised an assessment system for its employees and the Group uses the assessment result for salary reviews and promotion decisions.

All the staff undergoes a performance appraisal once a year. The appraisal provides the Group with an opportunity to assess each individual staff's strengths and areas for improvement, thereby enabling the Group to effectively train and develop each individual staff.

The five highest paid individuals whose emoluments were the highest in the Group included two Directors for each of the three years ended 31 March 2012, 2013 and 2014, respectively. The aggregate salaries, bonuses and benefits in kind paid by the Group to its remaining three highest paid individuals and the contributions for mandatory provident fund made by the Group for such highest paid individuals for each of the three financial years ended 31 March 2012, 2013 and 2014 were approximately HK\$1,955,000, HK\$1,711,000 and HK\$1,655,000, respectively.

During the Track Record Period, no emoluments were paid by the Group to any of the aforesaid five highest paid individuals as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

Relationship with staff

The Directors believe that the Group maintains good working relationship with its staff. The Group has not encountered any difficulty in recruitment and retention of staff for its operation or experienced any material disruption of its operation as a result of labour disputes during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

STAFF BENEFITS

The Group participates in a mandatory provident fund scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its employees in Hong Kong in accordance with the requirements of such ordinance.

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, the Group pays in respect of the employees in the PRC various social insurance including basis pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, hospital insurance and insurance for maternity leave.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Share Offer, Mr. Pang and Mrs. Pang will together hold, through Genwealth, 75% of our Company's entire issued share capital (taking no account of any Shares which may be issued upon the exercise of any options which have been or may be granted under the Share Option Schemes).

Mr. Pang and Mrs. Pang are beneficially interested in the entire issued share capital of Tai Wo Tong Pharmaceutical and its wholly owned subsidiary Tai Wo Tong (together, the "**Tai Wo Tong Group**"). Tai Wo Tong Pharmaceutical and Tai Wo Tong were members of the Group during the Track Record Period but ceased to be our Group's members since 3 July 2013 after the issued shares of Tai Wo Tong Pharmaceutical were distributed by way of dividend in specie to Mr. Pang and Mrs. Pang, being the ultimate shareholders. Tai Wo Tong Pharmaceutical was granted a lease over a plot of land located in Yuen Long and it was obliged to construct a plant aspiring to obtain GMP certification. After considering the Group's business focus and resources, the Board decided not to proceed with the construction of the plant and hence decided not to include Tai Wo Tong Group into our Group.

Our Controlling Shareholders have confirmed that none of them and their respective close associates is interested in any business which competes or is likely to complete, directly or indirectly, with the business of our Group save and except as disclosed below.

DELINEATION OF BUSINESS OF OUR GROUP AND TAI WO TONG GROUP

The business operated by our Group and Tai Wo Tong Group have the following differences:

BUSINESS MODEL

The business scope of Tai Wo Tong Group is substantially smaller than that of our Group and the business focus of the two groups are different. The business of our Group covers Brand Development and Management Segment, Product Development Segment and Trading of Goods Segment. The principal business of Tai Wo Tong Group is the packing of products whereby the customers engage Tai Wo Tong Group to pack or repack their products.

Tai Wo Tong Group possesses the necessary equipment and facilities for packing products and it has obtained the PCM Manufacturer Licence for this purpose. As such, Tai Wo Tong Group can pack PCM for its clients. Our Group has obtained wholesaler licence in PCM for its distribution business but does not have PCM Manufacturer Licence, therefore our Group cannot pack PCM.

Customers

The nature of customers of our Group is different from that of Tai Wo Tong Group because of the different business focus. Our Group's customers consist of chain retailers, individual retailers and distributors, which in turn sell directly to ultimate consumers, and/or distribute and on-sell to the sub-distributors. Tai Wo Tong Group's customers are manufacturers and brand proprietor of products. The top ten customers of our Group do not overlap with that of Tai Wo Tong Group during the Track Record Period. Our Group is the top customer of Tai Wo Tong Group and the revenue generated from our Group accounted for 96% of Tai Wo Tong Group's total revenue for the year ended 31 March 2014.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Suppliers

The nature of suppliers of our Group is different from that of Tai Wo Tong Group as a result of their difference in business activities. The major suppliers of our Group are brand proprietors for our Brand Development Segment, suppliers of products under our own brands for our Product Development Segment and authorised dealers or manufacturers of the products we trade for our Trading of Goods Segment. The majority of the suppliers of Tai Wo Tong Group are manufacturers of PCM in semi-finished form for packing and suppliers for packing materials.

Product

There is overlapping of products between our Group and Tai Wo Tong Group in that both our Group and Tai Wo Tong have their own brands of health care products. However, Tai Wo Tong Group will cease the production and distribution of health care products, which could be in competition with the Group after the expiry of Supply Agreement. During the Track Record Period, the revenue of the products of Tai Wo Tong Group that are of the same nature as the Group's products only amounted to nil, HK\$240,000 and HK\$390,000 for the three years ended 31 March 2012, 2013 and 2014.

Upon expiry of the Supply Agreement, Tai Wo Tong will not have overlapping products with the Group.

Geographical focus

As at the Latest Practicable Date, our Group has established extensive distribution network in Hong Kong, the PRC, Taiwan, Macau, and other Southeast Asian Countries such as Singapore and Malaysia whereas Tai Wo Tong Group only has limited distribution network in Hong Kong and Macau. The coverage and scale of distribution network of Tai Wo Tong Group is far limited than that of the Group. In addition, Tai Wo Tong Group will cease its distribution after the expiry of the Supply Agreement.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after Listing for the following reasons:

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The only overlapping directors between our Group and our Controlling Shareholders are Mr. Pang and Mrs. Pang who are also the directors of Genwealth. We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the paragraph headed “Corporate governance measures” in this section; and
- (c) all our senior management members are independent from our Controlling Shareholders. A majority of them have served our Group for a long period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Operational independence

We do not share operation team, facilities and equipment with our Controlling Shareholders and their close associates. We have independent access to suppliers and clients and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient workforce to operate independently from our Controlling Shareholders and their close associates. Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. As at the Latest Practicable Date, (i) we did not have any outstanding loans or borrowings from our Controlling Shareholders or any of their respective close associates; (ii) there was a total of approximately HK\$26.8 million unutilised banking facilities for which Mr. Pang and Mrs. Pang have provided guarantees. Such guarantees will be released upon Listing and will be replaced by corporate guarantee from our Company. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Share Offer as we expect that our working capital will be funded by our operating income.

DEED OF NON-COMPETITION

In order to avoid any future competition between our Group on the one hand, and our Controlling Shareholders on the other hand, each of the Controlling Shareholders has under the Deed of Non-competition undertaken and covenanted with our Company (for itself and as trustee for its subsidiaries) that for so long as he/she/it and/or his/her/its close associates, directly or indirectly, whether individually or taken together, remain a Controlling Shareholder(s) of our Company;

- (i) he/she/it will not, and will procure his/her/its close associates not to (other than through our Group or in respect of each Controlling Shareholder (together with his/her/its close associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise) in any

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

business which may be in competition with the business carried on by our Group from time to time (the “**Restricted Activity**”), except where our Company’s approval as mentioned in the paragraph below is obtained.

Our Controlling Shareholders and their respective close associates are entitled to engage or have an interest in any Restricted Activity if (save and except the interest of Mr. Pang and Mrs. Pang in Tai Wo Tong Group) our Company has confirmed in writing (the “**Approval Notice**”) that none of our Group members wishes to be engaged or interested in the relevant Restricted Activity and it has approved the relevant Controlling Shareholders and their respective close associates to engage or have any interest in the Restricted Activity. Any Director who is interested in the relevant Restricted Activity shall not vote on relevant resolutions approving the Approval Notice;

- (ii) if any of our Controlling Shareholder and/or his/her/its close associates decide to invest, be engaged, or participate in any Restricted Activity, whether directly or indirectly, in compliance with the Deed of Non-competition, he/she/it will and/or will procure his/her/its close associates (other than members of our Group) to disclose the terms of such investment, engagement or participation to our Company and our Directors as soon as practicable and use his/her/its reasonable endeavours to procure that such investment, engagement or participation (the “**New Business Opportunities**”) is offered to our Company on terms no less favourable than the terms on which such investment, engagement or participation is offered to him/her/it and/or his/her/its close associates, when any New Business Opportunities are referred to our Company by any of our Controlling Shareholders, the independent non-executive Directors of our Company will consider such opportunity on various aspects including viability and profitability;
- (iii) he/she/it will not, and will procure his/her/its close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholder’s knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or more) of any member of our Group; and
- (iv) he/she/it will not, and will procure his/her/its close associates not to, exploit his/her/its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of a Controlling Shareholder under the Deed of Non-competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

- (b) the Controlling Shareholder and his/its close associates, individually and/or collectively, cease to be deemed as controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time); or
- (c) the Controlling Shareholder and his/its close associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company;

whichever occurs first.

Nothing in the Deed of Non-competition shall prevent our Controlling Shareholders or any of their close associates from carrying on any business whatsoever other than the Restricted Activity.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition:

- (a) Our Company's independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and their respective close associates on their existing or future competing businesses.
- (b) Our Controlling Shareholders shall promptly provide all information necessary for the annual review by our Company's independent non-executive Directors and the enforcement of the Deed of Non-competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-competition and make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company.
- (c) Our Company shall disclose decisions on matters reviewed by its independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by our Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company, and/or by way of announcements to the public.
- (d) Any New Business Opportunities under the Deed of Non-competition and all other matters determined by our Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the independent non-executive Directors of our Company for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on these matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company. The annual report of our Company will include the views and decisions, with bases, of the independent non-executive Directors of our Company on whether to take up any New Business Opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to the independent non-executive Directors.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

- (e) Further, if the Controlling Shareholders or a Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter.

- (f) The compliance adviser of our Company shall provide our Company with professional advice on compliance of continuing obligations under the Listing Rules in accordance with the provisions of the compliance adviser agreement and the requirements of the Listing Rules.

SHARE CAPITAL

	<u>HK\$</u>
<i>Authorised share capital:</i>	
2,000,000,000 Shares of HK\$0.10 each	200,000,000
<i>Issued and to be issued, fully paid or credited as fully paid</i>	
300,000,000 Shares in issue as at the date of this prospectus	30,000,000
300,000,000 Shares to be issued under the Capitalisation Issue	30,000,000
<u>200,000,000</u> Shares to be issued under the Share Offer	<u>20,000,000</u>
<u>800,000,000</u> Shares	<u>80,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of Shares which may be allotted and issued upon the exercise of any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to Directors as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of the Company in the hands of the public (as defined in Listing Rules).

RANKING

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus.

SHARE OPTION SCHEMES

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, the principal terms of which are set out in the sub-section headed “E. 2. Share Option Schemes” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value of not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as enlarged by the Share Offer (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) and the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of the Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted.

This mandate will expire:

- (i) at the conclusion of the Company's next annual general meeting; or
- (ii) upon the expiry of the period within which the Company is required by any applicable law of the Cayman Islands or its Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of the general mandate for the allotment and issue of Shares, please refer to the paragraph headed "A. 4. Written resolutions of the sole Shareholder" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of the Company in issue, as enlarged by the Share Offer (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "A. 6. Repurchase by the Company of its own securities" in Appendix V to this prospectus.

SHARE CAPITAL

This mandate will expire:

- (i) at the conclusion of the Company's next annual general meeting; or
- (ii) upon the expiry of the period within which the Company is required by any applicable law of the Cayman Islands or its Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of the general mandate for the repurchase of Shares, see the paragraph headed "A. 4. Written resolutions of the sole shareholder" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association for details, please refer to the "Summary of the constitution of the Company and Cayman Islands Company Law" set out in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus and the selected historical financial information and operating data. Our financial statements have been prepared in accordance with HKFRS. You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, see the section headed "Risk factors" in this prospectus.

OVERVIEW

Our business focuses on developing, marketing, selling and distributing of health care products, personal care products and household products of our own brands and other brands exclusively managed by us. We have so far developed and managed a number of brands for health care products, personal care products and household products distributed in Hong Kong, the PRC, Taiwan, Macau and other Southeast Asian countries such as Singapore and Malaysia.

It is our objective to serve our price-conscious customers with desirable products at a competitive price. We also offer a wide variety of products for each of the above categories to meet consumers' preferences and needs.

For the three years ended 31 March 2012, 2013 and 2014, our total revenue was approximately HK\$360.4 million and HK\$235.1 million and HK\$253.2 million respectively, and our net profit was approximately HK\$22.1 million and HK\$15.4 million and HK\$49.7 million respectively. We achieved growth in revenue and profit mainly due to the continuing development of our "Hin Sang (衍生)" brand.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 October 2010. Through the Reorganisation, which is set out in further detail in the paragraph headed "A. 5. Corporate Reorganisation" in Appendix V to this prospectus, our Company became the holding company of the companies now comprising our Group on 20 October 2011. 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 Period which include the results, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current group structure had been in existence throughout the Track Record Period and the Reorganisation has taken place since 1 April 2011. The consolidated statements of financial position as at respective reporting dates have been prepared to present the assets and liabilities of the companies

FINANCIAL INFORMATION

now comprising our Group as if the current group structure had been in existence at those dates and the Reorganisation has taken place since 1 April 2011. The consolidated financial statements, which are presented in Hong Kong dollars, have been prepared in accordance with HKFRSs.

KEY FACTORS AFFECTING RESULTS OF OPERATION

Market demand for our products

The growth of our historical sales was mainly driven by the expansion in market reach of our products under the Brand Development and Management Segment and Product Development Segment in Hong Kong. We expect our future sales growth to receive continuous benefits from the development of the health care product market in the PRC. The rate of growth of these markets is affected by a number of factors, including the growth of GDP and disposable income level of households as well as consumer preferences.

Coverage of our sale and distribution network

Our revenue and profit growth will depend to a significant extent on our ability to successfully expand and manage our sale and distribution network. We may face challenges with finding suitable distributors, especially as we branch out into the less developed provinces in the PRC. We will rely continuously on the ability of our distributors to sell our products to retail outlets and on the ability of those retail outlets to successfully promote our products to end consumers.

Our product portfolio

Our ability to introduce new products to the market that meet consumer preferences will have a significant influence on our future sales volume and financial performance. The success of our new products depends on a number of factors, including (i) our ability to accurately anticipate changes in market demand and consumer preferences; (ii) our ability to differentiate our products from those of our competitors; (iii) intellectual property rights of competitors that may cause limitation in our product offerings; (iv) government regulations that affect our ability to obtain all required regulatory approvals and the effectiveness of our marketing and advertising campaigns for these products.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that require management to exercise judgments and make estimates that yield materially different results if management were to apply different assumptions or make different estimates. The preparation of our financial information in conformity with HKFRS requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures of contingent assets and liabilities. The selection of critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our audited financial information. Our principal accounting policies are set out in Note 3 of the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that the relevant estimates and underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and we have consistently applied these estimates or underlying

FINANCIAL INFORMATION

assumptions during the Track Record Period. We have identified below the accounting policies that we believe are the most critical to our consolidated financial statements and that involve the most significant estimates and judgments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sales of goods in the ordinary course of our business activities, net of trade discounts, returns and value added taxes and after eliminating sales within our Group.

We recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our activities as described below. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives, at the following rates per annum:

Leasehold land held for own use	Over the lease term
Building held for own use	3%
Furniture and equipment	25%
Motor vehicles	25%
Leasehold improvements and fixtures	25% or over the lease term whichever is the shorter

FINANCIAL INFORMATION

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains and losses" in the consolidated statements of profit or loss and other comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of our business, less estimated related selling expenses.

Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. Inventories which are damaged or obsolete are written down as identified. We currently do not have a rigid inventory obsolescence policy based on the shelf lives of products. We determine inventory obsolescence on a case by case basis by considering a range of factors including the expiry date and packing condition of products.

FINANCIAL INFORMATION

SUMMARY OF FINANCIAL INFORMATION

The following table sets forth a summary of our consolidated results for the Track Record Period which have been extracted from, and should be read in conjunction with, the Accountants' Report set out in Appendix I to this prospectus.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014
	HK\$'000	HK\$'000	HK\$'000
Revenue	360,414	235,114	253,171
Cost of sales	<u>(258,945)</u>	<u>(136,704)</u>	<u>(110,830)</u>
Gross profit	101,469	98,410	142,341
Other income	340	2,235	1,941
Other gains and losses	(351)	570	1,958
Selling and distribution expenses	(29,079)	(31,515)	(34,529)
Administrative expenses	(44,219)	(43,892)	(47,923)
Listing expenses	(472)	(2,643)	(1,374)
Finance costs	<u>(591)</u>	<u>(3,384)</u>	<u>(1,239)</u>
Profit before tax	27,097	19,781	61,175
Income tax expense	<u>(5,030)</u>	<u>(4,398)</u>	<u>(11,471)</u>
Profit for the year	<u>22,067</u>	<u>15,383</u>	<u>49,704</u>
Other comprehensive income/(expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations	<u>125</u>	<u>143</u>	<u>(1,015)</u>
Total comprehensive income for the year	<u>22,192</u>	<u>15,526</u>	<u>48,689</u>
Profit for the year attributable to owners of the Company	<u>22,067</u>	<u>15,383</u>	<u>49,704</u>
Total comprehensive income for the year attributable to owners of the Company	<u>22,192</u>	<u>15,526</u>	<u>48,689</u>
Earnings per share	<u>HK\$0.07</u>	<u>HK\$0.05</u>	<u>HK\$0.17</u>

FINANCIAL INFORMATION

Consolidated Statements of Financial Position

	As at 31 March 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 March 2014 HK\$'000
Non-current assets			
Property, plant and equipment	9,167	14,060	16,521
Prepaid lease payments	10,229	9,930	19,531
Investment property	—	—	6,548
	<u>19,396</u>	<u>23,990</u>	<u>42,600</u>
Current assets			
Inventories	29,518	17,226	12,999
Trade and other receivables	37,662	31,961	37,626
Held for trading investments	—	321	—
Amounts due from directors	7,249	28,561	—
Tax refundable	184	74	—
Bank balances and cash	43,032	101,193	65,059
	<u>117,645</u>	<u>179,336</u>	<u>115,684</u>
Total assets	<u>137,041</u>	<u>203,326</u>	<u>158,284</u>
Current liabilities			
Trade and other payables	29,819	23,535	27,482
Bank borrowings	22,846	77,436	—
Obligation under finance lease	48	—	—
Dividend payable	—	—	30,000
Current tax liabilities	1,916	323	6,507
	<u>54,629</u>	<u>101,294</u>	<u>63,989</u>
Net current assets	<u>63,016</u>	<u>78,042</u>	<u>51,695</u>
Total assets less current liabilities	<u>82,412</u>	<u>102,032</u>	<u>94,295</u>
Non-current liabilities			
Bank borrowings	2,056	6,280	—
Obligation under finance lease	130	—	—
	<u>2,186</u>	<u>6,280</u>	<u>—</u>
Net assets	<u>80,226</u>	<u>95,752</u>	<u>94,295</u>
Capital and reserves			
Share capital	30,000	30,000	30,000
Reserves	50,226	65,752	64,295
Total equity	<u>80,226</u>	<u>95,752</u>	<u>94,295</u>

FINANCIAL INFORMATION

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

During the Track Record Period, our revenue was mainly derived from the sales of our personal care products, health care products and household products in Hong Kong, the PRC, Taiwan and Macau. Our sales of goods are broadly classified into three business segments, namely, “Brand Development and Management Segment”, “Product Development Segment” and “Trading of Goods Segment”.

The following table sets forth the breakdown of our Group’s revenue by Business Segment:

Business Segment	Year ended 31 March					
	2012		2013		2014	
	HK\$’000	% of revenue	HK\$’000	% of revenue	HK\$’000	% of revenue
Brand Development and Management Segment	62,178	17.3	50,579	21.5	42,947	17.0
Product Development Segment	112,222	31.1	123,282	52.4	188,851	74.6
Trading of Goods Segment	186,014	51.6	61,253	26.1	21,373	8.4
Total	360,414	100.0	235,114	100.0	253,171	100.0

(i) *Brand Development and Management Segment*

Under the Brand Development and Management Segment, we procure a variety of personal care products from brand proprietors for whom their brands are managed and developed by us in Hong Kong with a small portion in other Southeast Asian countries such as Singapore and Malaysia.

The share of revenue of the Brand Development and Management Segment increased from approximately 17.3% for the year ended 31 March 2012 to 21.5% for the year ended 31 March 2013 mainly due to the significant drop in share of revenue of the Trading of Goods Segment as a result of the shift in our management’s focus from the Trading of Goods Segment to the Product Development Segment.

The share of revenue of the Brand Development and Management Segment decreased to approximately 17.0% for the year ended 31 March 2014 as we allocated relatively more resources and efforts to develop our own brands under the Product Development Segment during the year.

FINANCIAL INFORMATION

(ii) *Product Development Segment*

Under the Product Development Segment, we develop our own health care products, personal care products and household products sold under our various own brand names.

The Product Development Segment had been our major revenue-generating segment, which accounted for approximately 31.1%, 52.4% and 74.6% of our total revenue for each of the three years ended 31 March 2012, 2013 and 2014 respectively. Such significant growth in share of revenue was mainly driven by (i) our increasing management's focus to develop our own brands under the Product Development Segment during Track Record Period, and (ii) the significant increase in sales of our "Hin Sang (衍生)" products. For the three years ended 31 March 2012, 2013 and 2014, our revenue generated from sales of "Hin Sang (衍生)" products was approximately HK\$64.1 million, HK\$85.6 million and HK\$154.2 million respectively, accounting for approximately 17.8%, 36.4% and 60.9% of our total revenue of the respective years.

(iii) *Trading of Goods Segment*

Under the Trading of Goods Segment, we engage in the business of trading and distribution of skin care products, personal care products and household products with approximately 60 brands during the Track Record Period purchased from suppliers, who are mainly authorised dealers, suppliers and parallel importers from Taiwan, Thailand, Indonesia, Singapore and Hong Kong.

The share of revenue of the Trading of Goods Segment decreased from 51.6% for the year ended 31 March 2012 to 26.1% for the year ended 31 March 2013, and further decreased to 8.4% for the year ended 31 March 2014. The significant decrease in sales under the Trading of Goods Segment was mainly due to (i) the decrease in sales of milk powder products as a result of the restriction on exporting milk powder in Hong Kong; and (ii) the shift of management's focus from the Trading of Goods Segment to the Product Development Segment in view of the higher profit margin and market expectation.

FINANCIAL INFORMATION

Overall Trend of Brand Development and Management Segment

The following table sets forth a summary of our best selling products by revenue for the year ended 31 March 2014 of Brand Development and Management Segment:

	Year ended 31 March					
	2012	%	2013	%	2014	%
Sale volume (approximate unit)						
Acene (澳雪)	828,000	31.0	566,000	28.0	448,000	27.6
Sewame (雪完美)	670,000	25.1	500,000	24.7	278,000	17.2
Vcnic (花世界)	140,000	5.3	134,000	6.6	167,000	10.3
Subtotal	1,638,000	61.4	1,200,000	59.3	893,000	55.1
Others	1,030,000	38.6	825,000	40.7	728,000	44.9
Total	2,668,000	100.0	2,025,000	100.0	1,621,000	100.0
Average Purchase Price (HK\$)						
Acene (澳雪)	21.3		20.5		21.6	
Sewame (雪完美)	14.5		14.1		14.4	
Vcnic (花世界)	17.2		17.3		17.3	
Average Selling Price (HK\$)						
Acene (澳雪)	25.3		27.0		28.4	
Sewame (雪完美)	25.4		24.8		29.8	
Vcnic (花世界)	26.3		26.5		26.8	

Analysis of the sales volume of Brand Development and Management Segment

Under the Brand Development and Management Segment, our revenue generated from these three major brands which are exclusively distributed by us, namely “Acene (澳雪)”, “Sewame (雪完美)” and “Vcnic (花世界)”. The three brands altogether amounted to HK\$41.7 million, HK\$31.2 million and HK\$25.5 million respectively for the three years ended 31 March 2012, 2013 and 2014, accounting for approximately 67.1%, 61.7% and 59.3% of our segment revenue of the respective years.

Our overall sales volume under the Brand Development and Management Segment decreased by 24.1% from approximately 2,668,000 units for the year ended 31 March 2012 to 2,025,000 units for the year ended 31 March 2013, and further decreased by 20.0% to 1,621,000 units for the year ended 31 March 2014.

The decrease in sales volume was generally in line with the decrease in segment revenue during the Track Record Period. With limited manpower, we have diverted more resources and efforts to the promotion and sales of products of our own brands under the Product Development Segment, in view of the higher profit margin and better market expectation than that of the Brand Development and Management Segment.

FINANCIAL INFORMATION

Analysis of the pricing of Brand Development and Management Segment

Acene (澳雪)

The average purchase price of “Acene (澳雪)” products decreased by approximately 3.8% from HK\$21.3 per unit for the year ended 31 March 2012 to HK\$20.5 per unit for the year ended 31 March 2013 primarily due to the decreased portion of purchase of bonus package products, which had a relatively high purchase price. The average purchase price of “Acene (澳雪)” products increased to HK\$21.6 per unit for the year ended 31 March 2014, which was primarily attributable to the increased portion of purchase of bonus package products as compared to the year ended 31 March 2013.

The average selling price of “Acene (澳雪)” products increased by approximately 6.7% from HK\$25.3 per unit for the year ended 31 March 2012 to HK\$27.0 per unit for the year ended 31 March 2013, as new products were launched and sold at a higher price during the year. The average selling price of “Acene (澳雪)” products further increased to HK\$28.4 per unit for the year ended 31 March 2014 primarily attributable to the increased portion of sales of bonus package products, which had a higher selling price.

Sewame (雪完美)

The average purchase price of “Sewame (雪完美)” products decreased by approximately 2.8% from HK\$14.5 per unit for the year ended 31 March 2012 to HK\$14.1 per unit for the year ended 31 March 2013, which was mainly due to the decreased portion of purchase of higher-priced skin care products. The average purchase price of “Sewame (雪完美)” products slightly increased to HK\$14.4 per unit for the year ended 31 March 2014 as a result of the increased portion of purchase of large package products, which had a relatively higher purchase price.

The average selling price of “Sewame (雪完美)” products decreased by approximately 2.4% from HK\$25.4 per unit for the year ended 31 March 2012 to HK\$24.8 per unit for the year ended 31 March 2013 mainly due to the decreased portion of sales of relatively high selling price products. The average selling price of “Sewame (雪完美)” products increased to HK\$29.8 per unit for the year ended 31 March 2014 primarily attributable to the increased portion of sales of large package products, which had a relatively higher selling price.

Vcnic (花世界)

The average purchase price of “Vcnic (花世界)” products remained relatively stable, which slightly increased from HK\$17.2 per unit for the year ended 31 March 2012 to HK\$17.3 per unit for the two years ended 31 March 2013 and 2014.

The average selling price of “Vcnic (花世界)” products increased slightly from HK\$26.3 per unit for the year ended 31 March 2012 to HK\$26.5 per unit for the year ended 31 March 2013, and further increased to approximately HK\$26.8 per unit for the year ended 31 March 2014, such price adjustments were on account of the increase in purchase price of products during the Track Record Period.

FINANCIAL INFORMATION

Overall Trend of Product Development Segment

The following table sets forth a summary of our best selling products by revenue for the year ended 31 March 2014 of Product Development Segment:

	Year ended 31 March					
	2012	%	2013	%	2014	%
Sale volume						
(approximate unit)						
Hin Sang (衍生)	1,511,000	44.1	2,166,000	57.4	3,086,000	69.7
Beautymate (美肌の誌)	1,599,000	46.7	1,415,000	37.5	1,177,000	26.5
King's Antiseptic (殺菌王)	51,000	1.4	55,000	1.5	66,000	1.5
Subtotal	3,161,000	92.2	3,636,000	96.4	4,329,000	97.7
Others	266,000	7.8	135,000	3.6	101,000	2.3
Total	3,427,000	100.0	3,771,000	100.0	4,430,000	100.0
Average Purchase Price (HK\$)						
Hin Sang (衍生)	11.3		10.9		10.9	
Beautymate (美肌の誌)	12.0		10.7		9.9	
King's Antiseptic (殺菌王)	15.6		15.9		16.6	
Average Selling Price (HK\$)						
Hin Sang (衍生)	42.4		39.5		50.0	
Beautymate (美肌の誌)	27.9		23.1		25.3	
King's Antiseptic (殺菌王)	19.1		19.6		22.6	

Analysis of the sales volume of Product Development Segment

Under Product Development Segment, we developed and sold personal care products, health care products and household products under our own brand names, mainly being “Hin Sang (衍生)”, “Beautymate (美肌の誌)” and “King's Antiseptic (殺菌王)”. Our revenue generated from these three major brands altogether amounted to HK\$109.7 million, HK\$119.3 million and HK\$185.4 million respectively for the three years ended 31 March 2012, 2013 and 2014, accounting for approximately 97.8%, 96.8% and 98.2% of our segment revenue of the respective years.

Our revenue under the Product Development Segment gradually increased from approximately HK\$112.2 million for the year ended 31 March 2012 to approximately HK\$123.3 million for the year ended 31 March 2013, and further increased to approximately HK\$188.9 million for the year ended 31 March 2014. Such increase was mainly contributed by the strong growth in sales volume of our flagship products of “Hin Sang Milk Supplement (Granules) (衍生開奶茶顆粒沖劑)”, “Hin Sang Health Star (Granules) (衍生七星茶顆粒沖劑)”, “Hin Sang Supreme Cough & Cold Remedy (Granules) (衍生至尊感冒止咳顆粒沖劑)”, “Hin Sang Bao Ying Dan (衍生精製保嬰丹)” and “Hin Sang Hou Tsao San (衍生精製猴棗散)”. Our revenue generated from these flagship products accounted for approximately

FINANCIAL INFORMATION

45.8%, 60.3% and 71.3% of our segment revenue for each of the three years ended 31 March 2012, 2013 and 2014 respectively, as a result of higher penetration of our “Hin Sang (衍生)” products in markets and the expansion of our distribution network.

Our sales volume of “Hin Sang (衍生)” products increased by approximately 43.3% from 1,511,000 units for the year ended 31 March 2012 to 2,166,000 units for the year ended 31 March 2013, and further increased by 42.5% to 3,086,000 units for the year ended 31 March 2014, primarily due to the introduction of our “premium Hin Sang (衍生金裝)” products in the markets since 2013 and the launch of new products such as “Hin Sang Hou Tsao San (衍生精製猴棗散)” and “Hin Sang Bao Ying Dan (衍生精製保嬰丹)”.

Our sales volume of “Beautymate (美肌の誌)” products decreased by approximately 11.5% from 1,599,000 units for the year ended 31 March 2012 to 1,415,000 units for the year ended 31 March 2013, and further decreased by approximately 16.8% to 1,177,000 units for the year ended 31 March 2014. Such decrease was mainly due to the decrease in sales of non-mask type skin care products such as facial cream, lotion and toner. In view of the intense competition of skin care business in markets, we strived to improve our sales of “Beautymate (美肌の誌)” by focusing on the mask type products. In September 2013, we replaced our classical facial masks and launched the “Level UP” (“升級版”) series of facial masks in order to strengthen our “Beautymate (美肌の誌)” brand recognition.

Our sales volume of “King’s Antiseptic (殺菌王)” products increased by approximately 7.8% from 51,000 units for the year ended 31 March 2012 to 55,000 units for the year ended 31 March 2013, and further increased by 20.0% to 66,000 units for the year ended 31 March 2014. Such increase was mainly derived from the sales to chain retailers in Hong Kong.

Analysis of the pricing of Product Development Segment

Hin Sang (衍生)

The average purchase price of “Hin Sang (衍生)” products decreased by approximately 3.5% from HK\$11.3 per unit for the year ended 31 March 2012 to HK\$10.9 per unit for the two years ended 31 March 2013 and 2014. Such decrease was due to the decrease in purchase of health care products presented in form of capsules, which have a higher purchase price in general than those presented in form of granules. Our product mix remained relatively stable for the year ended 31 March 2014.

The average selling price of “Hin Sang (衍生)” products decreased by approximately 6.8% from HK\$42.4 per unit for the year ended 31 March 2012 to HK\$39.5 per unit for the year ended 31 March 2013. Such decrease was mainly due to the decrease in sales of health care products presented in form of capsules, which have a higher price in general than those presented in form of granules. The average selling price of “Hin Sang (衍生)” products increased to HK\$50.0 per unit for the year ended 31 March 2014 which was attributable to the higher selling price of these flagship products in view of the increasing market recognition of “Hin Sang (衍生)” brand.

FINANCIAL INFORMATION

Beautymate (美肌の誌)

The average purchase price of “Beautymate (美肌の誌)” products decreased by approximately 10.8% from HK\$12.0 per unit for the year ended 31 March 2012 to HK\$10.7 per unit for the year ended 31 March 2013, and further decreased to HK\$9.9 per unit for the year ended 31 March 2014. Such decrease was attributable to the decreased portion of sales of non-mask type products, which have a higher purchase price than mask type products.

The average selling price of “Beautymate (美肌の誌)” products decreased by approximately 17.6% from HK\$27.9 per unit for the year ended 31 March 2012 to HK\$23.0 per unit for the year ended 31 March 2013, which was mainly due to the decrease in sales of non-mask type skin care products such as facial creams, lotions and toners, which were sold at a higher price than facial masks. The average selling price of “Beautymate (美肌の誌)” products increased to HK\$25.3 per unit for the year ended 31 March 2014 which was mainly attributable to our upgraded series of “Level UP” (“升級版”) facial masks. Such masks were launched in September 2013 and sold at an average selling price of approximately HK\$34.2 per unit in the markets.

King's Antiseptic (殺菌王)

The average purchase price of “King's Antiseptic (殺菌王)” products remained relatively stable, which slightly increased by approximately 1.9% from HK\$15.6 per unit for the year ended 31 March 2012 to HK\$15.9 per unit for the year ended 31 March 2013, and further increased by 4.4% to approximately HK\$16.6 per unit for the year ended 31 March 2014. Such increase was mainly due to the increased cost of finished products from our suppliers during the Track Record Period.

The average selling price of “King's Antiseptic (殺菌王)” products increased by approximately 2.6% from HK\$19.1 per unit for the year ended 31 March 2012 to HK\$19.6 per unit for the year ended 31 March 2013, and further increased by 15.3% to HK\$22.6 per unit for the year ended 31 March 2014. Such increase was derived from the price adjustment as a result of the increase in purchase price as well as the increased market recognition of products during the Track Record Period.

FINANCIAL INFORMATION

Overall Trend of Trading of Goods Segment

The following table sets forth a summary of our best selling products by revenue for the year ended 31 March 2014 of Trading of Goods Segment:

	Year ended 31 March					
	2012	%	2013	%	2014	%
Sales volume (approximate units)						
One of American baby products brands	27,000	1.3	28,000	3.1	29,000	8.0
One of American personal care brands	106,000	5.2	71,000	7.7	44,000	12.1
One of Japanese personal care brands	76,000	3.7	51,000	5.6	44,000	12.1
One of American skin care brands	211,000	10.4	124,000	13.4	23,000	6.4
One of European personal care brands	68,000	3.3	28,000	3.1	32,000	8.8
Subtotal	488,000	23.9	302,000	32.9	172,000	47.4
Others	1,553,000	76.1	616,000	67.1	191,000	52.6
Total	2,041,000	100.0	918,000	100.0	363,000	100.0
Average purchase Price (HK\$)						
One of American baby products brands	128.7		146.3		142.7	
One of American personal care brands	48.3		48.7		46.8	
One of Japanese personal care brands	39.9		40.7		40.9	
One of American skin care brands	54.5		50.4		54.3	
One of European personal care brands	40.5		41.2		36.2	
Average selling Price (HK\$)						
One of American baby products brands	132.2		155.9		155.1	
One of American personal care brands	51.1		52.2		50.8	
One of Japanese personal care brands	42.8		43.0		43.4	
One of American skin care brands	58.1		53.8		57.2	
One of European personal care brands	43.5		45.5		39.4	

Under the Trading of Goods Segment, there were approximately 60 brands relating to a total number of around 300 products sold during the Track Record Period, including milk powder products, personal care products, skin care products and facial mask brands. The changes in selling prices of different products vary from time to time, depending on the prevailing market prices and arm's length negotiations between our Group and customers. Our revenue under Trading of Goods Segment accounted for 51.6%, 26.1% and 8.4% of the total revenue for the three years ended 31 March 2012, 2013 and 2014 respectively. Our sales volume under Trading of Goods Segment sharply decreased by 55.0% from approximately 2,041,000 units for the year ended 31 March 2012 to approximately 918,000 units for the year ended 31 March 2013, and further decreased by 60.5% to approximately 363,000 units for the year ended 31 March 2014.

Such significant decrease was mainly due to (i) the drop in sales of milk powder products as a result of the slow-down in market demand after the restriction on exporting milk powder came into effect in March 2013; and (ii) the decrease in share of revenue was due to the shift in management's focus from the Trading of Goods Segment to the Product Development Segment during Track Record Period in order to enhance the brand image of our own-branded products.

FINANCIAL INFORMATION

The following table sets forth a summary of our revenue by customer categories:

Revenue by customer categories

	Year ended 31 March					
	2012		2013		2014	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Chain retailers	112,754	31.3	91,328	38.8	99,932	39.5
Individual retailers	175,842	48.8	83,851	35.7	73,387	29.0
Distributors (including sale network in the PRC, Taiwan, Macau, Singapore and Malaysia)	49,016	13.6	46,041	19.6	69,618	27.5
Others (mainly stores and salons etc.)	<u>22,802</u>	6.3	<u>13,894</u>	5.9	<u>10,234</u>	4.0
Total	<u>360,414</u>	100.0	<u>235,114</u>	100.0	<u>253,171</u>	100.0

We sell and distribute our products to chain retailers, individual retailers and distributors, which, in turn, sell directly to ultimate consumers, and/or distribute and on-sell to the sub-distributors. Our customers in both the Brand Development and Management Segment and the Product Development Segment include both chain retailers and individual retailers located in Hong Kong and distributors in the PRC, Taiwan, Macau, Singapore and Malaysia. Our target customers for the Trading of Goods Segment are predominantly individual retailers in different districts in Hong Kong.

Chain retailers

For the three years ended 31 March, 2012, 2013 and 2014, our revenue generated from chain retailers amounted to approximately HK\$112.8 million, HK\$91.3 million and HK\$99.9 million respectively, representing approximately 31.3%, 38.8% and 39.5% of our total revenue for the respective years. The increase in the percentage share of revenue generated from chain retailers is contributed by the drop in revenue generated from individual retailers as opposed to the increase in revenue generated from chain retailers. This is a result of the shift in management's focus from the Trading of Goods Segment to the Product Development Segment during the Track Record Period.

Individual retailers

For the three years ended 31 March 2012, 2013 and 2014, our revenue generated from individual retailers amounted to approximately HK\$175.8 million, HK\$83.9 million and HK\$73.4 million respectively, representing approximately 48.8%, 35.7% and 29.0% of our total revenue for the respective years. The decrease in the share of revenue generated from individual retailers was in line with the significant drop in revenue of the Trading Goods Segment as a result of the shift in management's focus from the Trading of Goods Segment to the Product Development Segment during the Track Record Period.

FINANCIAL INFORMATION

Distributors

For the three years ended 31 March 2014, our revenue generated from distributors amounted to approximately HK\$ 49.0 million, HK\$46.0 million and HK\$69.6 million respectively, representing approximately 13.6%, 19.6% and 27.5% of our total revenue for the respective years. The increase in the share of revenue generated from distributors was mainly driven by (i) the expansion of our distribution network and the increasing demand for health care products in the PRC; and (ii) the increasing management's focus to promote our own-branded products under the Product Development Segment.

The following table sets forth a summary of our revenue by geographical areas:

Revenue by geographical areas

	Year ended 31 March					
	2012		2013		2014	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Hong Kong	340,711	94.5	212,631	90.4	221,556	87.5
PRC	12,829	3.6	15,067	6.4	21,115	8.3
Taiwan	<u>6,874</u>	1.9	<u>7,416</u>	3.2	<u>10,500</u>	4.2
Total	<u>360,414</u>	100.0	<u>235,114</u>	100.0	<u>253,171</u>	100.0

Our revenue generated outside Hong Kong amounted to approximately HK\$19.7 million, HK\$22.5 million and HK\$31.6 million for the three years ended 31 March 2012, 2013 and 2014 respectively, representing approximately 5.5%, 9.6% and 12.5% of our total revenue for the respective years.

During the Track Record Period, our revenue derived from the PRC market was gradually increased as a result of the increasing demand for health care products and personal care products driven by the large population, fast growing economy and the rising disposable income of the general public in the PRC.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales comprises predominantly the purchase cost of finished products from our suppliers, the following table sets forth a summary of costs of sales by nature:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Cost of Sales (by nature)			
Purchase cost of finished products	244,618	122,006	101,103
Purchase cost of packing materials	843	3,102	5,217
Cost of raw materials for packing	10,587	7,745	2,230
Carriage inwards	1,399	1,056	1,138
Others	1,498	2,795	1,142
Total	258,945	136,704	110,830

The following table sets forth a breakdown of cost of sales by Business Segments:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Cost of Sales (by segment)			
Brand Development and Management Segment	42,078	34,896	29,123
Product Development Segment	42,955	44,563	61,817
Trading of Goods Segment	173,912	57,245	19,890
Total	258,945	136,704	110,830

Our cost of sales decreased by 47.2% from approximately HK\$258.9 million for the year ended 31 March 2012 to approximately HK\$136.7 million for the year ended 31 March 2013 and further decreased by 18.9% to approximately HK\$110.8 million for the year ended 31 March 2014, primarily due to the significant decrease in purchase cost of finished products under the Trading of Goods Segment for the same period. The management's focus was placed on the Product Development Segment which had a lower purchase cost compared to that of the Trading of Goods Segment, thus our total cost of sales gradually decreased during the Track Record Period.

Our purchase cost of packing materials increased during the Track Record Period because of the increase in share of revenue of the Product Development Segment which needs relatively more packing materials for products under our own brand names.

By outsourcing the production of products under our own brand, our cost of raw materials for packing decreased during the Track Record Period. Following the disposal of Tai Wo Tong Pharmaceutical, our Group ceased to engage in the packing of PCM and purchased finished products from Tai Wo Tong Pharmaceutical instead, thereby incurring additional packing cost. Therefore, the cost of sales under the Product Development Segment increased.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Gross profit is equal to our revenue less cost of sales and gross profit margin is equal to gross profit divided by our revenue. The following table sets forth a summary of gross profit and gross profit margin by Business Segment:

	Year ended 31 March					
	2012	margin	2013	margin	2014	margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Gross Profit (by segment)						
Brand Development and Management Segment	20,100	32.3	15,683	31.0	13,824	32.2
Product Development Segment	69,267	61.7	78,719	63.9	127,034	67.3
Trading of Goods Segment	12,102	6.5	4,008	6.5	1,483	6.9
Total	101,469	28.2	98,410	41.9	142,341	56.2

Our gross profit decreased by 3.1% from approximately HK\$101.5 million for the year ended 31 March 2012 to approximately HK\$98.4 million for the year ended 31 March 2013 primarily because we began to shift our management's focus to the Product Development Segment. During the Track Record Period, we diverted more resources and efforts to develop our own brand of "Hin Sang (衍生)" and the significant increase in sales under the Product Development Segment outweighed the decrease in sales under the other two segments. As a result, our gross profit increased by 44.6% to approximately HK\$142.3 million for the year ended 31 March 2014. Our gross profit margin was 28.2%, 41.9% and 56.2% for the three years ended 31 March 2012, 2013 and 2014 respectively. The increase in gross profit margin was primarily attributable to (i) the significant growth in our business under the Product Development Segment with higher margins; and (ii) the decrease in share of revenue of the Trading of Goods Segment, which had a relatively low margin compared to the other two segments. During the Track Record Period, we have changed our management's focus to our own-branded products .

(i) *Analysis of Gross Profit Margin of Brand Development and Management Segment*

Our gross profit margin of the Brand Development and Management Segment for the three years ended 31 March 2012, 2013 and 2014 was approximately 32.3%, 31.0% and 32.2% respectively. Our gross profit margin, which was generally affected by our product mix, remained stable during the Track Record Period. The slight decrease in gross profit margin for the year ended 31 March 2013 was due to the decrease in sales of "Sewame (雪完美)" products of which had a higher margin while the increase in gross profit margin for the year ended 31 March 2014 was attributable to the improving selling price of "Sewame (雪完美)" products as a result of the increased portion of sales of large package products.

(ii) *Analysis of Gross Profit Margin of Product Development Segment*

Our gross profit margin of the Product Development Segment for the three years ended 31 March 2012, 2013 and 2014 was approximately 61.7%, 63.9% and 67.3% respectively. The increase in gross profit margin was attributable to the increasing sales of "Hin Sang (衍生)" products. The continuing

FINANCIAL INFORMATION

launch of new products and the growth of market demand for our flagship products during the Track Record Period enable us to sell our products to the market at higher prices, thus increased our profitability in the Product Development Segment.

(iii) *Analysis of Gross Profit Margin of Trading of Goods Segment*

Our gross profit margin of the Trading of Goods Segment for the three years ended 31 March 2012, 2013 and 2014 was approximately 6.5%, 6.5% and 6.9% respectively. The margin was relatively low when compared to the other two segments, which caused us to shift our business focus to the Product Development Segment and our gross profit of the Trading of Goods Segment decreased during the Track Record Period.

Other Income and Other Gains and Losses

Our other income primarily consists of bank interest income, rental income derived from our investment property and other sundry income. Our other gains and losses comprise net gains and losses which do not arise from the normal operations of our Group. During the Track Record Period, our Group engaged in the investment of a number of shares listed on the Main Board of The Stock Exchange. As at 31 March 2014, all the listed shares acquired by the Group had been completed disposed of and the gain on disposal of held for trading investments amounted to approximately HK\$1.57 million for the year ended 31 March 2014. Other than that, our other gains and losses comprise net gains and losses on disposal of property, plant and equipment, fair value change of investment property and net exchange gains and losses during the Track Record Period.

Selling and Distribution Expenses

Our selling and distribution expenses principally consist of advertising expenses for advertisements through various channels including television commercials, printed media and outdoor advertising and other marketing and promotional expenses for reserving shelf spaces in chain retailers. The following table sets forth a breakdown of the selling and marketing expenses by components for the years indicated:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Selling and Distribution Expenses			
Advertising expenses	28,295	30,673	33,138
Other marketing and promotional expenses	<u>784</u>	<u>842</u>	<u>1,391</u>
Total	<u>29,079</u>	<u>31,515</u>	<u>34,529</u>

Our selling and distribution expenses increased by 8.2% from approximately HK\$29.1 million for the year ended 31 March 2012 to approximately HK\$31.5 million for the year ended 31 March 2013 and further increased by 9.5% to HK\$34.5 million for the year ended 31 March 2014. The increase was

FINANCIAL INFORMATION

mainly attributable to the increased advertising expenses relating to the extensive promotions through (i) television commercials and promotional events; (ii) sponsoring in television programmes; and (iii) the new engagement of artistes to endorse our products as brand ambassadors.

Our selling and distribution expenses depends on our marketing strategies and advertising budgets. Our selling and distribution expenses are also affected by the extent of our sales and distribution network and the launch of new products to the markets. In the near term, we expect our selling and distribution expenses to increase as we continue to conduct our advertisement campaign to reinforce our brand loyalty and broaden our market reach.

Administrative Expenses

Our administrative expenses principally comprise staff costs of the administrative, sales and marketing personnel, office expenses, professional fees, travel and entertainment expenses, research and development costs and listing expenses. Staff costs of the administrative personnel and office expenses have generally been the largest component of the administrative, sales and marketing expenses of our Group.

The following table sets forth a breakdown of the administrative expenses by components for the years indicated:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Administrative Expenses			
Staff costs	24,383	23,621	25,172
Office expenses	6,997	7,536	7,195
Legal and professional fee	1,465	1,242	2,451
Travel and entertainment	1,233	1,232	2,918
Research and development	3,360	3,766	2,214
Donation	256	407	416
Insurance	408	481	559
Motor vehicles	1,169	971	929
Depreciation and amortisation	2,250	2,321	2,071
Listing expenses	472	2,643	1,374
Others	2,698	2,315	3,998
Total	44,691	46,535	49,297

FINANCIAL INFORMATION

Our total estimated listing expenses in connection with the issue of new shares, comprising principally underwriting commission, professional fees and printing costs of the prospectus, are expected to be approximately HK\$25.3 million. Up to 31 March 2012, listing expenses of approximately HK\$3.0 million has been charged to consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$0.5 million was charged for the year ended 31 March 2012 and the remaining sum was charged in the prior years. Listing expenses of approximately HK\$2.6 million and HK\$1.4 million was charged to consolidated statements of profit or loss and other comprehensive income for the two years ended 31 March 2013 and 2014 respectively. As at 31 March 2014, listing expenses of approximately HK\$0.6 million had been paid and deferred to be offset against the share premium account in equity after the Listing, and therefore treated in the prepayment and included in “trade and other receivables” on the consolidated statements of financial position. For the year ending 31 March 2015, our listing expenses are estimated to be approximately HK\$17.7 million, of which approximately HK\$10.4 million will be charged to consolidated statements of profit or loss and other comprehensive income and the remaining approximately HK\$7.3 million will be offset against the share premium account in equity after the Listing. It must be emphasized that the amount of such listing expenses is a current estimate for reference only and the final amount to be charged to consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2015 is subject to audit and changes in variables and assumptions at the relevant time.

Finance Costs

Our finance costs during the Track Record Period consist of interest paid on bank borrowings and finance charges on obligations under finance leases.

Taxation

All taxable income was derived in Hong Kong and only subject to Hong Kong Profits Tax. Our effective tax rates in each of the three years ended 31 March 2012, 2013 and 2014 were 18.6%, 22.2% and 18.8% respectively. Our effective tax rates in each of the three years were higher than the Hong Kong Profits Tax rate of 16.5%, which were primarily due to the non-deductible expenses including listing expenses and depreciation expenses, and the effect of tax losses in certain subsidiaries not recognised.

Our Directors confirm that we have paid all relevant taxes and that there is not any dispute nor any unresolved tax issue with the relevant tax authorities during the Track Record Period.

Net Profit Margin

Our net profit margin was 6.1%, 6.5% and 19.6% for the three years ended 31 March 2012, 2013 and 2014 respectively. The increase in net profit margin was attributable to (i) the significant growth on our business under the Product Development Segment with higher margins; and (ii) the decrease in share of revenue of the Trading of Goods Segment, which had a relatively low margin compared to the other two segments.

FINANCIAL INFORMATION

RESULTS OF OPERATION

Year Ended 31 March 2014 compared with Year Ended 31 March 2013

Revenue

Our overall revenue surged by 7.7% from approximately HK\$235.1 million for the year ended 31 March 2013 to approximately HK\$253.2 million for the year ended 31 March 2014, which was the net effect of increase in sales under the Product Development Segment and decrease in sales under the Brand Development and Management Segment and the Trading of Goods Segment. The growth in revenue was mainly driven by our Product Development Segment, of which our segment revenue notably increased by 53.2% from approximately HK\$123.3 million for the year ended 31 March 2013 to approximately HK\$188.9 million for the year ended 31 March 2014. Such increase was mainly attributable to the higher penetration of our “Hin Sang (衍生)” products in the markets.

For the year ended 31 March 2014, our revenue generated from the Brand Development and Management Segment and the Trading of Goods Segment decreased by approximately HK\$7.7 million and HK\$39.9 million respectively, representing a decrease of 15.1% and 65.1% as compared to previous year. The decrease in both segments was mainly contributed by the shift in management’s focus to the Product Development Segment. Our overall revenue benefited from the increasing market acceptance of our “Hin Sang (衍生)” products.

Cost of sales

Our cost of sales decreased by 18.9% from approximately HK\$136.7 million for the year ended 31 March 2013 to approximately HK\$110.8 million for the year ended 31 March 2014. Such decrease was primarily due to the significant drop in our purchase costs incurred under the Brand Development and Management Segment and the Trading of Goods Segment by 16.6% and 65.2% respectively as compared to previous year. In relation to our sales under the Product Development Segment, our cost of sales increased from approximately HK\$44.6 million to approximately HK\$61.8 million, representing an increase of 38.6% for the two years ended 31 March 2013 and 2014. The change in cost of sales for each Business Segment was in line with the corresponding fluctuation in revenue for the year ended 31 March 2014.

Gross profit and gross profit margin

Our gross profit increased by 44.6% from approximately HK\$98.4 million for the year ended 31 March 2013 to approximately HK\$142.3 million for the year ended 31 March 2014. Our increased gross profit margin from 41.9% to 56.2% for the two years ended 31 March 2013 and 2014 was primarily due to (i) our increased sales under the Product Development Segment, which had a higher gross profit margin of 63.9% and 67.3% for the two years ended 31 March 2013 and 2014; and (ii) our decreased sales under the Trading of Goods Segment, which had a relatively low gross profit margin of 6.5% and 6.9% for the two years ended 31 March 2013 and 2014 respectively.

FINANCIAL INFORMATION

Other income and other gains and losses

Our other income decreased from approximately HK\$2.2 million for the year ended 31 March 2013 to approximately HK\$1.9 million for the year ended 31 March 2014, which was mainly due to the decrease in interest income from bank deposits. Our other gains and losses increased from approximately HK\$570,000 for the year ended 31 March 2013 to approximately HK\$2.0 million for the year ended 31 March 2014, which was mainly due to the significant increase in fair value gain on held for trading investments, from approximately HK\$23,000 to approximately HK\$1.6 million for the two years ended 31 March 2013 and 2014, by investing in other companies listed on the Main Board of the Stock Exchange.

Selling and distribution expenses

Our selling and distribution expenses increased by 9.5% from approximately HK\$31.5 million for the year ended 31 March 2013 to approximately HK\$34.5 million for the year ended 31 March 2014. Such increase was mainly attributable to the increased advertising expenses relating to the extensive television commercials for newly launched products under our own brands and promotional events including the Hong Kong Brands and Products Expo (工展會).

Administrative expenses

Our administrative expenses (including listing expenses) increased by 6.0% from approximately HK\$46.5 million for the year ended 31 March 2013 to approximately HK\$49.3 million for the year ended 31 March 2014, which was primarily attributable to (i) the increase in staff costs, from approximately HK\$23.6 million to approximately HK\$25.2 million for the years ended 31 March 2013 and 2014 as a result of the increase in sales commission for marketing personnel in the PRC; (ii) the increase in travel and entertainment expenses, from approximately HK\$1.2 million to approximately HK\$2.9 million for the years ended 31 March 2013 and 2014 for the purpose of expanding our distribution network mainly in the PRC; and (iii) the increase in legal and professional fee, from approximately HK\$1.2 million to approximately HK\$2.5 million, as a result of the increased legal costs in relation to trademark registration. The aforementioned increases were partially offset by the decrease in research and development costs arising from the collaborations with Chinese medicine institutions and our listing related expenses.

Finance costs

Our finance costs decreased by 64.7% from approximately HK\$3.4 million for the year ended 31 March 2013 to approximately HK\$1.2 million for the year ended 31 March 2014. The decrease was due to the repayment of bank borrowings. Moreover, after we disposed of Tai Wo Tong Pharmaceutical and on 30 July 2013, the bank borrowing of approximately HK\$70.1 million associated with Tai Wo Tong Pharmaceutical was transferred out of our Group, resulting a significant drop in finance costs for the year ended 31 March 2014.

FINANCIAL INFORMATION

Taxation

Our tax charge increased by 161.4% from approximately HK\$4.4 million for the year ended 31 March 2013 to approximately HK\$11.5 million for the year 31 March 2014, while our effective tax rates were 22.2% and 18.8% respectively. The increase in tax charge was attributable to the increase in profit before tax, from approximately HK\$19.8 million to HK\$61.2 million for the two years ended 31 March 2013 and 2014. The decrease in effective tax rate was mainly due to the decreased non-deductible expenses for the year ended 31 March 2014.

Profit for the year

As a result of the foregoing, our net profit increased by 222.7% from approximately HK\$15.4 million for the year ended 31 March 2013 to approximately HK\$49.7 million for the year ended 31 March 2014, while our net profit margin significantly increased from 6.5% to 19.6% for the two years ended 31 March 2013 and 2014.

Year Ended 31 March 2013 compared with Year Ended 31 March 2012

Revenue

Our revenue decreased by 34.8% from approximately HK\$360.4 million for the year ended 31 March 2012 to approximately HK\$235.1 million for the year ended 31 March 2013, such decrease was mainly due to the decrease in sales under the Trading of Goods Segment which was more significant in proportion to the increase in sales under the Product Development Segment, as we started to shift our business direction to develop our own brands. Our revenue generated from the Trading of Goods Segment decreased by 67.0% from approximately HK\$186.0 million to approximately HK\$61.3 million for the two years ended 31 March 2012 and 2013, as a result of the decrease in sales of milk powder products.

Our revenue generated from the Product Development Segment increased by 9.9% from approximately HK\$112.2 million to HK\$123.3 million for the two years ended 31 March 2012 and 2013, as a result of the growth in sales of our “Hin Sang (衍生)” products. With limited manpower, we placed most of our resources and efforts to the promotion and sales of products under the Product Development Segment, our revenue generated from the Brand Development and Management Segment was therefore recorded as a decrease of 18.6% from approximately HK\$62.2 million to approximately HK\$50.6 million for the two years ended 31 March 2012 and 2013.

Cost of sales

Our cost of sales significantly decreased by 47.2% from approximately HK\$258.9 million for the year ended 31 March 2012 to approximately HK\$136.7 million for the year ended 31 March 2013. Such decrease was primarily due to the significant drop in our purchase costs incurred under the Brand Development and Management Segment and the Trading of Goods Segment by 17.1% and 67.1% respectively as compared to previous year. In relation to our sales under the Product Development Segment, our cost of sales increased from approximately HK\$43.0 million to approximately HK\$44.6 million, representing an increase of 3.7% for the two years ended 31 March 2012 and 2013. The change of cost of sales in each Business Segment was in line with the corresponding fluctuation in revenue for the year ended 31 March 2013.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, our gross profit slightly decreased by 3.1% from approximately HK\$101.5 million for the year ended 31 March 2012 to approximately HK\$98.4 million for the year ended 31 March 2013. Our increased gross profit margin from 28.2% to 41.9% for the two years ended 31 March 2012 and 2013 was primarily due to (i) our increased sales under the Product Development Segment, which had a higher gross profit margin from 61.7% to 63.9% for the two years ended 31 March 2012 and 2013; and (ii) our decreased sales under the Trading of Goods Segment, which had a relatively low gross profit margin at 6.5% for the two years ended 31 March 2012 and 2013 respectively.

Other income and other gains and losses

Our other income increased from approximately HK\$340,000 for the year ended 31 March 2012 to approximately HK\$2.2 million for the year ended 31 March 2013 mainly due to the increase in interest income from bank deposits. Our other losses of approximately HK\$351,000 mainly represented the net exchange losses for the year ended 31 March 2012, while our gains of HK\$570,000 mainly represented the net exchange gains for the year ended 31 March 2013.

Selling and distribution expenses

Our selling and distribution expenses increased by 8.2% from approximately HK\$29.1 million for the year ended 31 March 2012 to approximately HK\$31.5 million for the year ended 31 March 2013. Such increase was mainly attributable to the increased advertising expenses relating to the extensive promotions through (i) television commercials and promotional events including Lotus Exhibition (荷花展); (ii) sponsoring in television programmes including Family Show “飯沒了秀”; and (iii) the new engagement of artistes to endorse our products as brand ambassadors.

Administrative expenses

Our administrative expenses increased by 4.0% from approximately HK\$44.7 million for the year ended 31 March 2012 to approximately HK\$46.5 million for the year ended 31 March 2013, which was primarily attributable to (i) the increase in listing related expenses, from approximately HK\$472,000 to approximately HK\$2.6 million for the two years ended 31 March 2012 and 2013; and (ii) the increase in research and development expenses, from approximately HK\$3.4 million to approximately HK\$3.8 million, relating to our emphasis on the research and development of products under the Product Development Segment to expand our product portfolio.

Finance costs

Our finance costs increased from approximately HK\$591,000 for the year ended 31 March 2012 to approximately HK\$3.4 million for the year ended 31 March 2013, which was mainly due to the additional bank borrowings of HK\$71.0 million in May 2012. Our bank borrowings carried interest at variable rates ranging from 2.10% to 4.75% for the two years ended 31 March 2012 and 2013.

FINANCIAL INFORMATION

Taxation

Our tax charge decreased by 12.0% from approximately HK\$5.0 million for the year ended 31 March 2012 to approximately HK\$4.4 million for the year ended 31 March 2013, while our effective tax rates were 18.6% and 22.2% respectively. The decrease in tax charge was due to the decrease in taxable profit before tax, from HK\$27.1 million for the year ended 31 March 2012 to HK\$19.8 million for the year ended 31 March 2013. The increase in effective tax rate was due to the increased non-deductible expenses and tax loss of certain subsidiaries not recognised.

Profit for the year

As a result of the foregoing, our net profit decreased by 30.3% from approximately HK\$22.1 million for the year ended 31 March 2012 to approximately HK\$15.4 million for the year ended 31 March 2013, while our net profit margin slightly increased from 6.1% to 6.5% for the two years ended 31 March 2012 and 2013.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital and other capital requirements principally from cash generated from operations and cash on hand.

The following table sets forth a summary of the net cash flows for the years indicated:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	19,196	28,857	60,135
Net cash used in investing activities	(11,145)	(26,069)	(81,227)
Net cash generated from/(used in) financing activities	24,273	55,383	(14,900)
Net increase/(decrease) in cash and cash equivalents	32,324	58,171	(35,992)
Effect of foreign exchange rates changes	(38)	(10)	(142)
Cash and cash equivalents at the beginning of year	10,746	43,032	101,193
Cash and cash equivalents at the end of year	43,032	101,193	65,059

Net Cash generated from Operating Activities

Net cash generated from operating activities for the year ended 31 March 2012 was approximately HK\$19.2 million while we had profit before tax of approximately HK\$27.1 million. The difference was primarily in relation to (i) approximately HK\$8.3 million decrease in inventories as a result of the lower stock level of milk powder products under the Trading of Goods Segment; (ii) approximately HK\$6.0

FINANCIAL INFORMATION

million increase in trade and other receivables as a result of the increased sales under the Trading of Goods Segment; and (iii) approximately HK\$4.5 million decrease in amounts due to directors which had been settled by our internal fund.

Net cash generated from the operating activities for the year ended 31 March 2013 was approximately HK\$28.9 million while we had profit before tax of approximately HK\$19.8 million. The difference was primarily related to (i) approximately HK\$11.8 million decrease in inventories as a result of the lower stock level of finished products under the Trading of Goods Segment; (ii) approximately HK\$5.7 million decrease in trade and other receivables as a result of the decrease in trade receivables from a customer in the PRC; and (iii) approximately HK\$6.4 million decrease in trade and other payables as a result of the decrease in purchase of milk powder products.

Net cash generated from the operating activities for the year ended 31 March 2014 was approximately HK\$60.1 million while we had profit before tax of approximately HK\$61.2 million. The difference was primarily related to (i) approximately HK\$3.4 million decrease in inventories as a result of the lower stock level of finished products under the Trading of Goods Segment; (ii) approximately HK\$7.0 million increase in trade and other receivables as a result of the increase in sales to chain retailers; and (iii) approximately HK\$5.6 million increase in trade and other payables as a result of the increased purchase costs under the Product Development Segment.

Net Cash used in Investing Activities

Net cash used in investing activities of approximately HK\$11.1 million for the year ended 31 March 2012 was primarily due to the payments for property, plant and equipment of HK\$4.1 million and the decrease in advances to directors of HK\$7.2 million.

Net cash used in investing activities of approximately HK\$26.1 million for the year ended 31 March 2013 was primarily due to the payments for property, plant and equipment of HK\$7.1 million and the decrease in advances to directors of HK\$21.3 million.

Net cash used in investing activities of approximately HK\$81.2 million for the year ended 31 March 2014 was primarily due to the payments for property, plant and equipment of HK\$13.4 million, purchase of leasehold land of HK\$20.9 million, purchase of investment property of HK\$6.8 million and the decrease in advances to directors of HK\$40.5 million.

Net Cash generated from or used in Financing Activities

Net cash generated from financing activities of approximately HK\$24.3 million for the year ended 31 March 2012 was primarily attributable to net increase in bank borrowings of HK\$24.9 million.

Net cash generated from financing activities of approximately HK\$55.4 million for the year ended 31 March 2013 was attributable to the net increase in bank borrowings of HK\$58.9 million.

Net cash used in financing activities of approximately HK\$14.9 million for the year ended 31 March 2014 was attributable to the net decrease in bank borrowings of HK\$13.7 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The table below sets out our current assets, current liabilities and net current assets as at 31 March 2012, 2013 and 2014 and 31 July 2014:

	As at 31 March			As at 31 July
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets				
Inventories	29,518	17,226	12,999	13,030
Trade and other receivables	37,662	31,961	37,626	42,173
Held for trading investments	—	321	—	—
Amounts due from directors	7,249	28,561	—	—
Tax refundable	184	74	—	—
Bank balances and cash	43,032	101,193	65,059	76,026
	117,645	179,336	115,684	131,229
Current liabilities				
Trade and other payables	29,819	23,535	27,482	27,011
Bank borrowings	22,846	77,436	—	—
Obligation under finance lease	48	—	—	—
Dividend payable	—	—	30,000	30,000
Current tax liabilities	1,916	323	6,507	9,245
	54,629	101,294	63,989	66,256
Net current assets	63,016	78,042	51,695	64,973

The increase of bank balances and cash from approximately HK\$43.0 million as at 31 March 2012 to approximately HK\$101.2 million as at 31 March 2013 was mainly due to our additional bank borrowings. The amounts due from directors increased from approximately HK\$7.2 million as at 31 March 2012 to approximately HK\$28.6 million as at 31 March 2013 which was attributable to the advance to directors for seeking business opportunities in the PRC, and such amount had been fully settled during the year ended 31 March 2014. After we disposed of Tai Wo Tong Pharmaceutical and on 30 July 2013, the bank borrowing of approximately HK\$70.1 million associated with Tai Wo Tong Pharmaceutical was transferred out of our Group, together with our repayment of bank borrowings during the year ended 31 March 2014, we had no bank borrowings as at 31 March 2014. For further details of our bank borrowings, please refer to Notes 25 and 34 of the Accountants' Report in Appendix I to this prospectus.

On 15 October 2013, an interim dividend of HK\$20.0 million was declared and settled by offsetting the amounts due from directors. On 24 January 2014, a special dividend of HK\$30.0 million was declared and to be paid out of our retained profits to our then shareholders. Such dividend has been fully paid in August 2014. Other than that, we did not declare and pay any dividends to our then shareholders during the Track Record Period. For details of our dividend policy, please refer to the sub-section headed "Dividend and Dividend Policy" in this section.

FINANCIAL INFORMATION

Our net current assets were amounted to approximately HK\$51.7 million and HK\$65.0 million as at 31 March 2014 and 31 July 2014, respectively. Such increase in our financial position was mainly brought by the increase in the balance of trade receivables and inventories in connection with the increase in our revenue. Our Directors expect that we will continue to generate operating profit and that our financial position will be further enhanced after the Listing.

DISCUSSION OF CERTAIN STATEMENT OF FINANCIAL POSITION COMPONENTS

NON-CURRENT ASSETS

Our non-current assets mainly comprise property, plant and equipment, prepaid lease payments and investment property. The following table sets forth the breakdown of carrying values of our Group's non-current assets by geographical areas as at each reporting dates:

	<u>As at</u> <u>31 March 2012</u> HK\$'000	<u>As at</u> <u>31 March 2013</u> HK\$'000	<u>As at</u> <u>31 March 2014</u> HK\$'000
Hong Kong	18,075	22,873	4,994
PRC	607	685	37,350
Taiwan	<u>714</u>	<u>432</u>	<u>256</u>
	<u>19,396</u>	<u>23,990</u>	<u>42,600</u>

The increase in our total non-current assets in Hong Kong from approximately HK\$18.1 million as at 31 March 2012 to approximately HK\$22.9 million as at 31 March 2013 was mainly attributable to the increase in property, plant and equipment as a result of the construction of the GMP Plant under Tai Wo Tong Pharmaceutical prior to its disposal. Following the disposal of Tai Wo Tong Pharmaceutical in July 2013, our total non-current assets in Hong Kong decreased to approximately HK\$5.0 million as at 31 March 2014. The increase in our non-current assets in the PRC from approximately HK\$685,000 as at 31 March 2013 to approximately HK\$37.4 million as at 31 March 2014 was mainly due to the acquisition of commercial properties in Shenzhen in November 2013. The carrying value of such properties was approximately HK\$34.1 million as at 31 March 2014, of which approximately HK\$6.5 million, classified as investment property, has been leased out for the time being and the remaining, which was classified as property, plant and equipment and prepaid lease payments, has been used as office for our sales team in the PRC.

FINANCIAL INFORMATION

INVENTORIES

Our inventories mainly comprise raw materials and finished products for resale. The following table sets forth the breakdown of inventories as at each reporting dates:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Inventories			
Raw materials	2,063	1,180	640
Finished products for resale	27,455	16,046	12,359
Total	29,518	17,226	12,999

Our inventories decreased by 41.7% from approximately HK\$29.5 million as at 31 March 2012 to approximately HK\$17.2 million as at 31 March 2013. In view of the slow-down in market demand of milk powder products towards the year ended 31 March 2013, we made less purchase of products under the Trading of Goods Segment as a result of the decrease in finished products balance, from approximately HK\$27.5 million to approximately HK\$16.0 million, as at 31 March 2012 and 2013 respectively. Our inventories further decreased by 24.4% to approximately HK\$13.0 million as at 31 March 2014, which was primarily due to the decrease in raw materials balance, from approximately HK\$1.2 million to approximately HK\$640,000, as at 31 March 2013 and 2014 respectively. Since the disposal of Tai Wo Tong Pharmaceutical in July 2013, we ceased to purchase raw materials for the packing of PCM and therefore the inventory level of raw materials decreased. Our finished products for resale decreased by 22.5% from approximately HK\$16.0 million as at 31 March 2013 to approximately HK\$12.4 million as at 31 March 2014. Such decrease was mainly due to the decrease in personal care products under the Trading of Goods Segment.

The following table sets forth the turnover days of inventories for the years indicated:

	Year ended 31 March		
	2012	2013	2014
Average inventory turnover days (<i>Note</i>)	47.0	62.4	49.8

Note: Average inventory turnover days is calculated as the average of the opening and the ending inventory balances for the year, divided by cost of sales for the year and multiplied by 365 days.

Our inventory turnover days increased from 47.0 days for the year ended 31 March 2012 to 62.4 days for the year ended 31 March 2013 due to the slower turnover of inventories as a result of the slow-down in market demand after the restriction on exporting milk powder came into effect in March 2013. Upon the clearance of milk powder inventory, we started to make less purchase of products under the Trading of Goods Segment and intend to improve its efficiency of inventory control by (i) reducing stock level, and (ii) ceasing to engage in the packing of PCM upon the disposal of Tai Wo Tong Pharmaceutical. We successfully shortened the inventory turnover days to 49.8 days for the year ended 31 March 2014.

FINANCIAL INFORMATION

The following table illustrates the aging analysis of inventories as of the end of each of the reporting dates.

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Aging of inventories			
1–60 days	15,317	8,028	7,407
61–365 days	11,756	7,554	5,018
Over 1 year	<u>2,502</u>	<u>2,170</u>	<u>746</u>
	29,575	17,752	13,171
Impairment	<u>(57)</u>	<u>(526)</u>	<u>(172)</u>
	<u><u>29,518</u></u>	<u><u>17,226</u></u>	<u><u>12,999</u></u>

As at 31 July 2014, approximately 81.5% of our inventories as at 31 March 2014 had been utilized or sold.

We made impairment of inventories in order to adjust for the value of slow-moving inventories which estimated realisable values fell below the then carrying amounts. It is our policy to make assessment of impairment and identify individual obsolete items by regularly reviewing the subsequent sales and market prices of our products, taking into account of the aging position as reference. Our impairment of inventories for the three years ended 31 March 2012, 2013 and 2014 amounted to approximately HK\$57,000, HK\$526,000 and HK\$172,000 respectively, mainly attributable to the one-time written off of finished products under our own brands that we considered to be obsolete.

TRADE AND OTHER RECEIVABLES

The following table sets forth the breakdown of trade and other receivables as at each reporting dates:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Trade and other receivables			
Trade receivables	28,615	26,016	32,368
Prepayment to suppliers	598	13	137
Prepaid listing expenses	3,366	968	628
Prepaid lease payments	298	299	663
Prepayment for other expenses	2,142	3,166	2,562
Other deposits (mainly including rental and building management fee deposits)	2,406	1,403	993
Other receivables	<u>237</u>	<u>96</u>	<u>275</u>
Total	<u><u>37,662</u></u>	<u><u>31,961</u></u>	<u><u>37,626</u></u>

FINANCIAL INFORMATION

Our trade and other receivables decreased from approximately HK\$37.7 million to HK\$32.0 million as at 31 March 2012 and 2013. Such decrease was mainly due to the decrease in prepaid expenses in relation to the Listing. Our trade and other receivables increased to HK\$37.6 million as at 31 March 2014 which was primarily attributable to the increase in trade receivables from distributors arising from the purchase of our “Hin Sang (衍生)” products under the Product Development Segment. As at 31 March 2012, 2013 and 2014, amount of approximately HK\$1.7 million, HK\$0.8 million and HK\$1.9 million respectively, was due from a related party and was included in our trade receivables. Such amount was derived from sales of our own-branded products to Brighten Hong Limited, which is owned by Mr. Pang’s brother in law.

Our prepayments, deposits and other receivables mainly comprise prepayment to suppliers, prepaid expenses in relation to legal services, rental deposits and other utilities deposits. Prepaid lease payment of approximately HK\$663,000 as at 31 March 2014 represented the current land portion of the PRC office acquired in November 2013. Our prepaid expenses for the Listing represented prepayment of professional fees relating to the Listing, including but not limited to, legal and other professional fees, prepayment for professional printing and other relevant expenses in relations to services not yet rendered for the Listing. Upon the Listing, the prepaid expenses for the Listing will be charged to the statements of profit or loss and other comprehensive income or deducted from equity respectively to the extent they are directly attributable to the Listing when the above allocation can be measured reliably in accordance with the applicable accounting standards under the HKFRSs.

The following table sets forth the turnover days of trade receivables for the years indicated:

	Year ended 31 March		
	2012	2013	2014
Average trade receivables turnover days (Note)	<u>27.3</u>	<u>42.4</u>	<u>42.1</u>

Note: Average trade receivables turnover days is calculated as the average of the opening and the ending trade receivables balances for the year, divided by revenue for the year and multiplied by 365 days.

Our trade receivables turnover days increased from 27.3 days for the year ended 31 March 2012 to 42.4 days for the year ended 31 March 2013 primarily due to the significant decrease in proportion of sales of products under the Trading of Goods Segment. Most of our customers under the Trading of Goods Segment are individual retailers, which generally were granted a shorter credit terms than chain retailers. Under the Brand Development and Management Segment and the Product Development Segment, our revenue was mainly derived from the chain retailers, which normally was granted credit term up to 75 days. Our trade receivable turnover days for the year ended 31 March 2014 remained stable as compared to the preceding year.

Approximately 98.0% of our trade receivables as at 31 March 2014 had been subsequently settled up to 31 July 2014.

FINANCIAL INFORMATION

The following table illustrates the aging analysis of trade receivables as of the end of each of the reporting dates, presented based on invoice date:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
0–30 days	10,755	11,648	14,866
31–60 days	10,424	8,665	7,104
61–90 days	5,416	4,714	8,358
Over 90 days	2,020	989	2,040
Total	28,615	26,016	32,368

We did not incur any bad debt expenses during the Track Record Period. Included in our trade receivables. Approximately HK\$2.0 million of our trade receivables was aged over 90 days as at 31 March 2014. We had reviewed the credit quality of each receivable balance, the amounts involved are immaterial and we do not foresee any material collection problem on these overdue balances and the amounts are still considered recoverable.

TRADE AND OTHER PAYABLES

The following table sets forth the breakdown of trade and others payables as at each reporting dates:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Trade and other payables			
Trade payables	19,788	12,262	16,104
Receipts in advance	2,549	3,459	3,165
Accruals	7,482	7,814	8,213
Total	29,819	23,535	27,482

Our trade payables principally comprise payables to the suppliers of finished products of our Group.

Our receipts in advance was mainly attributable to the deposit from customers for the purchase of finished products. Our accruals mainly comprise accrued professional fees and accrued salaries and employee benefits.

FINANCIAL INFORMATION

The following table sets forth the turnover days of trade payables for the years indicated:

	Year ended 31 March		
	2012	2013	2014
Average trade payables turnover days			
<i>(Note)</i>	28.3	42.8	46.7

Note: Average trade payables turnover days is calculated as the average of the opening and the ending trade payables balances for the year, divided by cost of sales for the year and multiplied by 365 days.

The credit term provided by our suppliers typically ranges from 30 to 60 days. Our trade payable turnover days increased from 28.3 days for the year ended 31 March 2012 to 42.8 days for the year ended 31 March 2013, and further increased to 46.7 days for the year ended 31 March 2014. This was mainly due to the decreased weight of sales under the Trading of Goods Segment, which had shorter terms of payments than the other two Business Segments.

Approximately 93.2% of our trade payables as at 31 March 2014 had been subsequently settled up to 31 July 2014.

OTHER KEY FINANCIAL FACTORS

	<i>Note</i>	As at 31 March		
		2012	2013	2014
Revenue growth		25.4%	-34.8%	7.7%
Net profit growth		40.3%	-30.3%	223.1%
Gross profit margin	1	28.2%	41.9%	56.2%
Net profit margin before interest and tax	2	7.7%	9.9%	24.7%
Net profit margin	3	6.1%	6.5%	19.6%
Return on equity	4	27.5%	16.1%	52.7%
Return on assets	5	16.1%	7.6%	31.4%
Current ratio	6	2.2	1.8	1.8
Quick ratio	7	1.6	1.6	1.6
Gearing ratio	8	31.3%	87.4%	—
Interest coverage	9	46.8 times	6.8 times	50.4 times
Debt to equity ratio	10	-22.4%	-18.3%	-69.0%

Notes:

1. Gross profit margin is calculated as our gross profit for the year divided by total revenue multiplied by 100.0%.
2. Net profit margin before interest and tax is calculated as our net profit before interest and tax for the year divided by total revenue multiplied by 100.0%.
3. Net profit margin is calculated as our profit for the year divided by total revenue multiplied by 100.0%.

FINANCIAL INFORMATION

4. Return on equity is calculated as our profit for the year divided by total equity multiplied by 100.0%.
5. Return on assets is calculated as our profit for the year divided by total assets multiplied by 100.0%.
6. Current ratio is calculated as our current assets divided by current liabilities.
7. Quick ratio is calculated as our current assets less inventories, divided by current liabilities.
8. Gearing ratio is calculated as our total debt divided by total equity. Total debt is defined to include all payables incurred not in the ordinary course of business.
9. Interest coverage is calculated as our profit before interest and tax divided by interest expenses.
10. Debt to equity ratio is calculated as our net debt divided by total equity. Net debt is defined to include all borrowings net of bank balances and cash.

Please refer to sub-sections headed “Year Ended 31 March 2014 compared with Year Ended 31 March 2013” and “Year Ended 31 March 2013 compared with Year Ended 31 March 2012” under this section for a discussion of factors affecting revenue growth, net profit growth, gross profit margin and net profit margin during the respective years.

Return on equity

Our return on equity decreased from 27.5% as at 31 March 2012 to 16.1% as at 31 March 2013 was mainly attributable to the decrease in net profit for the year ended 31 March 2013. The significant increase in our return on equity to 52.7% as at 31 March 2014 was mainly attributable to the increase in profitability, contributed by the increased sales of our “Hin Sang (衍生)” products under the Product Development Segment.

Return on assets

Our return on assets decreased from 16.1% as at 31 March 2012 to 7.6% as at 31 March 2013 was mainly attributable to (i) the decrease in net profit for the year ended 31 March 2013; and (ii) the increase in bank balances and cash as at 31 March 2013. The significant increase in our return on assets to 31.4% as at 31 March 2014 was mainly attributable to the increase in profitability, which was contributed by the increased sales of our “Hin Sang (衍生)” products under the Product Development Segment.

Current ratio

Our current ratio decreased from approximately 2.2 as at 31 March 2012 to approximately 1.8 as at 31 March 2013 mainly due to the increase in bank borrowings for the year ended 31 March 2013. Our current ratio remained at approximately 1.8 as at 31 March 2014.

Quick ratio

Our quick ratio remained stable at 1.6 as at each of the three years ended 31 March 2012, 2013 and 2014.

FINANCIAL INFORMATION

Gearing ratio

Our gearing ratio significantly increased from approximately 31.3% as at 31 March 2012 to 87.4% as at 31 March 2013 which was mainly attributable to the increase in bank borrowings for the year ended 31 March 2013. Our gearing ratio decreased to nil as at 31 March 2014. Such decrease was attributable to (i) the decreased bank borrowing of HK\$70.1 million associated with Tai Wo Tong Pharmaceutical, which was transferred out of our Group in July 2013; and (ii) the repayment of bank borrowings during the year ended 31 March 2014.

Debt to equity ratio

Our net debt to equity ratio increased from approximately -22.4% for the year ended 31 March 2012 to approximately -18.3% for the year ended 31 March 2013. We were in net cash position mainly due to the net off effect from (i) the increase in the bank borrowing from approximately HK\$24.9 million as at 31 March 2012 to approximately HK\$83.7 million as at 31 March 2013; and (ii) the increase in bank balances and cash from approximately HK\$43.0 million as at 31 March 2012 to approximately HK\$101.2 million as at 31 March 2013 due to the net cash generated from operating activities and financing activities. Our net debt to equity ratio decreased to -69.0% as we did not have any borrowing and we were in a net cash position of approximately HK\$65.1 million as at 31 March 2014 as explained in above paragraph headed “Gearing ratio”.

Interest coverage

Our interest coverage decreased from approximately 46.8 times for the year ended 31 March 2012 to approximately 6.8 times for the year ended 31 March 2013. This was mainly due to the increased finance costs from approximately HK\$591,000 for the year ended 31 March 2012 to approximately HK\$3.4 million for the year ended 31 March 2013 derived from the additional bank borrowings of approximately HK\$71.0 million in May 2012. Our interest coverage increased to approximately 50.4 times for the year ended 31 March 2014 as we settled our entire bank borrowings during the year as explained in above paragraph headed “Gearing ratio”.

INDEBTEDNESS

Borrowings

As at 31 March 2012, we had outstanding interest-bearing obligation under finance lease of approximately HK\$178,000 which was repayable within 3 years and secured by the charge over the leased asset with a carrying amount of approximately HK\$168,000. In May 2012, the finance lease was terminated and we did not have any obligations under finance lease as at 31 March 2013 and 31 March 2014.

As at 31 March 2012, 2013 and 2014, the amount of banking facilities granted to us were approximately HK\$130.9 million, HK\$134.5 million and HK\$26.8 million respectively. As at 31 March 2012, 2013 and 2014, the amount of unutilised banking facilities available for drawdown were approximately HK\$101.8 million, HK\$34.9 million and HK\$26.8 million respectively. Our banking facilities were secured by (i) pledge of assets of, and personal guarantees provided by, the executive

FINANCIAL INFORMATION

Directors, Mr. Pang and Mrs. Pang; (ii) a charge over our Group's property; and (iii) guarantee from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme.

As at 31 July 2014, being the latest date for the purpose of liquidity disclosure in this prospectus, we had no outstanding bank borrowings and the amount of unutilised banking facilities of approximately HK\$26.8 million available to our Group was guaranteed by Mr. Pang and Mrs. Pang. We have obtained the written consents from the relevant bank for releasing the personal guarantees of Mr. Pang and Mrs. Pang upon Listing.

There was a material covenant with one of the bank pertaining to our borrowings that the consolidated tangible net worth of Hin Sang Hong (HK) shall at no time be less than HK\$30 million, and such banking facility had been terminated by us during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to 31 July 2014, being the latest practicable date for us to ascertain such information prior to printing of this prospectus, we have been in compliance with all of the covenants under our bank borrowings.

Our Directors confirm that there have been no material defaults by our Group in payments of its bank borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that we do not have any plan to raise material external debt financing as at the Latest Practicable Date.

Capital commitments

As at 31 March 2012 and 2013, we had capital commitments contracted for but not provided for in respect of the construction of buildings of approximately HK\$4.8 million and HK\$47.3 million respectively in relation to the GMP Plant and the acquisition of property, plant and equipment of approximately HK\$1.5 million and HK\$776,000 respectively. As at 31 March 2014, we had capital commitments contracted for but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$860,000.

As at the Latest Practicable Date, we had no capital commitments.

Contingent liabilities

As at the close of business on the Latest Practicable Date, we did not have any material contingent liabilities.

Disclaimer

Save as disclosed herein, and apart from any intra-group liabilities, we did not, as at Latest Practicable Date, have any outstanding loan capital, borrowings (including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, finance lease commitments and other guarantees), mortgages or charges and other similar indebtedness and contingent liabilities. Our Directors confirm that there have been no material adverse changes in our indebtedness and contingent liabilities since 31 March 2014 up to the Latest Practicable Date.

FINANCIAL INFORMATION

No interruption

Our Directors confirm that there was no interruption in our business which may have or have had a significant effect on our financial position in the 12 months prior to the Latest Practicable Date.

CAPITAL EXPENDITURE

Capital expenditure over the Track Record Period

Our capital expenditure for the three years ended 31 March 2012, 2013 and 2014 was approximately HK\$4.3 million, HK\$7.1 million and HK\$41.1 million respectively. The increase in the capital expenditure during the year ended 31 March 2013 was mainly due to the payment for the construction for the GMP Plant. The increase in the capital expenditure during the year ended 31 March 2014 was mainly due to the acquisition of properties in the PRC.

Planned capital expenditure

It is expected that our capital expenditures for the year ending 31 March 2015 will be approximately HK\$7.6 million mainly for the acquisition of property in the PRC for office purpose. We intend to finance these capital expenditures primarily through general working capital.

MARKET RISKS

Liquidity risk

In management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilisation of borrowings and other sources of funding and considers the risk is minimal.

Interest rate risk

Our exposure to changes in interest rates is mainly attributable to bank deposits and bank borrowings. Our policy is to maintain an appropriate level of borrowings so as to balance the fair value and cash flow interest rate risk.

Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

FINANCIAL INFORMATION

Substantially all our revenue, costs and expenses, and assets are denominated in HK\$. As a result, our management does not believe they are currently exposed to significant foreign exchange rate risk. However, as we expands its operation, it may incur a significant amount of foreign exchange rate risk. As such, we monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

PROPERTY INTEREST

Please refer to the sub-sections headed “Business — Land and Properties” in this prospectus for details.

DIVIDEND AND DIVIDEND POLICY

Following completion of the Listing, we may distribute dividends by ways of cash or by other means that our Board consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at their discretion. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. Our historical dividend distribution is not an indication or may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. Our Board will review our Company’s dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- financial results of our Company;
- shareholders’ interests;
- general business conditions and strategies;
- our Company’s capital requirements;
- the payment by our subsidiaries of cash dividends to us;
- possible effects on liquidity and financial position of our Company; and
- other factors our Board may deem relevant.

On 3 July 2013, our Company declared and paid an interim dividend of approximately HK\$146,000 to Genwealth by way of distribution in specie of all the issued Shares in Tai Wo Tong Pharmaceutical indirectly held by our Company. On 15 October 2013, an interim dividend of HK\$20.0 million was declared and settled by offsetting the amounts due from directors. On 24 January 2014, a special dividend of HK\$30.0 million was declared and to be paid out of our retained profits to our then shareholders. Such dividend has been fully paid in August 2014. Other than that, we did not declare and pay any dividend to our then shareholders during the Track Record Period.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions included rental expenses for premises, packing costs, research and development expenses and sales of goods. With respect to the related party transactions set out in Note 33 to the Accountants' Report, our Directors confirm that these transactions were conducted on normal commercial terms and did not distort our results of operations during the Track Record Period.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration of the financial resources presently available to our Group, including our operating cash flow and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As at 31 March 2014, our Company had distributable reserves of approximately HK\$61,000 available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Our following statement of unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Main Board Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Share Offer on the consolidated net tangible assets of our Group as at 31 March 2014 as if it had been taken place on 31 March 2014.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Share Offer been completed as at 31 March 2014 as at any future dates.

FINANCIAL INFORMATION

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 March 2014	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
	(Note 1)	(Note 2)		(Note 3)
Based on the Offer Price of HK\$1.00 per Share	94,295	182,055	276,350	0.35
Based on the Offer Price of HK\$1.20 per Share	94,295	221,255	315,550	0.39

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 31 March 2014 has been extracted without adjustment from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$1.00 and HK\$1.20 per Share respectively, after deduction of estimated underwriting fees and related expenses but takes no account of any Shares which may fall to be allotted and issued upon exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is determined after the adjustments as described in notes 1 and 2 above and on the basis that 800,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus, but takes no account of any Shares which may fall to be allotted and issued upon exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
4. Based on the property valuation as at 30 June 2014 as set forth in "Property Valuation" in Appendix III to this prospectus, the net revaluation surplus, representing the excess of market value of the properties held for own use (including prepaid lease payments, leasehold land and buildings) over their carrying amounts, is approximately HK\$6,438,000. Such revaluation surplus has not been included in the Group's consolidated financial information as at 31 March 2014 and will not be included in the Group's consolidated financial statements. The unaudited pro forma financial information presented above does not take into account the above revaluation surplus. Had the properties held for own use (including prepaid lease payments, leasehold land and buildings) been stated at such valuation, an additional depreciation and amortisation of approximately HK\$192,000 per annum would be charged as expenses.
5. The unaudited pro forma financial information presented above does not take account of any trading result or other transactions subsequent to 31 March 2014. In particular, no adjustment has been made to reflect the acquisition of the properties in May 2014.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 March 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 31 March 2014 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

SPONSOR'S INTEREST

Save as provided for under the Underwriting Agreement, neither the Sponsor nor any of its close associates has or may, as a result of the Share Offer, have any interest in any securities of the Company or any other member of the Group (including options or rights to subscribe for such securities).

Neither the Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the Share Offer, other than the following:

- (i) in taking up the underwriting obligations under the Underwriting Agreement;
- (ii) by way of an underwriting commission to be paid to the Sponsor for acting as one of the Underwriters to the Share Offer pursuant to the Underwriting Agreement;
- (iii) by way of documentation and financial advisory fee to be paid to the Sponsor for acting as the sponsor of the Share Offer;
- (iv) pursuant to the compliance adviser agreement, the Sponsor has been appointed as the compliance adviser of the Company for the purpose of the Listing Rules for a fee from the Listing Date to the date on which the Company distributes the annual report for the second full financial year commencing after the Listing Date in accordance with the Listing Rules, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein; and
- (v) certain close associates of the Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in the securities of the Company or provide margin financing in connection thereto or purchase or sell securities of the Company or hold securities of the Company for investment purposes after its Listing on the Main Board.

None of the directors or employees of the Sponsor who have been involved in providing advice to the Company has or may, as a result of the Share Offer, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

None of the directors or employees of the Sponsor has any directorship in the Company or any other companies comprising the Group.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Ample Orient Capital Limited
Industrial Securities (Hong Kong) Capital Limited

PLACING UNDERWRITERS

Ample Orient Capital Limited
Industrial Securities (Hong Kong) Capital Limited
Convoy Investment Services Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Offer Price being agreed upon between the Joint Bookrunners and our Company), the Public Offer Underwriters has agreed to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Public Offer on and subject to the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. If the Joint Bookrunners (in the capacities of the Underwriters) and the Company are unable to reach an agreement with our Company on the Offer Price at or before 6:00 p.m. on Friday, 10 October 2014, the Share Offer will lapse.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional, and have not been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer 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:
 - (i) 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, China, the Cayman Islands, the United

UNDERWRITING

States, Canada, any member of the European Union, Japan, Singapore or any other jurisdiction where any member of the Group was incorporated or has a business presence (each a “**Relevant Jurisdiction**”); or

- (ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation to, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets), or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
- (iii) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions, acts of God, accident or interruption or delay in transportation in or affecting any Relevant Jurisdiction); or
- (v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (vi) (A) any moratorium, suspension, limitation or restriction on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange; or (B) any general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong, Japan or China declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vii) any change or development involving a prospective change or development in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of our Group; or

UNDERWRITING

- (ix) any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the commencement by any regulatory body or organisation of any action against any executive Director or our Group or an announcement by any regulatory body or organisation that it intends to take any such action; or
- (xi) a contravention by any member of our Group of the Predecessor Companies Ordinance, the Companies Ordinance or Companies Law or any of the Listing Rules; or
- (xii) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by our Company of a supplementary prospectus, Application Forms, preliminary or final offering circular pursuant to the Predecessor Companies Ordinance, the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Share Offer; or
- (xiii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our 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 our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;

and which, in any such case and in the sole opinion of the Joint Bookrunners (also in the capacity as the Public Offer Underwriters),

- (a) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company or our subsidiaries; or
- (b) has or may have or will have or is likely to have a material adverse effect on the success of the Share Offer or the level of Shares being applied for or accepted or the distribution of Shares; or
- (c) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus and/or for any material part of the Public Offer Underwriting Agreement to be performed or implemented as envisaged; or

UNDERWRITING

- (d) has or will have the effect of making any material part of the Public Offer Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof,
- (B) there has come to the notice of the Joint Lead Managers:
- (i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
 - (iii) any of the Warranties (as defined in the Public Offer Underwriting Agreement) given by the Covenantors (being our Company, our executive Directors and our Controlling Shareholders, as defined in the Public Offer Underwriting Agreement) in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or might when repeated be) untrue or misleading or inaccurate in any material respect; or
 - (iv) any event, act or omission which gives or may give rise to any liability of the Covenantors (as defined in the Public Offer Underwriting Agreement) or any other indemnifying party pursuant to the indemnities given by the Covenantors under the Public Offer Underwriting Agreement; or
 - (v) any breach of any of the obligations of the Covenantors (as defined in the Public Offer Underwriting Agreement) or any other indemnifying party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable; or
 - (vi) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company or our subsidiaries; or
 - (vii) any material litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the Covenantors (as defined in the Public Offer Underwriting Agreement) or any Director; or

UNDERWRITING

- (viii) any of the experts named in the paragraph headed “F. 7. Other Information — Qualifications of experts” in Appendix V to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations 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
- (ix) approval for the listing of and permission to deal in the Shares to be issued or sold on the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (x) our Company withdraws the Public Offer Documents (as defined in the Public Offer Underwriting Agreement) (and any other documents used in connection with the contemplated subscription our Shares) or the Share Offer,

then the Joint Lead Managers may, in its sole discretion and upon giving notice to our Company, terminate the Public Offer Underwriting Agreement with immediate effect.

Undertakings pursuant to the Listing Rules and the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into the equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or the securities will be completed within six months from the Listing Date), except under the Share Offer or the Capitalisation Issue or for the circumstances provided under Rule 10.08(1) to Rule 10.08(4) of the Listing Rules.

Our Company has undertaken to each of the Joint Bookrunners (in the capacity as themselves and the Public Offer Underwriters as well), the Joint Lead Managers and the Sponsor that except pursuant to the Share Offer, the Capitalisation Issue and any Share Option Scheme of any members of our Group, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date, our Company will not without the Joint Bookrunners’ prior written consent and unless in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, 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 such share capital;

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital; or

- (iii) offer or agree to enter into, any transaction with the same economic effect described in limb (i) or (ii) above, or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above whether any of the foregoing transactions described in limb (i) or (ii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and our Company further agrees that, in the event of an issue or disposal of any Shares or any interest therein after the date falling six months from the Listing Date, our Company will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares.

Nothing in the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of its subsidiaries provided that any such sale, or any enforcement of such pledge, mortgage or charge will not result in such subsidiary ceasing to be a subsidiary (as defined in the Companies Ordinance) of our Company within six months after the Listing Date; or (b) restrict any of our Company's subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary (as defined in the Companies Ordinance) of our Company within six months after the Listing Date.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that save as pursuant to the note (2) to Rule 10.07(2) of the Listing Rules, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) he or it will not, at any time in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, 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 in respect of which he or it is shown by this prospectus to be the beneficial owner;

- (b) he or it will not, at any time during the period of six months commencing on the date on which the period referred to in paragraph (a) above 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 referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it will then cease to be the Controlling Shareholder.

UNDERWRITING

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of our Company, the Joint Bookrunners (in the capacity as the Public Offer Underwriters as well), the Joint lead Managers and the Sponsor or its affiliates acting on its behalf in connection with the Share Offer that save as pursuant to the Share Offer or Note (2) to Rule 10.07(2) of the Listing Rules, without the prior written consent of the Joint Bookrunners:

- (a) he or it will not (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) during the period of six months commencing on the date on which the First Six-month Period expires, dispose of or, enter into any agreements of the foregoing transactions in limb (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be one of the Controlling Shareholders of our Company as defined in the Listing Rules;
- (b) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months from the Listing Date, he or it will not
 - (i) offer, pledge, 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 share capital of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital of our Company; or
 - (iii) offer or agree to enter into, any transaction with the same economic effect as any transaction described in limb (i) or (ii) above; or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above, whether any of the foregoing transactions described in limb (i) or (ii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and each of the Controlling Shareholders further agrees that, in the event of an issue or disposal of any Shares or any interest therein after the date falling six months from Listing Date, he or it will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares.

UNDERWRITING

Each of the Controlling Shareholders has further undertaken to each of our Company, the Joint Bookrunners (in the capacity as the Public Offer Underwriters as well), the Joint Lead Managers and the Sponsor that he or it will, at any time within the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (i) upon any pledge or charge in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of the Company or any interests therein beneficially owned by him or it for a bona fide commercial loan, immediately inform the Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (ii) upon any indication received by him or it, either verbal or written, from any pledge or chargee that any of the pledged or charged Shares or securities or interests in the Shares or other securities of the Company will be disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company has further agreed and undertaken to the Joint Bookrunners, the Joint Lead Managers (in the capacity as the Public Offer Underwriters as well) and the Sponsor, that, upon receiving such information in writing from the controlling shareholders, our Company shall, for so long as required by law and the Listing Rules, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information by way of an announcement in accordance with the Listing Rules.

Indemnity

Each of our Company, the executive Directors and the Controlling Shareholders jointly and severally undertakes to the Joint Bookrunners (also in the capacities as the Public Offer Underwriters) and the Sponsor to indemnify and hold harmless the Joint Bookrunners (also in the capacities as the Public Offer Underwriters), the Joint Lead Managers and the Sponsor, for themselves and on trust for each of their respective subsidiaries and affiliates and any of their respective representatives, partners directors, officers, employees, assignees and agents (collectively, the “**Indemnified Parties**” and individually, an “**Indemnified Party**”) against, among other things, all losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the terms and conditions of the Public Offer provided that such indemnity shall not be available to an Indemnified Party to the extent that such losses have been solely caused by the gross negligence, wilful default, fraud, bad faith or breach of law on the part of the Indemnified Party.

Total commission and expenses

The Public Offer Underwriters will receive an underwriting commission rate of 2% of the Offer Price of the Public Offer Shares initially offered under the Public Offer (depending on the amount of the aggregate Offer Price), out of which it will pay any subunderwriting commission. For unsubscribed Public Offer Shares reallocated to the Placing, our Company will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Joint Bookrunners.

UNDERWRITING

The aggregate commissions, together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the new Shares offered by our Company, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$25.3 million (assuming an Offer Price of HK\$1.10, which is the mid-point of the indicative Offer Price range of HK\$1.00 to HK\$1.20) in total and are payable by our Company.

Public Offer Underwriters' interests in our Company

Except as disclosed below and other than its obligations under the Public Offer Underwriting Agreement, as at the Latest Practicable Date, the Public Offer Underwriters are not interested directly or indirectly in any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

Sponsor's Independence

The Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Joint Bookrunners (in the capacity as the Placing Underwriters as well) on the Price Determination Date on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to procure subscribers for, or failing which to subscribe for itself, the Placing Shares being offered pursuant to the Placing which are not taken up under the Placing.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of 20,000,000 Offer Shares (subject to adjustment) in Hong Kong as described in this section headed “Structure and Conditions of the Share Offer” of the prospectus; and
- (ii) the Placing of 180,000,000 Offer Shares (subject to adjustment) as described in this section headed “Structure and Conditions of the Share Offer” of the prospectus.

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue.

PRICING AND ALLOCATION

Offer Price range

The Offer Price will be not more than HK\$1.20 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

PRICE PAYABLE ON APPLICATION

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.20 (plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee) for each Public Offer Share. If the Offer Price is less than HK\$1.20, appropriate refund payments (including 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee attributable to the surplus application monies) will be made to the applicants whose applications are successful.

Please refer to the sub-section headed “How to Apply for the Public Offer Shares — 13. Refund of application monies” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares under the Placing. Prospective investors will be required to specify the number of the Placing Shares which they would be prepared to acquire either at different prices or at a particular price. This process is known as “book-building”.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners and the Company on the Price Determination Date, when market demand for the Public Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 9 October 2014.

If, for any reason, the Company and the Joint Bookrunners (also in the capacities of the Underwriters) are unable to reach agreement on the Offer Price on or before 6:00 p.m. (Hong Kong time) on Friday, 10 October 2014, the Share Offer will not proceed.

The Offer Price will not be more than HK\$1.20 per Share and is expected to be not less than HK\$1.00 per Share unless otherwise announced. The net proceeds from the Share Offer are estimated to be approximately HK\$201.7 million based on the Offer Price of HK\$1.10 per Share, being the mid-point of the stated range of the Offer Price.

REDUCTION IN OFFER PRICE RANGE

If, based on the level of interest expressed by prospective institutional, professional and individual investors during the book-building process, the Joint Bookrunners consider it appropriate and with the prior written consent of the Company, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In this case, the 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 last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hinsanggroup.com notice of the reduction in the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

The final Offer Price, level of applications in the Public Offer, the level of indications of interest in the Placing, and the basis of allocations of the Public Offer Shares are expected to be announced on Wednesday, 15 October 2014 in The Standard (in English), Hong Kong Economic Journal (in Chinese), the website of the Company at www.hinsanggroup.com and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Public Offer including the Hong Kong Identity Card/Passport/Hong Kong Business Registration Numbers of the successful applicants and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic**

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

application instructions to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be available through a variety of channels as described in the sub-section headed “How to Apply for the Public Offer Shares — 11. Publication of results” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of the share options which may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriter under the Underwriting Agreements becoming unconditional. Details of the Underwriting Agreements and grounds for termination are set out in the section headed “Underwriting” of this prospectus. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Joint Bookrunners may agree with the Company, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed “Refund of your money” in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE PUBLIC OFFER

The Company is initially offering 20,000,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Shares being offered under the Share Offer for subscription in Hong Kong, subject to adjustment as mentioned in this section.

Applications for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Applicants for the Public Offer Shares under the Public Offer may not apply for Placing Shares under the Placing. Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The Public Offer will be subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” above.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 10,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) or less. The Public Offer Shares available in pool B will consist of 10,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the total initial value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different.

Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demands in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected. Multiple applications or suspected multiple applications within either pool and between pools will also be rejected.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of Shares between the Public Offer and the Placing is subject to adjustment which in turn depends on the level of subscription of the Public Offer. The adjustment will be made on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Offer Shares available under the Public Offer will be 80,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of Offer Shares available under the Public Offer will be 100,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners. Allocation of the Placing Shares under the Placing will be determined by the Joint Bookrunners and will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector, and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and individual investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of the Company and our Shareholders as a whole.

OVER-SUBSCRIPTION

Allocation of Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

THE PLACING

The Placing will consist of initially 180,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer which will be offered by the Company outside of the U.S. in reliance on Regulation S under the U.S. Securities Act, including to professional, institutional and individual investors.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the 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 Stock Exchange 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 licensed securities dealers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. on Thursday, 16 October 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 October 2014. The Shares will be traded in board lots of 2,000 Shares. The stock code of the Shares is 6893.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public 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.

The Company, the Joint Bookrunners, 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 Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company, the Sponsor and the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The number of joint applications may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares. Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any our subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public 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.

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 Tuesday, 30 September 2014 until 12:00 noon on Wednesday, 8 October 2014 from:

- (i) the following offices of the Underwriters:

Ample Orient Capital Limited
Unit A, 14th Floor, Two Chinachem Plaza,
135 Des Voeux Road Central,
Hong Kong

Industrial Securities (Hong Kong) Capital Limited
Unit 3201, 32/F, Infinitus Plaza,
199 Des Voeux Road Central,
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Convoy Investment Services Limited
24C, @Convoy, 169 Electric Road,
North Point,
Hong Kong

Qilu International Capital Limited
7/F Li Po Chun Chambers,
189 Des Voeux Road Central,
Central,
Hong Kong

(ii) any of the following branches of **Bank of China (Hong Kong) Limited**:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	North Point (King's Centre) Branch	193–209 King's Road, North Point
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Shanghai Street (Mong Kok) Branch	611–617 Shanghai Street, Mong Kok
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Tai Po Branch	68–70 Po Heung Street, Tai Po Market
	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 September 2014 until 12:00 noon on Wednesday, 8 October 2014 from the Depository Counter of HKSCC at 2/F., Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 — Hin Sang Group Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, 30 September 2014 — 9:00 a.m. to 5:00 p.m.
Friday, 3 October 2014 — 9:00 a.m. to 5:00 p.m.
Saturday, 4 October 2014 — 9:00 a.m. to 1:00 p.m.
Monday, 6 October 2014 — 9:00 a.m. to 5:00 p.m.
Tuesday, 7 October 2014 — 9:00 a.m. to 5:00 p.m.
Wednesday, 8 October 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 8 October 2014, the last application day or such later time as described in "Effect of Bad Weather Conditions 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**, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise the Company, the Sponsor, the Joint Bookrunners and/or, the Joint Lead Managers (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and Articles of Association of the Company;
- (ii) agree to comply with the Predecessor Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Memorandum and Articles of Association of the Company;
- (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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer 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 Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public 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 Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have collected the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Lead Managers and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public 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 through the **HK eIPO White Form** 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; and
 - (ii) you have due authority to sign the Application Form.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM

General

Individuals who meet the criteria in the paragraph headed “Who can apply”, may apply through the **HK eIPO White Form** 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** are on the designated website. 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, you authorise the **HK eIPO White Form** Service Provider 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**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 30 September 2014 until 11:30 a.m. on Wednesday, 8 October 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 8 October 2014 or such later time under the paragraph headed “Effects of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under **HK eIPO White Form** 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** 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 (as applied by Section 342E 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 Public 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
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers, Joint Bookrunners and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public 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 Public 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 Public 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 Placing;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company and our Directors will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 Lead Managers, Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, 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 Hong Kong Share Registrar, receiving bank, the Joint Lead Managers, Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public 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 Public Offer 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 Public Offer Shares;

HOW TO APPLY FOR THE PUBLIC 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 (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

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 authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or 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 Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public 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 Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 30 September 2014	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 3 October 2014	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 4 October 2014	—	8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 6 October 2014	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 7 October 2014	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 8 October 2014	—	8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 30 September 2014 until 12:00 noon on Wednesday, 8 October 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 8 October 2014, the last application day or such later time as described in the paragraph headed “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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public 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 Public 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 (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Lead Managers, Joint Bookrunners, 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 Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** 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, our Directors, the Joint Bookrunners, the Sponsor, the Joint Lead Managers 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** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 8 October 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by the 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 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 PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum indicative Offer Price, brokerage, SFC transaction levy and the 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** or CCASS Phone System/CCASS Internet System in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 2,000 Public 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 (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer”.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

10. EFFECTS OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 8 October 2014. 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 Wednesday, 8 October 2014 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”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications under the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 15 October 2014 in *The Standard* (in English) and *Hong Kong Economic Journal* (in Chinese), on the Company’s website at www.hinsanggroup.com and the website of the 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 Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.hinsanggroup.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 15 October 2014;
- from the website of Tricor Investor Services Limited at www.tricor.com.hk/ipo/result with a “search by ID Number/Business Registration Number” function on a 24-hour basis from 8:00 a.m. on Wednesday, 15 October 2014 to midnight on Tuesday, 21 October 2014;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 15 October 2014 to Monday, 20 October 2014 (Excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 October 2014 to Friday, 17 October 2014 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer”.

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 Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form on giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form**, you agree that your application cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus. If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Lead Managers, the Joint Bookrunners, 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sponsor or the Joint Lead Managers or the Joint Bookrunners believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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\$1.20 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer” 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 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 Wednesday, 15 October 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms 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 Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public 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 indicative Offer Price (including brokerage, SFC transaction levy and the 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 Wednesday, 15 October 2014. 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).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Thursday, 16 October 2014 provided that the Share Offer 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 Public 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 the Company’s Hong Kong 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 Wednesday, 15 October 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 15 October 2014, by ordinary post and at your own risk.

(ii) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 15 October 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Wednesday, 15 October 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 October 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public 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**

If you apply for 1,000,000 Public 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 Wednesday, 15 October 2014, or such other date as notified by our Company in the newspapers as the date of despatch/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 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 15 October 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 15 October 2014, 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 Public Offer in the manner specified in the paragraph headed "Publication of results" above on Wednesday, 15 October 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 October 2014 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 Public 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 15 October 2014. Immediately following the credit of the Public 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 Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 15 October 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 September 2014

The Directors
Hin Sang Group (International) Holding Co. Ltd.
Ample Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Hin Sang Group (International) Holding Co. Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the years ended 31 March 2012, 2013 and 2014 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 30 September 2014 (the “Prospectus”) in connection with the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 28 October 2010. Through a corporate reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix V to the Prospectus (the “Reorganisation”), which was completed on 20 October 2011, the Company became the holding company of the companies now comprising the Group.

At the end of the respective reporting period and the date of this report, the Company has the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ establishment/ operations	Issued and fully paid up share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
			As at 31 March 2012	As at 31 March 2013	As at 31 March 2014	As at the date of this report	
Hin Sang Group Holding Limited (“Hin Sang Holding”)	Limited liability company incorporated on 11 September 2006, the British Virgin Islands (“BVI”)	US\$30,000	100% (direct)	100% (direct)	100% (direct)	100% (direct)	Investment holding

Name of subsidiary	Legal form, date and place of incorporation/ establishment/ operations	Issued and fully paid up share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
			As at 31 March 2012	As at 31 March 2013	As at 31 March 2014	As at the date of this report	
HM Advertising Company Limited ("HM Advertising")	Limited liability company incorporated on 12 December 2007, Hong Kong	HK\$880,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Formulating and implementing overall marketing and branding strategies and preparing and controlling annual budgets for marketing activities for individual branded products
Chong Sang (HK) Company Limited ("Chong Sang")	Limited liability company incorporated on 25 April 2001, Hong Kong	HK\$1,800	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Trading and distribution of skin care products, personal care products and household products
Hin Sang Hong Company Limited ("Hin Sang Hong (HK)")	Limited liability company incorporated on 13 June 1996, Hong Kong	HK\$280,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Investment holding; brand development and management; and development, sales and distribution of health care products, personal care products and household products
衍生行貿易(深圳)有限公司 (transliterated as Hin Sang Hong Trading (Shenzhen) Limited)	Wholly foreign-owned enterprise established on 23 October 2007, the People's Republic of China (the "PRC")	Registered capital of RMB38,800,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Wholesale of health care products of Hin Sang (衍生) and skin care products of Beautymate (美肌の誌) in the PRC
Tai Wo Tong Company Limited ("Tai Wo Tong")	Limited liability company incorporated on 6 April 2009, Hong Kong	HK\$10,000	100% (indirect)	100% (indirect)	—	—	Packing of products for individual retailers
Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited ("Tai Wo Tong Pharmaceutical")	Limited liability company incorporated on 6 April 2009, Hong Kong	HK\$20,000	100% (indirect)	100% (indirect)	—	—	Packing of products developed and sold by the Group
Beautymate Hong Kong Limited ("Beautymate")	Limited liability company incorporated on 22 January 2010, Hong Kong	HK\$10,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Online sale of products distributed and/or developed by the Group
Hong Kong Pharmaceutical & Research Institute Co., Ltd.	Limited liability company incorporated on 18 August 2008, BVI	US\$2,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Investment holding

Name of subsidiary	Legal form, date and place of incorporation/ establishment/ operations	Issued and fully paid up share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
			As at 31 March 2012	As at 31 March 2013	As at 31 March 2014	As at the date of this report	
Yaome Nihon Corporation	Limited liability company incorporated on 23 June 2008, BVI	US\$2,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Inactive
Hong Kong Medicine Manufactory Holdings Co., Ltd.	Limited liability company incorporated on 17 July 2008, BVI	US\$2,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Investment holding
Hong Kong Pharmaceutical & Research Institute Co., Limited (formerly known as Surplus Sino Worldwide Limited) ("Hong Kong Pharmaceutical & Research")	Limited liability company incorporated on 22 May 2013, Hong Kong	HK\$1	—	—	100% (indirect)	100% (indirect)	Inactive
美肌之誌國際有限公司 (transliterated as Beautymate International Limited)	Limited liability company incorporated on 4 August 2010, Taiwan	Registered capital of NTS\$24,000,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Wholesale of skin care products under the brand of Beautymate (美肌の誌) in Taiwan

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement, and the Company has not carried on any business other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for those companies which were incorporated in the British Virgin Islands since their respective dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.

No audited statutory financial statements have been prepared for Beautymate International Limited since its date of incorporation as there is no statutory requirement for Beautymate International Limited to prepare audited statutory financial statements.

The statutory financial statements of the following Hong Kong incorporated subsidiaries were prepared in accordance with accounting principles generally accepted in Hong Kong and were audited by the following certified public accountants registered in Hong Kong:

<u>Name of subsidiary</u>	<u>Financial year</u>	<u>Name of certified public accountants</u>
HM Advertising	Year ended 31 March 2012	HLB Hodgson Impey Cheng
	Year ended 31 March 2013	HLB Hodgson Impey Cheng
	Year ended 31 March 2014	HLB Hodgson Impey Cheng Limited
Chong Sang	Year ended 31 March 2012	HLB Hodgson Impey Cheng
	Year ended 31 March 2013	HLB Hodgson Impey Cheng
	Year ended 31 March 2014	HLB Hodgson Impey Cheng Limited
Hin Sang Hong (HK)	Year ended 31 March 2012	HLB Hodgson Impey Cheng
	Year ended 31 March 2013	HLB Hodgson Impey Cheng
	Year ended 31 March 2014	HLB Hodgson Impey Cheng Limited
Tai Wo Tong	Year ended 31 March 2012	HLB Hodgson Impey Cheng
	Year ended 31 March 2013	HLB Hodgson Impey Cheng
Tai Wo Tong Pharmaceutical	Year ended 31 March 2012	HLB Hodgson Impey Cheng
	Year ended 31 March 2013	HLB Hodgson Impey Cheng
Beautymate	Year ended 31 March 2012	HLB Hodgson Impey Cheng
	Year ended 31 March 2013	HLB Hodgson Impey Cheng
	Year ended 31 March 2014	HLB Hodgson Impey Cheng Limited
Hong Kong Pharmaceutical & Research	Period from 22 May 2013 (date of incorporation) to 31 March 2014	HLB Hodgson Impey Cheng Limited

The statutory financial statements of Hin Sang Hong Trading (Shenzhen) Limited for the years ended 31 December 2011, 2012 and 2013 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 中聯會計師事務所有限公司, certified public accountants registered in the PRC.

For the purpose of this report, the directors of the Company have also prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section A below and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set 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 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2012, 2013 and 2014, and of the consolidated results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014
	Notes	HK\$'000	HK\$'000	HK\$'000
Revenue	5	360,414	235,114	253,171
Cost of sales		<u>(258,945)</u>	<u>(136,704)</u>	<u>(110,830)</u>
Gross profit		101,469	98,410	142,341
Other income	6	340	2,235	1,941
Other gains and losses	7	(351)	570	1,958
Selling and distribution expenses		(29,079)	(31,515)	(34,529)
Administrative expenses		(44,219)	(43,892)	(47,923)
Listing expenses		(472)	(2,643)	(1,374)
Finance costs	8	<u>(591)</u>	<u>(3,384)</u>	<u>(1,239)</u>
Profit before tax		27,097	19,781	61,175
Income tax expense	9	<u>(5,030)</u>	<u>(4,398)</u>	<u>(11,471)</u>
Profit for the year	10	22,067	15,383	49,704
Other comprehensive income/ (expense)				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations		<u>125</u>	<u>143</u>	<u>(1,015)</u>
Total comprehensive income for the year		<u>22,192</u>	<u>15,526</u>	<u>48,689</u>
Profit for the year attributable to owners of the Company		<u>22,067</u>	<u>15,383</u>	<u>49,704</u>
Total comprehensive income for the year attributable to owners of the Company		<u>22,192</u>	<u>15,526</u>	<u>48,689</u>
Earnings per share — basic and diluted	12	<u>HK\$0.07</u>	<u>HK\$0.05</u>	<u>HK\$0.17</u>

Details of dividends are disclosed in Note 13 to the Financial Information.

Consolidated statements of financial position

		As at 31 March 2012	As at 31 March 2013	As at 31 March 2014
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	14	9,167	14,060	16,521
Prepaid lease payments	15	10,229	9,930	19,531
Investment property	16	—	—	6,548
		<u>19,396</u>	<u>23,990</u>	<u>42,600</u>
Current assets				
Inventories	18	29,518	17,226	12,999
Trade and other receivables	19	37,662	31,961	37,626
Held for trading investments	20	—	321	—
Amounts due from directors	21	7,249	28,561	—
Tax refundable		184	74	—
Bank balances and cash	22	43,032	101,193	65,059
		<u>117,645</u>	<u>179,336</u>	<u>115,684</u>
Total assets		<u>137,041</u>	<u>203,326</u>	<u>158,284</u>
Current liabilities				
Trade and other payables	23	29,819	23,535	27,482
Bank borrowings	25	22,846	77,436	—
Obligation under finance lease	26	48	—	—
Dividend payable		—	—	30,000
Current tax liabilities		1,916	323	6,507
		<u>54,629</u>	<u>101,294</u>	<u>63,989</u>
Net current assets		<u>63,016</u>	<u>78,042</u>	<u>51,695</u>
Total assets less current liabilities		<u>82,412</u>	<u>102,032</u>	<u>94,295</u>
Non-current liabilities				
Bank borrowings	25	2,056	6,280	—
Obligation under finance lease	26	130	—	—
		<u>2,186</u>	<u>6,280</u>	<u>—</u>
Net assets		<u>80,226</u>	<u>95,752</u>	<u>94,295</u>
Capital and reserves				
Share capital	28	30,000	30,000	30,000
Reserves		50,226	65,752	64,295
Total equity		<u>80,226</u>	<u>95,752</u>	<u>94,295</u>

Statements of financial position

		As at 31 March 2012	As at 31 March 2013	As at 31 March 2014
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Investment in a subsidiary	17	<u>71,618</u>	<u>71,618</u>	<u>71,618</u>
Current assets				
Prepayments		78	—	—
Dividend receivable		<u>—</u>	<u>—</u>	<u>30,300</u>
		<u>78</u>	<u>—</u>	<u>30,300</u>
Total assets		<u>71,696</u>	<u>71,618</u>	<u>101,918</u>
Current liabilities				
Amount due to a subsidiary	24	135	192	239
Dividend payable		<u>—</u>	<u>—</u>	<u>30,000</u>
		<u>135</u>	<u>192</u>	<u>30,239</u>
Net current (liabilities)/assets		<u>(57)</u>	<u>(192)</u>	<u>61</u>
Total assets less current liabilities		<u>71,561</u>	<u>71,426</u>	<u>71,679</u>
Net assets		<u>71,561</u>	<u>71,426</u>	<u>71,679</u>
Capital and reserves				
Share capital	28	30,000	30,000	30,000
Reserves	31	<u>41,561</u>	<u>41,426</u>	<u>41,679</u>
Total equity		<u>71,561</u>	<u>71,426</u>	<u>71,679</u>

Consolidated statements of changes in equity

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Retained profits	Equity attributable to owners of the Company
	HK\$'000 (Note 28)	HK\$'000	HK\$'000 (Note 29)	HK\$'000 (Note 30)	HK\$'000	HK\$'000
As at 1 April 2011	30,000	41,618	(71,463)	159	57,720	58,034
Profit for the year	—	—	—	—	22,067	22,067
Other comprehensive income for the year						
Exchange differences on translating foreign operations	—	—	—	125	—	125
Total comprehensive income for the year	—	—	—	125	22,067	22,192
As at 31 March 2012	30,000	41,618	(71,463)	284	79,787	80,226
Profit for the year	—	—	—	—	15,383	15,383
Other comprehensive income for the year						
Exchange differences on translating foreign operations	—	—	—	143	—	143
Total comprehensive income for the year	—	—	—	143	15,383	15,526
As at 31 March 2013	30,000	41,618	(71,463)	427	95,170	95,752
Profit for the year	—	—	—	—	49,704	49,704
Other comprehensive expense for the year						
Exchange differences on translating foreign operations	—	—	—	(1,015)	—	(1,015)
Total comprehensive income/ (expense) for the year	—	—	—	(1,015)	49,704	48,689
Dividend recognised as distribution (Note 13)	—	—	—	—	(50,146)	(50,146)
As at 31 March 2014	30,000	41,618	(71,463)	(588)	94,728	94,295

Consolidated statements of cash flows

	Note	Year ended	Year ended	Year ended
		31 March 2012	31 March 2013	31 March 2014
		HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Profit before tax		27,097	19,781	61,175
Adjustments for:				
Interest expenses		591	3,384	1,239
Interest income		(97)	(2,097)	(1,319)
Loss/(gain) on disposal of property, plant and equipment		—	13	(8)
Gain on fair value change of held for trading investments		—	(23)	(1,570)
Loss on fair value change of investment property		—	—	145
(Reversal of write-down)/write- down of inventories		(556)	469	(354)
Amortisation of prepaid lease payments		307	298	300
Depreciation of property, plant and equipment		1,943	2,023	1,771
Operating cash flows before movements in working capital		29,285	23,848	61,379
Decrease in inventories		8,295	11,839	3,372
(Increase)/decrease in trade and other receivables		(6,047)	5,729	(6,989)
(Increase)/decrease in held for trading investments		—	(298)	1,891
(Decrease)/increase in trade and other payables		(1,840)	(6,380)	5,588
Decrease in amount due to a director		(4,516)	—	—
Cash generated from operations		25,177	34,738	65,241
Income taxes refunded		—	122	74
Income taxes paid		(5,981)	(6,003)	(5,180)
Net cash generated from operating activities		19,196	28,857	60,135
Cash flows from investing activities				
Interest received		97	2,097	1,319
Proceeds from disposal of property, plant and equipment		—	174	56
Purchases of property, plant and equipment		(4,063)	(7,069)	(13,408)
Purchases of leasehold land		—	—	(20,859)
Purchase of investment property		—	—	(6,839)
Advances to directors		(7,179)	(21,271)	(40,465)
Disposal of subsidiaries	35	—	—	(1,031)
Net cash used in investing activities		(11,145)	(26,069)	(81,227)

	<u>Year ended</u> <u>31 March 2012</u> HK\$'000	<u>Year ended</u> <u>31 March 2013</u> HK\$'000	<u>Year ended</u> <u>31 March 2014</u> HK\$'000
Cash flows from financing activities			
Interest paid	(591)	(3,324)	(1,239)
New bank loans raised	104,653	158,778	25,992
Repayments of bank loans	(79,754)	(99,871)	(39,653)
Repayments of obligation under finance lease	<u>(35)</u>	<u>(200)</u>	<u>—</u>
Net cash generated from/(used in) financing activities	<u>24,273</u>	<u>55,383</u>	<u>(14,900)</u>
Net increase/(decrease) in cash and cash equivalents	32,324	58,171	(35,992)
Cash and cash equivalents at the beginning of year	10,746	43,032	101,193
Effect of foreign exchange rates changes	<u>(38)</u>	<u>(10)</u>	<u>(142)</u>
Cash and cash equivalents at the end of year	<u><u>43,032</u></u>	<u><u>101,193</u></u>	<u><u>65,059</u></u>
Representing:			
Bank balances and cash	<u><u>43,032</u></u>	<u><u>101,193</u></u>	<u><u>65,059</u></u>

Notes to the Financial Information

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 28 October 2010. Its parent and ultimate holding company is Genwealth Group Holding Company Limited (“Genwealth”), a company incorporated in the British Virgin Islands and owned as to 90% by Mr. Pang Siu Hin (“Mr. Pang”) and 10% by Ms. Kwan Lai Man (“Mrs. Pang”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” of the Prospectus. The Company is an investment holding company. The Group is principally engaged in developing, marketing, selling and distributing of personal care products, health care products and household products.

In preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange, the Company and other companies now comprising the Group have undergone the Reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix V to the Prospectus, pursuant to which the Company has become holding company of the other companies now comprising the Group.

Mr. Pang and Mrs. Pang controlled the companies now comprising the Group before the Reorganisation and continue to control these companies after the Reorganisation. Accordingly, the Financial Information have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the Relevant Periods and the Reorganisation has taken place since 1 April 2011.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has throughout the Relevant Periods consistently adopted Hong Kong Accounting Standard (“HKAS”), HKFRS, amendments and interpretations, which are effective for annual periods beginning on or after 1 April 2013.

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group has not early applied these new standards, amendments and interpretations.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ²
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
HKFRS 15	Revenue from Contracts with Customers ⁶
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK (IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

- ⁵ Effective for annual periods beginning on or after 1 January 2016.
⁶ Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company anticipate that the application of the new or revised standards, amendments and interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below which conform with HKFRS issued by the HKICPA.

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 the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, 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, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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 the 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate 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 consolidated 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 statements 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, regardless of the date of the common control combination.

Investment in a subsidiary

Investment in a subsidiary is stated at cost less accumulated impairment losses, if any.

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.

Service income is recognised when services are provided.

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).

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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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 on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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.

Retirement benefit costs

Payments to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the 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 base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiary, 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 investment 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 is 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.

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.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statements 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. Costs include 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 assets other than properties under construction 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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 its disposals. 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 property is derecognised.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 that 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. Where 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 (where the effect of the time value of money is material).

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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, 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.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowings, obligation under finance lease and dividend 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 FVTPL, are subsequently measured at the higher of (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key 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.

Allowances for inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow moving inventory items. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions.

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Fair value of investment property

Investment property is stated at fair value determined by independent professional valuers based on direct comparison approach assuming sale of the property interest in its existing state and making references to comparable sales transactions as available in the relevant markets. In relying on the valuation report of the independent professional valuers, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the market conditions prevailing at the end of each reporting period. Any changes in the market conditions will affect the fair value of the investment property of the Group.

5. REVENUE AND SEGMENT INFORMATION

During the Relevant Periods, the Group's revenue represents the amount received and receivable for the sales of goods.

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable and operating segments under "HKFRS 8 — Operating Segments" are as follows:

1. Trading of Goods Segment
2. Product Development Segment
3. Brand Development and Management Segment

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2012

	Trading of Goods Segment	Product Development Segment	Brand Development and Management Segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
External sales	<u>186,014</u>	<u>112,222</u>	<u>62,178</u>	<u>360,414</u>
Segment profit	<u>7,013</u>	<u>10,442</u>	<u>10,136</u>	27,591
Interest income				97
Finance costs				<u>(591)</u>
Profit before tax				<u>27,097</u>

For the year ended 31 March 2013

	Trading of Goods Segment	Product Development Segment	Brand Development and Management Segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
External sales	<u>61,253</u>	<u>123,282</u>	<u>50,579</u>	<u>235,114</u>
Segment profit/(loss)	<u>(79)</u>	<u>14,077</u>	<u>7,047</u>	21,045
Interest income				2,097
Gain on fair value change of held for trading investments				23
Finance costs				<u>(3,384)</u>
Profit before tax				<u>19,781</u>

For the year ended 31 March 2014

	Trading of Goods Segment	Product Development Segment	Brand Development and Management Segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
External sales	21,373	188,851	42,947	253,171
Segment profit	76	50,562	8,887	59,525
Interest income				1,319
Gain on fair value change of held for trading investments				1,570
Finance costs				(1,239)
Profit before tax				61,175

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of interest income, gain on fair value change of held for trading investments and finance costs. This is the measure reported to the board of directors for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	As at 31 March 2012	As at 31 March 2013	As at 31 March 2014
	HK\$'000	HK\$'000	HK\$'000
Segment assets			
Trading of Goods Segment	12,382	8,488	2,492
Product Development Segment	52,813	51,793	80,253
Brand Development and Management Segment	21,381	12,896	10,480
Total segment assets	86,576	73,177	93,225
Unallocated	50,465	130,149	65,059
Consolidated assets	137,041	203,326	158,284
Segment liabilities			
Trading of Goods Segment	2,631	1,095	421
Product Development Segment	16,078	16,071	23,792
Brand Development and Management Segment	11,110	6,369	3,269
Total segment liabilities	29,819	23,535	27,482
Unallocated	26,996	84,039	36,507
Consolidated liabilities	56,815	107,574	63,989

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, amounts due from directors, held for trading investments and tax refundable.
- all liabilities are allocated to operating segments other than bank and other borrowings, dividend payable and current tax liabilities.

Other segment information

For the year ended 31 March 2012

	Trading of Goods Segment	Product Development Segment	Brand Development and Management Segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	620	3,450	207	4,277
Amortisation of prepaid lease payments	—	307	—	307
Depreciation of property, plant and equipment	585	1,165	193	1,943
Reversal of write-down of inventories	—	394	162	556
	<u>620</u>	<u>3,450</u>	<u>207</u>	<u>4,277</u>

For the year ended 31 March 2013

	Trading of Goods Segment	Product Development Segment	Brand Development and Management Segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	260	6,595	214	7,069
Amortisation of prepaid lease payments	—	298	—	298
Depreciation of property, plant and equipment	286	1,507	230	2,023
Loss on disposal of property, plant and equipment	—	13	—	13
Write-down of inventories	4	465	—	469
	<u>260</u>	<u>6,595</u>	<u>214</u>	<u>7,069</u>

For the year ended 31 March 2014

	Trading of Goods Segment	Product Development Segment	Brand Development and Management Segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	136	40,696	274	41,106
Amortisation of prepaid lease payments	—	300	—	300
Depreciation of property, plant and equipment	98	1,476	197	1,771
Gain/(Loss) on disposal of property, plant and equipment	3	(2)	7	8
Loss on fair value change of investment property	—	145	—	145
Reversal of write-down of inventories	—	354	—	354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

The Group's operations are located in Hong Kong, the PRC and Taiwan.

Information about the Group's revenue from external customers is presented based on location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets:

Revenue from external customers

	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	340,711	212,631	221,556
PRC	12,829	15,067	21,115
Taiwan	6,874	7,416	10,500
	<u> </u>	<u> </u>	<u> </u>
	<u>360,414</u>	<u>235,114</u>	<u>253,171</u>

Non-current assets

	As at 31 March 2012	As at 31 March 2013	As at 31 March 2014
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	18,075	22,873	4,994
PRC	607	685	37,350
Taiwan	714	432	256
	<u> </u>	<u> </u>	<u> </u>
	<u>19,396</u>	<u>23,990</u>	<u>42,600</u>

Information about major customers

Revenues from customers for the Relevant Periods contributing over 10% of the total sales of the Group are as follows:

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Customer A ²	38,262	39,833	46,111
Customer B ²	<u>N/A¹</u>	<u>27,504</u>	<u>25,805</u>

¹ The corresponding revenue did not contribute over 10% of the total sales of the Group.

² Revenue from Trading of Goods, Product Development, and Brand Development and Management Segments.

6. OTHER INCOME

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Interest income on bank deposits	97	2,097	1,319
Rental income	—	—	50
Forfeiture of customers' deposits	—	—	100
Compensation from a brand proprietor for breach of contract	—	—	300
Late delivery compensation from a supplier	151	—	—
Others	<u>92</u>	<u>138</u>	<u>172</u>
	<u>340</u>	<u>2,235</u>	<u>1,941</u>

7. OTHER GAINS AND LOSSES

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Gain on fair value change of held for trading investments	—	23	1,570
Loss on fair value change of investment property	—	—	(145)
(Loss)/gain on disposal of property, plant and equipment	—	(13)	8
Net foreign exchange (loss)/gain	<u>(351)</u>	<u>560</u>	<u>525</u>
	<u>(351)</u>	<u>570</u>	<u>1,958</u>

8. FINANCE COSTS

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Interest on:			
Bank borrowings			
— wholly repayable within five years	572	3,346	1,135
— not wholly repayable within five years	—	36	104
Finance leases	<u>19</u>	<u>2</u>	<u>—</u>
	<u>591</u>	<u>3,384</u>	<u>1,239</u>

9. INCOME TAX EXPENSE

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Current tax:			
— Hong Kong Profits Tax	5,033	4,463	11,203
(Over)/Under provision in prior year:			
— Hong Kong Profits Tax	<u>(3)</u>	<u>(65)</u>	<u>268</u>
Total income tax recognised in profit or loss	<u>5,030</u>	<u>4,398</u>	<u>11,471</u>

Hong Kong Profits Tax has been provided at 16.5% on the estimated assessable profit arising in or derived from Hong Kong for the Relevant Periods.

No provision for taxation has been provided for companies in the Cayman Islands and the British Virgin Islands as they are not subject to any tax during the Relevant Periods.

No provision for PRC Enterprise Income Tax has been provided for the PRC subsidiary as there was no assessable profit for the years ended 31 March 2013 and 2014 and the taxable income for the year ended 31 March 2012 was wholly offset by the tax losses brought forward.

No provision for Taiwan Enterprise Income Tax has been provided for the Taiwan subsidiary as there was no assessable profit for the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Profit before tax	27,097	19,781	61,175
Tax at Hong Kong Profits Tax rate of 16.5%	4,471	3,264	10,094
Tax effect of expenses not deductible for tax purpose	606	1,099	797
Tax effect of income not taxable for tax purpose	(13)	(341)	(219)
Tax effect of tax losses not recognised	2	589	580
Utilisation of tax losses not previously recognised	(52)	—	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	18	(176)	(81)
(Over)/Under provision in prior year	(3)	(65)	268
Others	1	28	32
Tax charge for the year	<u>5,030</u>	<u>4,398</u>	<u>11,471</u>

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Directors' emoluments (<i>Note 11</i>)	2,852	2,851	3,229
Other staff costs	24,542	25,068	25,260
Contributions to retirement benefits schemes, excluding those of directors	969	1,020	1,212
Total staff costs	<u>28,363</u>	<u>28,939</u>	<u>29,701</u>
Amortisation of prepaid lease payments	307	298	300
Depreciation of property, plant and equipment	1,943	2,023	1,771
Auditors' remuneration			
— provision for the year	500	350	420
— overprovision in prior year	(60)	—	—
(Reversal of write-down)/write-down of inventories (included in cost of sales)	(556)	469	(354)
Cost of inventories recognised as an expense	<u>256,048</u>	<u>132,854</u>	<u>108,530</u>

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to the directors and chief executive of the Company were as follows:

	<u>Other emoluments</u>			<u>Total</u>
	<u>Fees</u>	<u>Salaries and other benefits</u>	<u>Contributions to retirement benefits schemes</u>	
	HK\$'000	HK\$'000	HK\$'000	
For the year ended 31 March 2012				
Executive directors				
Mr. Pang	—	1,522	18	1,540
Mrs. Pang	—	1,300	12	1,312
Non-executive director				
Ms. Wong Wai Ling	—	—	—	—
Independent non-executive directors				
Dr. Tang Sing Hing Kenny	—	—	—	—
Mr. Tsui Nam Hung	—	—	—	—
	<u>—</u>	<u>2,822</u>	<u>30</u>	<u>2,852</u>
For the year ended 31 March 2013				
Executive directors				
Mr. Pang	—	1,515	21	1,536
Mrs. Pang	—	1,300	15	1,315
Non-executive director				
Ms. Wong Wai Ling	—	—	—	—
Independent non-executive directors				
Dr. Tang Sing Hing Kenny	—	—	—	—
Mr. Tsui Nam Hung	—	—	—	—
	<u>—</u>	<u>2,815</u>	<u>36</u>	<u>2,851</u>
For the year ended 31 March 2014				
Executive directors				
Mr. Pang	—	1,762	22	1,784
Mrs. Pang	—	1,430	15	1,445
Non-executive director				
Ms. Wong Wai Ling	—	—	—	—
Independent non-executive directors				
Dr. Tang Sing Hing Kenny	—	—	—	—
Mr. Tsui Nam Hung	—	—	—	—
	<u>—</u>	<u>3,192</u>	<u>37</u>	<u>3,229</u>

Notes:

- (i) Mr. Pang is the chief executive officer of the Company.
- (ii) Ms. Wong Wai Ling was appointed as a non-executive director on 5 November 2010 and Dr. Tang Sing Hing Kenny and Mr. Tsui Nam Hung were appointed as independent non-executive directors on 5 November 2010. No emolument was paid by the Group to them during the Relevant Periods as their service contracts with the Company was entered into on 25 September 2014.

Employees' emoluments

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	(Number of individuals)	(Number of individuals)	(Number of individuals)
Directors	2	2	2
Non-directors individuals	<u>3</u>	<u>3</u>	<u>3</u>
5 highest-paid individuals	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>

The emoluments of the above non-director, highest paid individuals were as follows:

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	1,916	1,668	1,612
Contributions to retirement benefits schemes	<u>39</u>	<u>43</u>	<u>43</u>
Total emoluments	<u><u>1,955</u></u>	<u><u>1,711</u></u>	<u><u>1,655</u></u>

Note: The emoluments of each of the above non-director, highest paid individuals were below HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the Company's directors or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Company's directors waived any emoluments during the Relevant Periods.

12. EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company for the Relevant Periods and (ii) on the assumption that 300,000,000 shares issued after the completion of the Reorganisation were deemed to have been in issue since 1 April 2011.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the Relevant Periods.

13. DIVIDENDS

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Dividends recognised as distribution during the year			
— Interim dividends	—	—	20,146
— Special dividend	<u>—</u>	<u>—</u>	<u>30,000</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>50,146</u></u>

On 3 July 2013, the Company declared and paid an interim dividend of approximately HK\$146,000 to Genwealth by way of distribution in specie of all the issued shares in Tai Wo Tong Pharmaceutical indirectly held by the Company.

On 15 October 2013, the Company declared an interim dividend of HK\$20,000,000 to Genwealth. The dividend was settled through offsetting the amounts due from the directors during the year ended 31 March 2014.

On 24 January 2014, the Company declared a special dividend of HK\$30,000,000 to Genwealth. The dividend has been fully paid in cash in August 2014.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of this report.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land held for own use	Building held for own use	Construction in progress	Furniture and equipment	Motor vehicles	Leasehold improvements and fixtures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost							
As at 1 April 2011	3,021	1,359	749	4,459	4,021	3,698	17,307
Additions	—	—	2,142	1,709	214	212	4,277
Exchange adjustments	—	—	—	15	12	1	28
As at 31 March 2012	3,021	1,359	2,891	6,183	4,247	3,911	21,612
Additions	—	—	5,390	456	755	468	7,069
Disposals	—	—	—	—	(214)	—	(214)
Exchange adjustments	—	—	—	3	6	4	13
As at 31 March 2013	3,021	1,359	8,281	6,642	4,794	4,383	28,480
Additions	—	7,642	497	1,548	1,229	2,492	13,408
Disposal of subsidiaries	—	—	(8,778)	(882)	—	(481)	(10,141)
Disposals	—	—	—	(76)	(250)	—	(326)
Exchange adjustments	—	(163)	—	(37)	(11)	(56)	(267)
As at 31 March 2014	3,021	8,838	—	7,195	5,762	6,338	31,154
Accumulated depreciation							
As at 1 April 2011	710	670	—	2,946	3,271	2,898	10,495
Provided for the year	62	84	—	1,007	338	452	1,943
Exchange adjustments	—	—	—	5	2	—	7
As at 31 March 2012	772	754	—	3,958	3,611	3,350	12,445
Provided for the year	62	84	—	1,140	353	384	2,023
Eliminated on disposals	—	—	—	—	(49)	—	(49)
Exchange adjustments	—	—	—	(1)	2	—	1
As at 31 March 2013	834	838	—	5,097	3,917	3,734	14,420
Provided for the year	61	168	—	671	570	301	1,771
Disposal of subsidiaries	—	—	—	(777)	—	(468)	(1,245)
Eliminated on disposals	—	—	—	(28)	(250)	—	(278)
Exchange adjustments	—	(2)	—	(26)	(3)	(4)	(35)
As at 31 March 2014	895	1,004	—	4,937	4,234	3,563	14,633
Carrying amounts							
As at 31 March 2014	2,126	7,834	—	2,258	1,528	2,775	16,521
As at 31 March 2013	2,187	521	8,281	1,545	877	649	14,060
As at 31 March 2012	2,249	605	2,891	2,225	636	561	9,167

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land held for own use	Over the lease term
Building held for own use	3%
Furniture and equipment	25%
Motor vehicles	25%
Leasehold improvements and fixtures	25% or over the lease term whichever is the shorter

The Group's leasehold land held for own use, which is held under medium-term leases, comprise Flat A on Ground Floor including the garden adjacent thereto of the Block 7 and Car Park No. 128 on Basement Floor of Casa De Oro, 23 Hung Shui Kiu Main Street, Yuen Long, New Territories, Hong Kong, which were acquired by the Group in December 1999.

As at 31 March 2012 and 31 March 2013, the Group has pledged leasehold land and building with a net book value of approximately HK\$2,854,000 and HK\$2,708,000 respectively to secure the bank borrowings granted to the Group. As at 31 March 2014, the Group did not pledge its leasehold land and building to secure any banking facilities granted to the Group.

As at 31 March 2012, the net book value of motor vehicles includes an amount of approximately HK\$168,000 in respect of asset held under finance leases. As at 31 March 2013 and 31 March 2014, no motor vehicle was held under finance leases.

15. PREPAID LEASE PAYMENTS

Group

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
At the beginning of year	10,834	10,527	10,229
Addition	—	—	20,859
Amortisation of prepaid lease payments	(307)	(298)	(300)
Disposal of subsidiaries	—	—	(10,154)
Exchange adjustments	—	—	(440)
	<u>10,527</u>	<u>10,229</u>	<u>20,194</u>
	<u>As at</u> <u>31 March 2012</u>	<u>As at</u> <u>31 March 2013</u>	<u>As at</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Analysed for reporting purposes as:			
Current asset (included in trade and other receivables)	298	299	663
Non-current asset	<u>10,229</u>	<u>9,930</u>	<u>19,531</u>
	<u>10,527</u>	<u>10,229</u>	<u>20,194</u>

The Group's prepaid lease payments comprise:

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Leasehold land in Hong Kong			
— medium-term lease	10,527	10,229	—
Leasehold land outside Hong Kong			
— medium-term lease	—	—	20,194
	<u>10,527</u>	<u>10,229</u>	<u>20,194</u>

16. INVESTMENT PROPERTY

Group

	<u>Year ended</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>Year ended</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>Year ended</u> <u>31 March 2014</u> <u>HK\$'000</u>
At the beginning of year	—	—	—
Addition	—	—	6,839
Decrease in fair value recognised in profit or loss	—	—	(145)
Exchange adjustments	—	—	(146)
At the end of year	<u>—</u>	<u>—</u>	<u>6,548</u>

The Group's property interest held under operating lease to earn rentals or for capital appreciation purpose is measured using the fair value model and is classified and accounted for as investment property.

The Group's investment property is situated on land in the PRC under medium-term lease.

The fair value of the Group's investment property as at 31 March 2014 has been arrived at on the basis of a valuation carried out on that date by Stirling Appraisals Limited, independent qualified professional valuers not connected to the Group.

The fair value was determined based on direct comparison method assuming sale of the property interest in its existing state and making references to comparable market observable transactions of similar properties in the same locations and conditions as available in the relevant market.

In estimating the fair value of the property, the highest and best use of the property is their current use.

Details of the Group's investment property and information about the fair value hierarchy as at 31 March 2014 are as follows:

<u>Investment property</u>	<u>Fair value as at</u> <u>31 March 2014</u> <u>(HK\$'000)</u>	<u>Fair value</u> <u>hierarchy</u>	<u>Valuation technique(s)</u> <u>and key input(s)</u>
Commercial property unit located in the PRC	6,548	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property

17. INVESTMENT IN A SUBSIDIARY

Company

	As at 31 March 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 March 2014 HK\$'000
Unlisted shares, at cost	71,618	71,618	71,618

18. INVENTORIES

Group

	As at 31 March 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 March 2014 HK\$'000
Raw materials	2,063	1,180	640
Finished products for resale	27,455	16,046	12,359
	<u>29,518</u>	<u>17,226</u>	<u>12,999</u>

19. TRADE AND OTHER RECEIVABLES

Group

	As at 31 March 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 March 2014 HK\$'000
Trade receivables	28,615	26,016	32,368
Prepayments to suppliers	598	13	137
Prepaid listing expenses	3,366	968	628
Prepaid lease payments	298	299	663
Prepayments for other expenses	2,142	3,166	2,562
Other deposits (mainly including rental and building management fee deposits)	2,406	1,403	993
Other receivables	237	96	275
	<u>37,662</u>	<u>31,961</u>	<u>37,626</u>

The following is an aging analysis of the Group's trade receivables at the end of each reporting period, presented based on invoice date:

	As at 31 March 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 March 2014 HK\$'000
0–30 days	10,755	11,648	14,866
31–60 days	10,424	8,665	7,104
61–90 days	5,416	4,714	8,358
Over 90 days	2,020	989	2,040
	<u>28,615</u>	<u>26,016</u>	<u>32,368</u>

The Group's sales to most customers are made on cash on delivery, whilst the Group generally allows an average credit period of 60 days (with 15 days of grace period in certain cases) to certain major trade customers with established trading records.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers.

Trade receivables disclosed above include amounts (see below for aging analysis) which are past due at the end of each reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Aging of trade receivables that are past due but not impaired

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
61–90 days	5,416	4,714	8,358
Over 90 days	<u>2,020</u>	<u>989</u>	<u>2,040</u>
	<u>7,436</u>	<u>5,703</u>	<u>10,398</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

At the end of each reporting period, the amount due from a company controlled by a relative of Mr. Pang included in the Group's trade receivables are:

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Brighten Hong Limited	<u>1,682</u>	<u>822</u>	<u>1,909</u>

20. HELD FOR TRADING INVESTMENTS

Group

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Equity securities listed in Hong Kong	<u>—</u>	<u>321</u>	<u>—</u>

The fair value of held-for-trading investments is determined based on the quoted market bid prices available on the Stock Exchange.

21. AMOUNTS DUE FROM DIRECTORS

Group

	Maximum amount outstanding during					
	Year ended	Year ended	Year ended	As at	As at	As at
	31 March	31 March	31 March	31 March	31 March	31 March
	2012	2013	2014	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Pang	70	70	70	70	70	—
Mrs. Pang	7,179	28,491	28,491	7,179	28,491	—
				7,249	28,561	—

The amounts due from the above directors were unsecured, interest-free and had no fixed term of repayment.

22. BANK BALANCES AND CASH

Group

	As at	As at	As at
	31 March 2012	31 March 2013	31 March 2014
Bank balances carry interest at market rates which range:	From 0.001% to 0.29% per annum	From 0.001% to 3.4% per annum	From 0.001% to 2.85% per annum

Certain of the Group's bank balances and cash with an aggregate amount of approximately HK\$759,000, HK\$66,389,000 and HK\$40,200,000 as at 31 March 2012, 31 March 2013 and 31 March 2014 respectively, were denominated in Renminbi ("RMB") which is not a freely convertible currency in the international market. The government of the PRC has implemented foreign exchange control and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

23. TRADE AND OTHER PAYABLES

Group

	As at	As at	As at
	31 March 2012	31 March 2013	31 March 2014
	HK\$'000	HK\$'000	HK\$'000
Trade payables	19,788	12,262	16,104
Receipts in advance	2,549	3,459	3,165
Accruals (including salaries and promotion expenses)	7,482	7,814	8,213
	29,819	23,535	27,482

The following is an aging analysis of the Group's trade payables at the end of each reporting period, presented based on invoice date:

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
0–30 days	7,226	4,957	8,489
31–60 days	8,483	3,734	4,452
61–90 days	2,054	2,072	1,947
Over 90 days	<u>2,025</u>	<u>1,499</u>	<u>1,216</u>
	<u>19,788</u>	<u>12,262</u>	<u>16,104</u>

24. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary was unsecured, interest-free and repayable on demand.

25. BANK BORROWINGS

Group

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Secured bank loans	<u>24,902</u>	<u>83,716</u>	<u>—</u>
Carrying amount repayable:*			
Within one year	7,452	18,961	—
More than one year, but not exceeding two years	509	820	—
More than two years, but not exceeding five years	1,547	1,972	—
More than five years	—	3,488	—
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>15,394</u>	<u>58,475</u>	<u>—</u>
	24,902	83,716	—
Less: Amounts shown under current liabilities	<u>(22,846)</u>	<u>(77,436)</u>	<u>—</u>
Amounts shown under non-current liabilities	<u>2,056</u>	<u>6,280</u>	<u>—</u>

* The amounts due are based on the scheduled repayment dates set out in the loan agreements.

31 March 2012

As at 31 March 2012, the Group's bank loans carry interest at variable rates which are mainly subject to interest at HIBOR plus 1% per annum, 0.5% per annum below Hong Kong dollar prime rate or 0.71% per annum above the prevailing deposit rate quoted by a bank.

As at 31 March 2012, the Group's bank loans were secured by (i) unlimited joint and several guarantees from Mr. Pang and Mrs. Pang; (ii) a personal guarantee from Mrs. Pang to the extent of NT\$10,000,000; (iii) a first legal charge/mortgage over the Group's property at Flat A, G/F. including Garden adjacent thereto of Block 7 with Car Park No. 128 on Basement Floor, Casa De Oro, 23 Hung Shui Kiu Main Street, Hung Shui Kiu, Yuen Long, New Territories; (iv) a first legal charge/mortgage and rental assignment over the property at Unit C–E on 7/F., Wang Yip

Centre, No. 18 Wang Yip Street East, Yuen Long, New Territories in the name of Mr. Pang and Mrs. Pang; (v) a first legal charge/mortgage and rental assignment over the property at Shop B on G/F (with the Cockloft), Wah Yan Building, No. 23 Hong King Street, Yuen Long, New Territories in the name of Mr. Pang and Mrs. Pang; and (vi) a first legal charge/mortgage over the property at House No. A10 (also known as House No. 10) and including the Garden, the Flat Roof, the Planter and 2 Car parking Spaces appurtenant thereto Constellation Cove, 1 Hung Lam Drive, Tai Po, New Territories in the name of Mr. Pang and Mrs. Pang.

As at 31 March 2012, the Group's undrawn banking facilities were secured by (i) unlimited joint and several guarantee from Mr. Pang and Mrs. Pang; (ii) personal guarantees from Mr. Pang to the extent of HK\$19,225,000; (iii) personal guarantees from Mrs. Pang to the extent of HK\$18,000,000; (iv) a guarantee from Mr. Pang and Mrs. Pang to the extent of HK\$6,000,000; (v) a guarantee from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme to the extent of HK\$4,800,000; (vi) life insurances policies in name of Mr. Pang and Mrs. Pang with a total value of HK\$3,900,000 and (vii) shares and/or funds in name of Mr. Pang and Mrs. Pang deposited or to be deposited with a bank.

31 March 2013

As at 31 March 2013, the Group's bank loans carry interest at variable rates which are mainly subject to interest at HIBOR plus 2.5% per annum, 0.5% per annum below Hong Kong dollar prime rate or 0.71% per annum above the prevailing deposit rate quoted by a bank.

As at 31 March 2013, the Group's bank loans were secured by (i) a personal guarantee from Mr. Pang to the extent of HK\$8,000,000; (ii) a personal guarantee from Mrs. Pang to the extent of HK\$8,000,000; (iii) a personal guarantee from Mrs. Pang to the extent of NT\$30,000,000; (iv) a personal guarantee and indemnity provided by Mr. Pang and Mrs. Pang for an unlimited amount; (v) a first legal charge/mortgage over the Group's property at Flat A, G/F, including Garden adjacent thereto of Block 7 with Car Park No. 128 on Basement Floor, Casa De Oro, 23 Hung Shui Kiu Main Street, Hung Shui Kiu, Yuen Long, New Territories; (vi) a first legal charge/mortgage and rental assignment over the property at Unit C-E on 7/F., Wang Yip Centre, No. 18 Wang Yip Street East, Yuen Long, New Territories in the name of Mr. Pang and Mrs. Pang; (vii) a first legal charge/mortgage and rental assignment over the property at Shop B on G/F (with the Cockloft), Wah Yan Building, No. 23 Hong King Street, Yuen Long, New Territories in the name of Mr. Pang and Mrs. Pang; (viii) a first legal charge/mortgage over the property at House No. A10 (also known as House No. 10) and including the Garden, the Flat Roof, the Planter and 2 Car parking Spaces appurtenant thereto Constellation Cove, 1 Hung Lam Drive, Tai Po, New Territories in the name of Mr. Pang and Mrs. Pang; and (ix) shares and/or funds in name of Mr. Pang and Mrs. Pang deposited or to be deposited with a bank.

As at 31 March 2013, the Group's undrawn banking facilities were secured by (i) unlimited joint and several guarantee from Mr. Pang and Mrs. Pang; (ii) personal guarantees from Mr. Pang to the extent of HK\$16,225,000; (iii) personal guarantees from Mrs. Pang to the extent of HK\$15,000,000; (iv) a guarantee from Mr. Pang and Mrs. Pang to the extent of HK\$6,000,000; (v) a guarantee from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme to the extent of HK\$4,800,000; and (vi) life insurances policies in name of Mr. Pang and Mrs. Pang with a total value of HK\$3,900,000.

31 March 2014

As at 31 March 2014, the Group's undrawn banking facilities were secured by (i) unlimited joint and several guarantee from Mr. Pang and Mrs. Pang; (ii) personal guarantees from Mr. Pang to the extent of HK\$21,225,000; and (iii) personal guarantees from Mrs. Pang to the extent of HK\$20,000,000. These guarantees from Mr. Pang and Mrs. Pang will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

The securities named in the above bank loans and banking facilities are hereinafter collectively referred to as the "Securities". No security nor consideration has been given by the Group to Mr. Pang and/or Mrs. Pang for giving the Securities.

26. OBLIGATION UNDER FINANCE LEASE

Group

	Minimum lease payments			Present value of minimum lease payments		
	As at	As at	As at	As at	As at	As at
	31 March	31 March	31 March	31 March	31 March	31 March
	2012	2013	2014	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases						
Within one year	68	—	—	48	—	—
In more than one year but not more than two years	68	—	—	55	—	—
In more than two years but not more than five years	76	—	—	75	—	—
	212	—	—	178	—	—
Less: future finance charges	(34)	—	—	—	—	—
Present value of lease obligation	178	—	—	178	—	—
Less: Amount due for settlement with one year (shown under current liabilities)				(48)	—	—
Amount due for settlement after one year				130	—	—

The Group's obligation under finance lease was secured by the lessor's title to the leased asset.

The Group leased a motor vehicle under a finance lease with a lease term of 3 years. Interest rate underlying the obligation under finance lease was fixed at contract inception at 13.39% per annum. On 4 May 2012, the Group and the lessor both agreed to terminate the finance lease.

27. DEFERRED TAX

At 31 March 2012, 31 March 2013 and 31 March 2014, the Group has deductible temporary differences of approximately HK\$327,000, HK\$405,000 and HK\$131,000 respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference due to the unpredictability of future profit streams.

At 31 March 2012, 31 March 2013 and 31 March 2014, the Group has unused tax losses of approximately HK\$3,058,000, HK\$5,655,000 and HK\$8,563,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses in Hong Kong may carry forward indefinitely. The unrecognised tax losses in the PRC will expire as follows:

	As at 31 March 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 March 2014 HK\$'000
Tax losses expiring in			
— 2013 to 2014	67	68	—
— 2015 to 2016	2,931	2,973	2,965
— 2017 to 2018	—	2,124	2,118
— 2018 to 2019	—	—	951
	<u>2,998</u>	<u>5,165</u>	<u>6,034</u>

28. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
As at 1 April 2011	3,900,000	390
Increase in number of authorised shares (<i>Note (i)</i>)	<u>796,100,000</u>	<u>79,610</u>
As at 31 March 2012, 31 March 2013 and 31 March 2014	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
As at 1 April 2011	1	—
Issue of shares (<i>Note (ii)</i>)	<u>299,999,999</u>	<u>30,000</u>
As at 31 March 2012, 31 March 2013 and 31 March 2014	<u>300,000,000</u>	<u>30,000</u>

Notes:

- (i) Pursuant to the written resolutions passed by the sole shareholder of the Company on 20 October 2011, the authorised share capital of the Company was increased from HK\$390,000 to HK\$80,000,000 by the creation of a further 796,100,000 new shares of HK\$0.10 each, ranking pari passu with the existing share in all respects.
- (ii) On 20 October 2011, the Company acquired the entire issued share capital of Hin Sang Holding from Genwealth in consideration of the Company's allotment and issue of 299,999,999 shares of HK\$0.10 each in the capital of the Company.

29. MERGER RESERVE

The merger reserve represents the difference between the share capital of the Company and the aggregate amount of share capital of other companies now comprising the Group, after elimination of intra-group investments.

30. FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation of the net assets/liabilities of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HK\$) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

31. RESERVES OF THE COMPANY**Company**

	Share premium	Retained profit/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000
	<i>(Note)</i>		
As at 1 April 2011	—	—	—
Loss for the year and total comprehensive expense for the year Arising from Reorganisation	—	(57)	(57)
	<u>41,618</u>	<u>—</u>	<u>41,618</u>
As at 31 March 2012	41,618	(57)	41,561
Loss for the year and total comprehensive expense for the year	<u>—</u>	<u>(135)</u>	<u>(135)</u>
As at 31 March 2013	41,618	(192)	41,426
Profit for the year and total comprehensive income for the year	—	50,399	50,399
Dividend recognised as distribution (<i>Note 13</i>)	<u>—</u>	<u>(50,146)</u>	<u>(50,146)</u>
As at 31 March 2014	<u><u>41,618</u></u>	<u><u>61</u></u>	<u><u>41,679</u></u>

Note: Share premium represents the difference between the nominal value of shares issued by the Company pursuant to the Reorganisation and the aggregate net asset value of the subsidiary acquired.

32. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expenses recognised in the consolidated statements of profit or loss and other comprehensive income amount to approximately HK\$999,000, HK\$1,056,000, and HK\$1,249,000 for the years ended 31 March 2012, 2013 and 2014 respectively, and represent contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

33. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

During the Relevant Periods, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transaction	Year ended	Year ended	Year ended
		31 March 2012	31 March 2013	31 March 2014
		HK\$'000	HK\$'000	HK\$'000
Mr. Pang and Mrs. Pang (executive directors of the Company)	Rental expenses for premises (Note (i) & (v))	216	338	254
Ms. Qiu Shu Fang (mother of Mr. Pang)	Rental expenses for premises (Note (i))	85	86	81
Tai Wo Tong Pharmaceutical	Packing costs (Note (ii) & (v))	—	—	6,488
	Research and development expenses (Note (iii) & (v))	—	—	132
Brighten Hong Limited (a company controlled by a relative of Mr. Pang)	Sales of goods (Note (iv) & (v))	1,682	9,009	9,179

Notes:

- (i) The rental expenses for premises payable to the above related parties are based on tenancy agreements entered into between the parties involved. In the opinion of the Company's directors, these transactions have been entered into on normal commercial terms and in the ordinary and usual course of the Group's business.
- (ii) Products packed by Tai Wo Tong Pharmaceutical were carried out in the normal course of business at mutually agreed prices and terms.
- (iii) Research and development service was provided by Tai Wo Tong Pharmaceutical based on mutually agreed terms.
- (iv) The sales to Brighten Hong Limited were carried out in the normal course of business at mutually agreed prices and terms.
- (v) The directors of the Company represented that the transaction will continue in the future after the listing of the Company's shares on the Main Board of the Stock Exchange. This related party transaction will constitute a continuing connected transaction under the Listing Rules upon listing.

(b) Outstanding balances with related parties

Details of outstanding balances with related parties of the Group and the Company at the end of each reporting period are set out in Notes 19, 21 and 24.

(c) Guarantees provided by related parties

Details of personal guarantees provided by Mr. Pang and Mrs. Pang in connection with the banking facilities granted to the Group at the end of each reporting period are set out in Note 25.

(d) Pledges over assets of related parties

Details of pledges over assets of Mr. Pang and Mrs. Pang in connection with the banking facilities granted to the Group as at 31 March 2012 and 31 March 2013 are set out in Note 25.

(e) Guarantees provided to related parties

Details of guarantees provided to related parties of the Company at the end of each reporting period are set out in Note 38.

(f) Compensation of key management personnel

The emoluments of the Company's directors, who are also identified as members of key management of the Group, are set out in Note 11.

34. MAJOR NON-CASH TRANSACTIONS

On 30 July 2013, Tai Wo Tong Pharmaceutical has assumed responsibility for a bank loan granted to the Group of approximately HK\$70,072,000. As the Group has obtained a legal release from the bank, the Group extinguished the bank loan.

The following table discloses movement of the bank borrowings during the year ended 31 March 2014.

	<u>HK\$'000</u>
As at 1 April 2013	83,716
New bank loans raised	25,992
Repayments of bank loans	(39,653)
Extinguishment of a bank loan	(70,072)
Exchange adjustments	<u>17</u>
As at 31 March 2014	<u><u>—</u></u>

On the same day, the Group agreed to make payment on the debt of HK\$70,072,000 to Tai Wo Tong Pharmaceutical. HK\$21,046,000 was settled through offsetting the amount due from Tai Wo Tong Pharmaceutical and HK\$49,026,000 was settled through offsetting the amounts due from Mr. Pang and Mrs. Pang.

The following table discloses movement of the amount due from Tai Wo Tong Pharmaceutical during the year ended 31 March 2014.

	<u>HK\$'000</u>
As at 1 April 2013	—
Arising on disposal of subsidiaries	21,046
Offsetting the debt to Tai Wo Tong Pharmaceutical	<u>(21,046)</u>
As at 31 March 2014	<u>—</u>

Dividend payable of HK\$20,000,000 declared by the Company on 15 October 2013 to Genwealth was settled through offsetting the amounts due from Mr. Pang and Mrs. Pang during the year ended 31 March 2014.

The following table discloses movement of the amounts due from directors during the year ended 31 March 2014.

	<u>HK\$'000</u>
As at 1 April 2013	28,561
Advances to Mr. Pang and Mrs. Pang	40,465
Offsetting the debt to Tai Wo Tong Pharmaceutical	(49,026)
Dividend declared to Genwealth	<u>(20,000)</u>
As at 31 March 2014	<u>—</u>

35. DISPOSAL OF SUBSIDIARIES

As referred to in Note 13, on 3 July 2013, the Company declared and paid an interim dividend to Genwealth by way of distribution in specie of all the issued shares in Tai Wo Tong Pharmaceutical indirectly held by the Company. The net assets of Tai Wo Tong Pharmaceutical and its subsidiary (the "Disposal Group") at the date of disposal were as follows:

	<u>HK\$'000</u>
<i>Analysis of assets and liabilities over which control was lost:</i>	
Property, plant and equipment	8,896
Prepaid lease payments	10,154
Inventories	1,174
Trade and other receivables	1,568
Bank balances and cash	1,031
Trade and other payables	(1,524)
Amounts due to fellow subsidiaries	(21,046)
Current tax liabilities	<u>(107)</u>
Net assets disposed of	<u>146</u>
<i>Cash outflow arising on disposal</i>	
Bank balances and cash disposed of	<u>1,031</u>

The results of the Disposal Group for the Relevant Periods, which have been included in the consolidated statements of profit or loss and other comprehensive income, were as follows:

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Revenue	—	363	174
Cost of sales	(7,247)	(8,756)	(2,599)
Administrative expenses	(4,407)	(3,742)	(785)
Income tax expense	(63)	(63)	(31)
	<u> </u>	<u> </u>	<u> </u>
Loss for the year	<u>(11,717)</u>	<u>(12,198)</u>	<u>(3,241)</u>

The classes of assets and liabilities of the Disposal Group at the end of the respective reporting period, which have been included in the consolidated statements of financial position, were as follows:

	<u>As at</u> <u>31 March 2012</u>	<u>As at</u> <u>31 March 2013</u>
	HK\$'000	HK\$'000
Property, plant and equipment	3,224	8,402
Prepaid lease payments	10,527	10,229
Inventories	622	911
Trade and other receivables	1,316	1,145
Bank balances and cash	265	862
Trade and other payables	(1,518)	(1,294)
Amount due to a director	(2,503)	(2,503)
Current tax liabilities	(134)	(197)
	<u> </u>	<u> </u>

The net cash flows incurred by the Disposal Group for the Relevant Periods, which have been included in the consolidated statements of cash flows, were as follows:

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Operating activities	(11,352)	(11,850)	(3,702)
Investing activities	(2,175)	(5,506)	(504)
	<u> </u>	<u> </u>	<u> </u>
Net cash outflow	<u>(13,527)</u>	<u>(17,356)</u>	<u>(4,206)</u>

36. OPERATING LEASES

The Group as lessee

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases			
— Premises	3,743	4,312	3,939
— Office equipment	743	777	752
	<u> </u>	<u> </u>	<u> </u>
	<u>4,486</u>	<u>5,089</u>	<u>4,691</u>

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Within one year	1,555	4,566	827
In the second to fifth years inclusive	3,657	2,153	769
Over five years	<u>629</u>	<u>—</u>	<u>—</u>
	<u>5,841</u>	<u>6,719</u>	<u>1,596</u>

Operating lease payments represent rentals payable by the Group for its premises and office equipment.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Within one year	—	—	293
In the second to fifth years inclusive	<u>—</u>	<u>—</u>	<u>489</u>
	<u>—</u>	<u>—</u>	<u>782</u>

37. CAPITAL COMMITMENTS

Group

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Capital expenditure contracted for but not provided for in the Financial Information in respect of			
— construction of the GMP Plant	4,762	47,304	—
— acquisition of property, plant and equipment	<u>1,472</u>	<u>776</u>	<u>860</u>
	<u>6,234</u>	<u>48,080</u>	<u>860</u>

38. FINANCIAL GUARANTEE CONTRACT

As at 31 March 2012 and 31 March 2013, the Company has provided a corporate guarantee and indemnity for an unlimited amount to a bank in respect of a bank loan granted to a subsidiary. The fair value of the guarantee is not significant and therefore the directors are of the opinion that no provision for financial guarantee should be made. The guarantee has been released in July 2013.

As at 31 March 2014, the Company has provided a corporate guarantee of HK\$6,790,000 to a bank in respect of banking facilities granted to a subsidiary. As at 31 March 2014, no amount in respect of such banking facilities has been utilised by the subsidiary.

39. LITIGATION

As at the date of this report, the Group was involved in the following legal proceedings:

1. In 2012, Hin Sang Hong (HK) (a wholly owned subsidiary of the Company) discovered an infringement of its intellectual property right by Aomori (Japan) Pharmaceutical Limited, whereby the trademark and copyrights subsisting in the packing and drawings of Hin Sang Health Star (Granules) (衍生精裝七星茶顆粒沖劑) and Hin Sang Deluxe Exquisite Packing Milk Supplement (Granules) (衍生至尊雙料開奶茶顆粒沖劑) were infringed. As such, Hin Sang Hong (HK) initiated legal proceeding against Aomori (Japan) Pharmaceutical Limited in this regard for trademark infringement and/or passing off. Upon commencement of the legal action, Aomori (Japan) Pharmaceutical Limited ceased all infringement acts. As a result, the action was not pursued any further and was in the status of on hold. However, should Hin Sang Hong (HK) decide to pursue the claim further, it is required to seek leave from the Court to file a full Statement of Claim out of time, subject to a possible nominal costs award to Aomori.
2. On 18 May 2011, Hin Sang Hong (HK) entered into a distribution agreement with Kingdom Overseas Limited (“Kingdom Overseas”) pursuant to which Hin Sang Hong (HK) was appointed as the exclusive distributor in Hong Kong and Macau for three infant formula products. In July and August 2011, Hin Sang Hong (HK) issued purchase orders in respect of the infant formula products but Kingdom Overseas failed to deliver some of the products to Hin Sang Hong (HK) and therefore, in breach of the distribution agreement. Further, in February 2012, Kingdom Overseas issued a termination notice to Hin Sang Hong (HK) to terminate the distribution agreement forthwith. As such, Hin Sang Hong (HK) initiated legal proceeding against Kingdom Overseas for breach of distribution agreement and claim for loss and damages in the approximate amount of approximately HK\$54.3 million and the substantial proportion of the damages claim comes from a claim for loss of future profit due to the breach of distribution agreement by Kingdom Overseas. Likewise, Kingdom Overseas also launched a counterclaim against Hin Sang Hong (HK) for an approximate sum of HK\$51.0 million as damages for alleged loss of future profit for unable to secure an alternative distributor replacing Hin Sang Hong (HK). As at the date of this report, the legal proceeding was still ongoing. After seeking legal advice from the counsel representing the Group in the above legal action, the Directors are of the opinion that the counterclaim made against Hin Sang Hong (HK) is unlikely to succeed, and accordingly no provision has been made in the consolidated statement of financial position of the Group at 31 March 2014 in respect of the counterclaim made against Hin Sang Hong (HK). Nevertheless, pursuant to the deed of indemnity, the controlling shareholders of the Company have irrevocably and unconditionally agreed to provide the Group with full indemnity in connection with all losses and damages that the Group may incur from this litigation case.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debt (which includes bank borrowings and obligation under finance lease) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group monitors its capital structure on the basis of gearing ratio. The Group considers the cost of capital and the risks associated with each class of the capital, and will balance the gearing ratio through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The gearing ratio of the Group at the end of the reporting period was as follows:

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Debt (i)	25,080	83,716	—
Equity (ii)	80,226	95,752	94,295
Gearing ratio	31.3%	87.4%	—

(i) Debt includes long- and short-term borrowings.

(ii) Equity includes all capital and reserves of the Group.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Group

	<u>As at</u> <u>31 March 2012</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2013</u> <u>HK\$'000</u>	<u>As at</u> <u>31 March 2014</u> <u>HK\$'000</u>
Financial assets			
<i>Loans and receivables</i>			
Trade and other receivables	30,816	27,123	33,407
Amounts due from directors	7,249	28,561	—
Bank balances and cash	43,032	101,193	65,059
	<u>81,097</u>	<u>156,877</u>	<u>98,466</u>
<i>Financial assets at FVTPL</i>			
Held for trading investments	—	321	—
Financial liabilities			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	27,270	20,076	24,317
Bank borrowings	24,902	83,716	—
Obligation under finance lease	178	—	—
Dividend payable	—	—	30,000
	<u>52,350</u>	<u>103,792</u>	<u>54,317</u>

Company

	<u>As at</u> <u>31 March 2012</u> HK\$'000	<u>As at</u> <u>31 March 2013</u> HK\$'000	<u>As at</u> <u>31 March 2014</u> HK\$'000
Financial assets			
<i>Loans and receivables</i>			
Dividend receivable	—	—	30,300
<i>Financial liabilities at amortised cost</i>			
Amount due to a subsidiary	135	192	239
Dividend payable	—	—	30,000
	<u>135</u>	<u>192</u>	<u>30,239</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, held for trading investments, amounts due from directors, bank balances, trade and other payables, bank borrowings, obligation under finance lease and dividend payable. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

The Group has certain financial assets and liabilities denominated in foreign currencies, hence risk exposure to exchange rate fluctuations arise. The Group has not entered into any forward contract to hedge against these foreign currencies risk exposure. However, the management of the Group will consider to hedge these balances should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	<u>As at</u> <u>31 March 2012</u> HK\$'000	<u>As at</u> <u>31 March 2013</u> HK\$'000	<u>As at</u> <u>31 March 2014</u> HK\$'000
Monetary assets denominated in:			
— RMB	5,159	69,052	44,661
— United States dollar ("US\$")	421	527	581
— New Taiwan dollar ("NT\$")	4,162	3,157	2,932
Monetary liabilities denominated in:			
— RMB	2,691	4,174	4,397
— US\$	950	140	343
— NT\$	5,323	10,133	3,860

The Group is mainly exposed to the effect of fluctuation in US\$, RMB and NT\$. As HK\$ is pegged to US\$, the currency risk associated with US\$ and HK\$ is considered minimal. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

The following table details the Group's sensitivity to a 10% increase and decrease in HK\$ against RMB and NT\$. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in post-tax profit and a negative number indicates a decrease in post-tax profit where HK\$ strengthens 10% against the relevant foreign currencies. For a 10% weakening of HK\$ against the relevant foreign currencies, there would be an equal and opposite impact on the profit.

Sensitivity analysis

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2013</u>	<u>Year ended</u> <u>31 March 2014</u>
	HK\$'000	HK\$'000	HK\$'000
Impact of RMB			
Profit or loss	(247)	(6,488)	(4,026)
Impact of NT\$			
Profit or loss	116	698	93

In the opinion of the directors of the Company, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 25 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong dollar prime rate and prevailing deposit rate quoted by a bank arising from the Group's bank borrowings denominated in HK\$ and NT\$ respectively.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2012 and 2013 would decrease/increase by approximately HK\$208,000 and HK\$699,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the Group's post-tax profit for the year ended 31 March 2013 would increase/decrease by approximately HK\$16,000 as a result of the changes in fair value of held-for-trading investments.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation or high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group'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 can be required to pay. Specifically bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both contractual interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

*Liquidity table***Group**

Non-derivative financial liabilities	Weighted average interest rate	On	Over	Over	Over	Total	Total
		demand or	1 year to	2 years to	Over	undiscounted	carrying
		less than 1 year	2 years	5 years	5 years	cash flows	amount
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2012							
Trade and other payables	—	27,270	—	—	—	27,270	27,270
Bank borrowings	4.11%	22,895	547	1,595	—	25,037	24,902
Obligation under finance lease	13.39%	68	68	76	—	212	178
		<u>50,233</u>	<u>615</u>	<u>1,671</u>	<u>—</u>	<u>52,519</u>	<u>52,350</u>
31 March 2013							
Trade and other payables	—	20,076	—	—	—	20,076	20,076
Bank borrowings	4.54%	77,576	943	2,241	3,600	84,360	83,716
		<u>97,652</u>	<u>943</u>	<u>2,241</u>	<u>3,600</u>	<u>104,436</u>	<u>103,792</u>
31 March 2014							
Trade and other payables	—	24,317	—	—	—	24,317	24,317
Dividend payable	—	30,000	—	—	—	30,000	30,000
		<u>54,317</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>54,317</u>	<u>54,317</u>

Company

Non-derivative financial liabilities	Weighted average interest rate	On	Over	Over	Over	Total	Total
		demand or	1 year to	2 years to	Over	undiscounted	carrying
		less than 1 year	2 years	5 years	5 years	cash flows	amount
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2012							
Amount due to a subsidiary	—	135	—	—	—	135	135
31 March 2013							
Amount due to a subsidiary	—	192	—	—	—	192	192
31 March 2014							
Amount due to a subsidiary	—	239	—	—	—	239	239
Dividend payable	—	30,000	—	—	—	30,000	30,000
		<u>30,239</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>30,239</u>	<u>30,239</u>

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used) and the level of 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 are observable.

- 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.

Financial assets	Fair value as at 31 March 2013 (HK\$'000)	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as held for trading investments in the consolidated statements of financial position	321	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1 and 2 or transfers into or out of Level 3 during the Relevant Periods.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company estimate the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows 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.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2015 is expected to be approximately HK\$4,150,000.

C. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 March 2014:

- (i) On 3 May 2014, Hin Sang Hong Trading (Shenzhen) Limited entered into agreements with a third party for the sale and purchase of properties located in the PRC. The consideration for the acquisition of the properties to be paid by Hin Sang Hong Trading (Shenzhen) Limited is approximately HK\$6,201,000.
- (ii) Pursuant to the written resolutions passed by the sole shareholder of the Company on 25 September 2014, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of an additional 1,200,000,000 shares of HK\$0.10 each, ranking *pari passu* with the existing shares in all respects.
- (iii) The Company adopted a Pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 25 September 2014, the principal terms of which are set out in the paragraph headed “Share Option Schemes” in Appendix V to the Prospectus. As at the date of this report, options to subscribe for an aggregate of 24,640,000 ordinary shares under the Pre-IPO Share Option Scheme have been conditionally granted by the Company to certain directors, senior management and employees of the Group.
- (iv) The Company adopted a share option scheme (the “Share Option Scheme”) on 25 September 2014, the principal terms of which are set out in the paragraph headed “Share Option Schemes” in Appendix V to the Prospectus. No share option has been granted under the Share Option Scheme up to the date of this report.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group have been prepared in respect of any period subsequent to 31 March 2014.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Chan Ching Pang
Practising Certificate Number: P05746
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Main Board Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed listing might have affected the consolidated net tangible assets of our Group as if the Share Offer had occurred on 31 March 2014. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our Group's financial results and positions of the financial periods concerned.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 March 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 March 2014 or at any future date following the Share Offer.

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 March 2014	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on the Offer Price of HK\$1.00 per Share	<u>94,295</u>	<u>182,055</u>	<u>276,350</u>	<u>0.35</u>
Based on the Offer Price of HK\$1.20 per Share	<u>94,295</u>	<u>221,255</u>	<u>315,550</u>	<u>0.39</u>

Notes:

- The audited consolidated net tangible assets attributable to owners of the Company as at 31 March 2014 has been extracted without adjustment from the Accountants' Report set out in Appendix I to this prospectus.
- The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$1.00 per Share and HK\$1.20 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses, but takes no account of any Shares which may fall to be allotted and issued upon exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is determined after the adjustments as described in notes 1 and 2 above and on the basis that 800,000,000 Shares are issued and outstanding as set out in the section headed “Share Capital” in this prospectus, but takes no account of any Shares which may fall to be allotted and issued upon exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
4. Based on the property valuation as at 30 June 2014 as set forth in “Property Valuation” in Appendix III to this prospectus, the net revaluation surplus, representing the excess of market value of the properties held for own use (including prepaid lease payments, leasehold land and buildings) over their carrying amounts, is approximately HK\$6,438,000. Such revaluation surplus has not been included in the Group’s consolidated financial information as at 31 March 2014 and will not be included in the Group’s consolidated financial statements. The unaudited pro forma financial information presented above does not take into account the above revaluation surplus. Had the properties held for own use (including prepaid lease payments, leasehold land and buildings) been stated at such valuation, an additional depreciation and amortisation of approximately HK\$192,000 per annum would be charged as expenses.
5. The unaudited pro forma financial information presented above does not take account of any trading result or other transactions subsequent to 31 March 2014. In particular, no adjustment has been made to reflect the acquisition of the properties in May 2014.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF HIN SANG GROUP (INTERNATIONAL) HOLDING CO. LTD.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hin Sang Group (International) Holding Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group") by 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 of the Group as at 31 March 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on Section A of Appendix II to the prospectus issued by the Company dated 30 September 2014 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer and placing of shares of the Company (the "Share Offer") on the Group's financial position as at 31 March 2014 as if the Share Offer had taken place at 31 March 2014. 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 March 2014, on which an accountants' report has been published.

Directors' Responsibility 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 ("HKICPA").

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 comply with ethical requirements and 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 a prospectus 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 31 March 2014 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 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.

HLB Hodgson Impey Cheng Limited*Certified Public Accountants***Chan Ching Pang**

Practising Certificate Number: P05746

Hong Kong, 30 September 2014

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Stirling Appraisals Limited, an independent valuer, in connection with its valuation as at 30 June 2014 of the property interests of the Group.



Stirling Appraisals Limited
Unit 1101A, 11th Floor,
Kai Tak Commercial Building,
Nos. 317–319 Des Voeux Road Central,
Hong Kong

30 September 2014

The Directors
Hin Sang Group (International) Holding Co. Ltd
12th Floor, Yuen Long High Tech Centre,
11 Wang Yip Street West,
Yuen Long,
New Territories,
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to your instructions for us to value the properties held by Hin Sang Group (International) Holding Co. Ltd. (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) located in Hong Kong and the People’s Republic of China (the “PRC”). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties interests as at 30 June 2014 (the “valuation date”) for the purpose of incorporation in an Initial Public Offer Document.

BASIS OF VALUATION

Our valuation of each of the property interests is our opinion of its Market Value which we would define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and wherein the parties had each acted knowledgeably, prudently and without compulsion”.

PROPERTY CATEGORISATIONS

In the course of our valuations, the portfolio of properties of the Group is categorized into the following groups:

Group I — Properties held and occupied by the Group in Hong Kong

Group II — Properties held by the Group in the PRC

Valuation Methodology

In valuing Property No. 1-4 in Group I and II, we have valued them on an open market basis by the Comparison Approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Company's PRC legal advisers — 中倫律師事務所 (Zhong Lun Law Firm) regarding the titles of the properties. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale of the Properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties, we have relied on the advice given by the Group that the Group has valid and enforceable title to the properties which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties included within the attached valuation certificates. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been conducted and we are therefore unable to report as to whether the properties are free from rot, infestation or other defects. No tests were carried out on any of the services.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and all other relevant matters.

We have not carried out detailed on-site measurement to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimension, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

Site inspections were carried out in November 2013 and April 2014 by Mr. Brian Li, who is a member of The Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors, Mr. Basil Tam, who holds BSc. (Hons) Est. Man. and Mr. Anson Ma, who holds a Master Degree in Commerce.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your advice that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values. Our valuations have been prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated are in Hong Kong Dollar (“HK\$”) for the property in Hong Kong and in Renminbi (“RMB”) for the properties in the PRC and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
Stirling Appraisals Limited
Li Wing Kang
BSc.(Est. Man), MRICS, MHKIS, RPS (GP)
Associate Director

Note: Mr. Li Wing Kang, BSc.(Est. Man.) MRICS, MHKIS, RPS(GP) has been a qualified valuer and has about 30 years’ experience in valuations of properties in Hong Kong and has about 15 years’ experience in the valuation of properties in the People’s Republic of China.

SUMMARY OF VALUES

Group I — Properties held and occupied by the Group in Hong Kong

No.	Property	Market Value in existing state as at 30 June 2014
1.	Flat A on Ground Floor including the garden adjacent thereto of the Block 7 and Car Park No. 128 on Basement Floor of Casa De Oro, 23 Hung Shui Kiu Main Street, Yuen Long, New Territories, Hong Kong	HK\$7,410,000
Sub-total:		<u>HK\$7,410,000</u>

Group II — Properties held by the Group in the PRC

No.	Property	Market Value in existing state as at 30 June 2014
2.	Room 3005, Tower A, Reith International Building, 1002 Yanhe North Road, Luo Hu District, Shenzhen, The PRC	RMB17,250,000
3.	Room 3006, Tower A, Reith International Building, 1002 Yanhe North Road, Luo Hu District, Shenzhen, The PRC	RMB6,370,000
Sub-total:		<u>RMB23,620,000</u>

<u>No.</u>	<u>Property</u>	<u>Market Value in existing state as at 30 June 2014</u>
4.	Room 3008, Tower A, Reith International Building, 1002 Yanhe North Road, Luo Hu District, Shenzhen, The PRC	RMB5,300,000
		<hr/>
	Sub-total:	<u>RMB5,300,000</u>
	Total:	<u><u>RMB28,920,000</u></u>

VALUATION CERTIFICATE

Group I — Properties held and occupied by the Group in the Hong Kong

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 30 June 2014</u> HK\$
1.	Flat A on Ground Floor including the garden adjacent thereto of the Block 7 and Car Park No. 128 on Basement Floor of Casa De Oro, 23 Hung Shui Kiu Main Street, Yuen Long, New Territories, Hong Kong 11306/2227533th shares of and in Lot No. 4301 in Demarcation District No. 124	The property comprises a residential unit on the ground floor of a 6-storey residential building together with a garden and a car park space completed in about 1999. The saleable area of the property is approximately 80.9 sq.m. and the size of the garden approximately 203.1 sq.m. The property is held from the Government under New Grant No.4401 for a term of 50 years commencing from 16 October 1998.	The property is occupied by the Group for residential purpose.	7,410,000

Notes:

- The registered owner of the property is Hin Sang Hong Company Limited (hereinafter called "Hin Sang Hong") vide Assignment Memorial No. YL891973 dated 30 December 1999 at a consideration of HK\$4,380,000 as registered in The Land Registry.
- In undertaking our valuation of the property, we have made reference to the recent sales evidences of some flats in the subject development which have characteristics comparable to the property, showing a price unit rate of around HK\$59,200 to HK\$65,300 per sq.m. including the use of a carparking space. The unit rate adopted by us is consistent with the above-said transactions. Due adjustments to the unit rates of those sales transactions have been made to reflect the existence of garden space, time, location and other physical characteristics in arriving at the unit rate adopted.

VALUATION CERTIFICATE

Group II — Properties held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 RMB
2.	Room 3005, Tower A, Reith International Building, 1002 Yanhe North Road, Luo Hu District, Shenzhen, The PRC	The property comprises an office unit on the 30th floor of a 34-storey office building completed in 1996. The property has a gross floor area (“GFA”) of approximately 584.68 sq.m. The land use rights of the property have been granted for a term expiring on 9 October 2044 for commercial, office and residential purposes.	The property is occupied by the Group for office purpose.	17,250,000

Notes:

1. Pursuant to a Shenzhen Real Estate Ownership Certificate (深圳市房地產權証) — Shen Fang Di Zi Di No. 2000598205 issued by Shenzhen Real Estate Ownership Registration Center (深圳市房地產權登記中心) dated 5 November 2013, the building ownership rights of the property with a GFA of approximately 584.68 sq.m. are held by Hin Sang Hong Trading (Shenzhen) Company Limited 衍生行貿易(深圳)有限公司 (“Hin Sang Hong (Shenzhen)”) and the land use rights of the property have been granted to Hin Sang Hong (Shenzhen) for a term expiring on 9 October 2044 for commercial, office and residential use.
2. Hin Sang Hong (Shenzhen) is a wholly-owned subsidiary of the Company.
3. The opinion of the PRC legal advisers contains, *inter alia*, the following:
 - a. Hin Sang Hong (Shenzhen) has legally obtained both the land use rights and building ownership rights of the property; and
 - b. Hin Sang Hong (Shenzhen) has the rights to use, lease, mortgage, transfer or otherwise dispose of for the remaining term of the above-said land use rights.
4. In undertaking our valuation of the property, we have made reference to some asking price references of comparable units in the subject development in the range of RMB29,000 to RMB30,000 per sq.m. The unit rate adopted by us is consistent with the above-said asking price references. Due adjustments have been made to the unit rates of those asking price references to reflect factors including time, location and other physical characteristics in arriving at the unit rate adopted.

VALUATION CERTIFICATE

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 30 June 2014</u> RMB
3.	Room 3006, Tower A, Reith International Building, 1002 Yanhe North Road, Luo Hu District, Shenzhen, The PRC	<p>The property comprises an office unit on the 30rd floor of a 34-storey office building completed in 1996.</p> <p>The property has a gross floor area (“GFA”) of the property is approximately 216 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 9 October 2044 for commercial, office and residential purposes.</p>	The property is occupied by the Group for office purpose.	6,370,000

Notes:

1. Pursuant to a Shenzhen Real Estate Ownership Certificate (深圳市房地產權証) — Shen Fang Di Zi Di No. 2000598207 issued by Shenzhen Real Estate Ownership Registration Center (深圳市房地產權登記中心) dated 5 November 2013, the building ownership rights of the property with a GFA of approximately 216 sq.m. are held by Hin Sang Hong (Shenzhen) and the land use rights of the property have been granted to Hin Sang Hong (Shenzhen) for a term expiring on 9 October 2044 for commercial, office and residential use.
2. Hin Sang Hong (Shenzhen) is a wholly-owned subsidiary of the Company.
3. The opinion of the PRC legal advisers contains, *inter alia*, the following:
 - a. Hin Sang Hong (Shenzhen) has legally obtained both the land use rights and building ownership rights of the property; and
 - b. Hin Sang Hong (Shenzhen) has the rights to use, lease, mortgage, transfer or otherwise dispose of for the remaining term of the above-said land use rights.
4. In undertaking our valuation of the property, we have made reference to some asking price references of comparable units in the subject development in the range of RMB29,000 to RMB30,000 per sq.m. The unit rate adopted by us is consistent with the above-said asking price references. Due adjustments have been made to the unit rates of those asking price references to reflect factors including time, location and other physical characteristics in arriving at the unit rate adopted.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014
				RMB
4.	Room 3008, Tower A, Reith International Building, 1002 Yanhe North Road, Luo Hu District, Shenzhen, The PRC	<p>The property comprises an office unit on the 30rd floor of a 34-storey office building completed in 1996.</p> <p>The property has a gross floor area (“GFA”) of the property is approximately 179.74 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 9 October 2044 for commercial, office and residential purposes.</p>	<p>The property is subject to a tenancy agreement entered into between an Hin Sang Hong (Shenzhen) as landlord and 黃寶全 as tenant dated 13 December 2013. The property is leased to 黃寶全 for a term of 3 years commencing on 16 December 2013 and expiring 15 December 2016 at the monthly rental of RMB19,771 exclusive of utility charges and management fee.</p>	5,300,000

Notes:

1. Pursuant to a Shenzhen Real Estate Ownership Certificate (深圳市房地產權証) — Shen Fang Di Zi Di No. 2000598206 issued by Shenzhen Real Estate Ownership Registration Center (深圳市房地產權登記中心) dated 5 November 2013, the building ownership rights of the property with a GFA of approximately 179.74 sq.m. are held by Hin Sang Hong (Shenzhen) and the land use rights of the property have been granted to Hin Sang Hong (Shenzhen) for a term expiring on 9 October 2044 for commercial, office and residential use.
2. Hin Sang Hong (Shenzhen) is a wholly-owned subsidiary of the Company.
3. The opinion of the PRC legal advisers contains, *inter alia*, the following:
 - a. Hin Sang Hong (Shenzhen) has legally obtained both the land use rights and building ownership rights of the property; and
 - b. Hin Sang Hong (Shenzhen) has the rights to use, lease, mortgage, transfer or otherwise dispose of for the remaining term of the above-said land use rights.
4. As advised by the Company, the property will in future be used as office by the Company when the current lease expires in year 2016.
5. In undertaking our valuation of the property, we have made reference to some asking price references of comparable units in the subject development in the range of RMB29,000 to RMB30,000 per sq.m. The unit rate adopted by us is consistent with the above-said asking price references. Due adjustments have been made to the unit rates of those asking price references to reflect factors including time, location and other physical characteristics in arriving at the unit rate adopted.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 October 2010 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 25 September 2014. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other

person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or

otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) 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 a member 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 issued shares of any class of such company (or of any third company through which his interest or that of his close associate(s) is derived) or of the voting rights;
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his close associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ff) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits

(including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (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 poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice

shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline 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 option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by

the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest

wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members 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 members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 28 October 2010 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 11 January 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the Company may, determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its

memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (a) the company is or is likely to become insolvent; or (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the

appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal advisers on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the sub-section headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 October 2010. The Company has established a principal place of business in Hong Kong at Flat B, 12/F, High Tech Centre, 11 Wang Yip Street West, Yuen Long, New Territories, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Predecessor Companies Ordinance on 13 December 2010. Mr. Pang has been appointed as the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution, which comprises the Memorandum of Association and the Articles. A summary of various parts of the constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

- (a) The Company was incorporated on 28 October 2010 with an authorised share capital of HK\$390,000 divided into 3,900,000 Shares of par value HK\$0.10 each, 1 Share of which was allotted and issued fully paid to the initial subscriber, and was transferred to Genwealth on the same date at par.
- (b) On 20 October 2011, the authorised share capital of the Company was increased from HK\$390,000 to HK\$80,000,000 by the creation of a further 796,100,000 new Shares of HK\$0.10 each, ranking *pari passu* with the Shares then in issue in all respects.
- (c) On 20 October 2011, the Company allotted and issued 299,999,999 Shares (all credited as fully paid) to Genwealth pursuant to the share swap agreement entered into among the Company, Genwealth, Mr. Pang and Mrs. Pang.
- (d) On 25 September 2014, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of an additional 1,200,000,000 new Shares each ranking *pari passu* with the Shares then in issue in all respects pursuant to a resolution in writing passed by the sole Shareholder referred to in the paragraph headed “Written resolutions of the sole Shareholder” below.

Assuming the Share Offer becomes unconditional, immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account the exercise of any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the authorised share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares and the issued share capital of the Company will be HK\$80,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid, with 1,200,000,000 Shares remaining unissued.

Other than pursuant to the exercise of any options which may be granted under the Stock Option Schemes, the Directors do not have any present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and as mentioned in the following paragraph headed “4. Written resolutions of the sole Shareholder”, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Changes in share capital of the subsidiaries of the Company

The Company’s subsidiaries are referred to in the accountants’ report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed “Corporate Reorganisation” in this Appendix, there has been no other change to the share capital of any of the subsidiaries of the Company within the three years immediately prior to the date of this prospectus.

4. Written resolutions of the sole Shareholder

Pursuant to the written resolutions of the sole Shareholder passed on 25 September 2014:

- (a) the authorised share capital of the Company was increased from HK\$80,000,000 divided into 800,000,000 Shares of HK\$0.10 each to HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each by the creation of a further 1,200,000,000 Shares ranking *pari passu* with the existing Shares in all respects;
- (b) the Company approved and adopted the Articles, the terms of which are summarised in Appendix IV to this prospectus;
- (c) conditional upon the conditions stated in the paragraph headed “Structure and conditions of the Share Offer — Conditions” in this prospectus being fulfilled or waived (as the case may be):
 - (i) the Share Offer pursuant to the terms as set out in this prospectus and the related application were approved and confirmed and the Directors or any committee of the Board were authorised to allot and issue such Shares pursuant to the Share Offer and to do all such other acts and things which they may consider necessary or appropriate to effect and implement the same;
 - (ii) the share premium account of the Company was approved to be credited as a result of the issue of the Offer Shares pursuant to the Share Offer; and conditional on the share premium account of the Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, an amount of HK\$30,000,000 (then standing to the credit of the share premium account of our Company) be

capitalised and applied in full at par value of a total of 300,000,000 Shares for allotment and issue to holder(s) of the Shares whose names appeared on the register of members of our Company at the close of business on 25 September 2014 (or as they may direct) and the Shares to be allotted and issued pursuant to the resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the Capitalisation Issue) and our Directors or any committee of the Board were authorised to give effect to the Capitalisation Issue;

- (iii) the Pre-IPO Share Option Scheme and the Share Option Scheme were approved and adopted with such additions, amendments or modifications thereto as may be approved by the Directors or any committee of the Board in their absolute discretion and the Directors or any committee of the Board were authorised, at its absolute discretion, to implement the Pre-IPO Share Option Scheme and the Share Option Scheme, to grant options thereunder and to allot, issue and deal with the Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Pre-IPO Share Option Scheme and the Share Option Scheme;
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend or similar arrangement in accordance with the Articles or an issue of Shares pursuant to the exercise of options granted under the Share Option Schemes, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue immediately upon completion of the Share Offer (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Schemes). Such mandate will expire at the conclusion of the next annual general meeting of the Company; or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first;
- (e) a general unconditional mandate was given to the Directors authorising the purchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of Shares not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately upon completion of the Share Offer (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Schemes). Such mandate will expire at the conclusion of the next annual general meeting of the Company; or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first; and

- (f) the general unconditional mandate as mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase shares referred to in sub-paragraph (e) above.

5. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, pursuant to which our Company became our holding company. The Reorganisation included the following major steps:

- (a) On 20 October 2011, the Company acquired the entire issued share capital of Hin Sang Holding from Genwealth in consideration of the Company's allotment and issue of 299,999,999 Shares, all credited as fully paid up to Genwealth;
- (b) On 3 July 2013, the issued shares of Tai Wo Tong Pharmaceutical held by Hin Sang Holding were distributed by way of dividend in specie to its ultimate shareholders Mr. Pang and Mrs. Pang in proportion to their shareholdings. As a result, Tai Wo Tong Pharmaceutical together with its wholly owned subsidiary Tai Wo Tong ceased to be members of the Group.

6. Repurchase by the Company of its own securities

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase in cash their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders' approval*

All proposed repurchases of securities, which must be fully paid up in the case of shares, by a company listed on the 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 the sole Shareholder on 25 September 2014, a general unconditional mandate (the "**Repurchase Mandate**") was granted to the Directors authorising them to exercise all powers for and on behalf of the Company to repurchase its Shares on the Stock Exchange, or on any other approved stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Share Offer (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Schemes) at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

(ii) *Source of funds*

Any repurchase by the Company may only be funded out of funds legally available for such purpose in accordance with its Memorandum of Association and the Articles, the applicable laws of the Cayman Islands and the Listing Rules. The Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after completion of the Share Offer (but taking no account the exercise of any options that may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme), the Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares.

The Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(iv) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

(v) *Funding of repurchases*

In repurchasing its Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Articles, the Listing Rules and the applicable laws of Cayman Islands.

On the basis of the Company's current financial position as disclosed in this prospectus and taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse effect on the working capital and/or gearing position of the Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company.

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates as defined in the Listing Rules, has any present intention to sell any Shares to the Company if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands and the Articles.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert could as a result of increase of its or their interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

The Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

Summary of material contracts







The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of the Company taken as a whole:

- (a) the Deed of Non-Competition dated 25 September 2014 executed by the Controlling Shareholders in favour of the Company, details of which are set out in the sub-section headed "Relationship with Controlling Shareholder — Deed of Non-competition" in this prospectus;
- (b) a Deed of Indemnity dated 25 September 2014 executed by Mr. Pang, Mrs. Pang and Genwealth in favour of the Company containing indemnities referred to in the paragraph headed "Tax and other indemnities" in this Appendix; and
- (c) the Public Offer Underwriting Agreement.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademark

- (a) As at the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong which we believe to be material to our business:





<u>Trademark</u>	<u>Registered Owner</u>	<u>Class (Note)</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
	Hin Sang Hong (HK)	3, 5, 35	300033786	17 June 2003	16 June 2023
	Hin Sang Hong (HK)	3, 4, 5, 10, 11, 16, 17, 18, 20, 21, 22, 24, 25, 29, 30, 32, 33, 35	300970588AA	11 October 2007	10 October 2017
	Hin Sang Hong (HK)	3, 5	301475190	13 November 2009	12 November 2019
	Hin Sang Hong (HK)	35	302564325	2 April 2013	1 April 2023
	Hin Sang Hong (HK)	4, 5, 10, 16, 17, 18, 20, 21, 22, 24, 25, 29, 30, 32, 33	301125792	27 May 2008	26 May 2018
	Hin Sang Hong (HK)	2, 6, 8, 11, 14, 15, 16, 26, 27, 28	301185543	20 August 2008	19 August 2018

- (b) As at the Latest Practicable Date, our Group has registered the following trademarks in the PRC which we believe to be material to our business:

Trademark	Registered Owner	Class (Note)	Registration Number	Registration Date	Expiry Date
新 生	Hin Sang Hong (HK)	3	4825674	28 April 2009	27 April 2019
新 生	Hin Sang Hong (HK)	5	4773245	7 April 2009	6 April 2019
新 生	Hin Sang Hong (HK)	30	6224516	28 January 2010	27 January 2020
新 生	Hin Sang Hong (HK)	32	6975983	28 May 2010	27 May 2020
新 生	Hin Sang Hong (HK)	35	6694125	14 February 2011	13 February 2021
美肌の誌	Hin Sang Hong (HK)	35	8392280	14 July 2011	13 July 2021
新 生	Hin Sang Hong (HK)	1, 2, 4, 12, 14, 19, 21, 24, 28, 33	8462393, 8458896, 8458929, 8462361, 8462333, 8459007, 8458970, 8455561, 8455499, 8452258	21 July 2011	20 July 2021
美肌の誌	Hin Sang Hong (HK)	30	8392314	14 September 2013	13 September 2023
美肌之志	Hin Sang Hong (HK)	3	8392461	21 October 2013	20 October 2023





- (c) As at the Latest Practicable Date, our Group has registered the following trademarks in Macau which we believe to be material to our business:

Trademark	Registered Owner	Class (Note)	Registration Number	Registration Date	Expiry Date
美肌の誌	Hin Sang Hong (HK)	3, 5	N/40998, 9	25 May 2009	25 May 2016
美肌の誌	Hin Sang Hong (HK)	30, 35	N/46992, 3	5 May 2010	5 May 2017
美肌之誌	Hin Sang Hong (HK)	3	N/045449	8 February 2010	8 February 2017


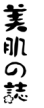
Trademark	Registered Owner	Class (Note)	Registration Number	Registration Date	Expiry Date
	Hin Sang Hong (HK)	3, 5, 30, 35	N/035757, 58, 59, 60	30 September 2008	30 September 2015
	Hin Sang Hong (HK)	35	N/035132	25 May 2009	25 May 2016
	Hin Sang Hong (HK)	3	N/049805	27 September 2010	27 September 2017
	Hin Sang Hong (HK)	3	N/049806	27 September 2010	27 September 2017

- (d) As at the Latest Practicable Date, our Group has registered the following trademarks in other countries and regions outside Hong Kong, the PRC and Macau which we believe to be material to our business:

Trademark	Country or place of registration	Registered Owner	Class (Note)	Registration Number	Registration Date	Expiry Date
	Australia	Hin Sang Hong (HK)	5, 30	1261876	11 September 2008	11 September 2018
	European Union	Hin Sang Hong (HK)	3, 5, 30	007498272	31 December 2008	31 December 2018
	Japan	Hin Sang Hong (HK)	5, 30	5253143	31 July 2009	31 July 2019
	New Zealand	Hin Sang Hong (HK)	5, 30	795922	12 September 2008	12 September 2018
	Singapore	Hin Sang Hong (HK)	3	T1003476Z	24 March 2010	24 March 2020
	Singapore	Hin Sang Hong (HK)	5, 30	T0812316E	10 September 2008	10 September 2018
	South Korea	Hin Sang Hong (HK)	5, 30	40-0800324	8 September 2009	8 September 2019

Trademark	Country or place of registration	Registered Owner	Class (Note)	Registration Number	Registration Date	Expiry Date
新 生	Taiwan	Hin Sang Hong (HK)	5, 30	01363877, 01364757	1 June 2009	31 May 2019
	Taiwan	Hin Sang Hong (HK)	3	01423789	16 August 2010	15 August 2020
	Taiwan	Hin Sang Hong (HK)	35	01435466	16 October 2010	15 October 2020
新 生	US	Hin Sang Hong (HK)	5, 30	3612065	28 April 2009	28 April 2019
新 生	Canada	Hin Sang Hong (HK)	5, 30	TMA795828	18 April 2011	18 April 2026
	South Korea	Hin Sang Hong (HK)	3	40-0876-8250000	18 August 2011	18 August 2021
	US	Hin Sang Hong (HK)	3, 5, 35	77966833	4 January 2011	4 January 2021
新 生	Malaysia	Hin Sang Hong (HK)	5, 30	08021372-08021373	28 October 2008	28 October 2018
新 生	Indonesia	Hin Sang Hong (HK)	5	D00-2008-035656	1 April 2010	26 September 2018

- (e) As at the Latest Practicable Date, our Group has applied for the following trademarks in other countries and regions outside Hong Kong, the PRC and Macau which we believe to be material to our business:

Trademark	Country or place of registration	Applicant	Class (Note)	Application Number	Date of Application	Status
	Indonesia	Hin Sang Hong (HK)	3	D00-2010-0028530	4 August 2010	Under application
	Malaysia	Hin Sang Hong (HK)	3	2010007268	26 April 2010	Under application





Note:

Class	Specification of goods/services
1.	Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire-extinguishing compositions, tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.
2.	Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and powder form for painters, decorators, printers and artists.
3.	Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
4.	Industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.
5.	Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
6.	Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.
8.	Hand tools and implements (hand operated); cutlery; side arms; razors.
10.	Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopaedic articles; suture materials.
11.	Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
12.	Vehicles; apparatus for locomotion by land, air or water.
14.	Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.
15.	Musical instruments.
16.	Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packing (not included in other classes); printers' type; printing blocks.
17.	Rubber, gutta-percha, gum, asbestos, mica and goods made from these materials and not included in other classes; plastics in extruded form for use in manufacture; packing, stopping and insulating materials; flexible pipes, not of metal.

18. Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.
19. Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not for metal.
20. Furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.
21. Household or kitchen utensils and containers; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.
22. Ropes, string, nets, tents, awnings, tarpaulins, sails, sacks and bags (not included in other classes); padding and stuffing materials (except of rubber or plastics); raw fibrous textile materials.
24. Textiles and textile goods, not included in other classes; bed and table covers.
25. Clothing, footwear, headgear.
26. Lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.
27. Carpets, rugs, mats and matting, linoleum and other materials for covering existing floors; wall hangings (non-textile).
28. Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
29. Meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats.
30. Coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking-powder; salt, mustard; vinegar, sauces (condiments); spices; ice.
32. Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.
33. Alcoholic beverages (except beers).
35. Advertising; business management; business administration; office functions.

2. Design

As at the Latest Practicable Date, our Group has registered the following designs in Hong Kong which we believe to be material to our business:

Design	Name	Owner	Class	Design Number	Date of Application	End Date of Period of Registration
	瓶 Bottle	Hin Sang Hong (HK)	9-01	0902167.4	17 December 2009	16 December 2014
	塑膠容器 Plastic container	Hin Sang Hong (HK)	9-03	0802782.7	21 November 2008	20 November 2018
	包裝盒的部份 Portion of a packing box	Hin Sang Hong (HK)	9-03	0700280.9	30 January 2007	29 January 2017
	盒 Box	Hin Sang Hong (HK)	9-03	1000750.2	27 April 2010	26 April 2015

3. Domain name

As at the Latest Practicable Date, the Group has registered the following domain names:

Domain Name	Registered Owner	Registration Date	Expiry Date
hshcl.com	Hin Sang Hong (HK)	18 July 2003	18 July 2019
chongsang.com	Chong Sang	9 October 2006	9 October 2020
hshsz.com	Hin Sang Hong (HK)	30 August 2007	30 August 2022
hm-adv.com	HM Advertising	11 December 2007	11 December 2017
衍生.com	Hin Sang Hong (HK)	1 December 2009	1 December 2019
衍生.HK	Hin Sang Hong (HK)	2 December 2009	2 December 2019
衍生.公司.HK	Hin Sang Hong (HK)	2 December 2009	2 December 2019
衍生.公司	Hin Sang Hong (HK)	2 December 2009	2 December 2019
beautymate.hk	Beautymate Hong Kong Limited	20 January 2010	20 January 2015
beautymate.cn.com	Hin Sang Hong (HK)	23 April 2010	25 March 2020
beautymate.cn	Hin Sang Hong (Shenzhen)	26 March 2010	26 March 2020
beautymate.com.cn	Hin Sang Hong (Shenzhen)	26 March 2010	26 March 2020
beautymate.com.tw	Hin Sang Hong (HK)	24 August 2010	24 August 2020
beautymate.tw	Hin Sang Hong (HK)	24 August 2010	24 August 2020
lifefocus.hk	Hin Sang Hong (HK)	24 September 2010	30 September 2020
lifefocus.com.hk	Hin Sang Hong (HK)	24 September 2010	30 September 2020
hinsang.com.hk	Hin Sang Hong (HK)	2 April 2013	2 April 2018
hinsang.com.cn	Hin Sang Hong (Shenzhen)	14 May 2013	14 May 2023
hinsanggroup.com	Hin Sang Hong (HK)	19 September 2014	19 September 2024

D. DISCLOSURE OF INTERESTS**1. Interests and short positions of Directors and chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations**

Immediately following completion of the Share Offer and the Capitalisation Issue, taking into no account the exercise of any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or any shares which may fall to be allotted and issued or repurchased by the Company pursuant to the mandates as referred to in “Further Information about the Company” of this Appendix, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange will be as follows:

(a) Long position in Shares

<u>Name of Director</u>	<u>Capacity/ nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding interests</u>
Mr. Pang	Interest of a controlled corporation	600,000,000 Shares <i>(Note)</i>	75%
Mrs. Pang	Family interest	600,000,000 Shares	75%

Note: Genwealth is beneficially owned as to 90% by Mr. Pang and 10% by Mrs. Pang. Accordingly, Mr. Pang is deemed to be interested in the 600,000,000 Shares held by Genwealth under the SFO. Mrs. Pang, being the spouse of Mr. Pang, is deemed to be interested in all the Shares that Mr. Pang is interested in.

(b) Long position in Genwealth, an associated corporation of the Company

<u>Name of Director</u>	<u>Capacity/Nature of Interest</u>	<u>Approximate percentage of shareholding interests</u>
Mr. Pang	Beneficial owner	90%
Mrs. Pang	Beneficial owner	10%

2. Interests and short positions of Substantial Shareholders in the shares, underlying shares and debentures of the Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue and taking into no account the exercise of any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or any Shares which may fall to be allotted or issued or repurchased by the Company pursuant to the mandates referred to in “Further Information about the Company” in this Appendix, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, will have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long position in Shares

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximate percentage of interests</u>
Genwealth	Beneficial owner	600,000,000	75%

3. Particulars of service contracts

Each of the executive Directors has entered into a service agreement with the Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

- (a) Each service contract is for an initial term of three years and shall continue thereafter unless and until it is terminated by the Company or the Director giving to the other not less than three months’ prior notice in writing.
- (b) The annual remuneration (including director’s fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) payable to Mr. Pang and Mrs. Pang under their respective service agreements for the year ending 31 March 2015 shall be approximately HK\$1,901,000 and HK\$1,469,000 respectively.
- (c) Each of the executive Directors is entitled to a management bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the executive Director.
- (d) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus payable to himself.

Each of the non-executive Director and independent non-executive Directors has entered into a service agreement with the Company under which each of them is appointed for a period of three years. The annual director's fee payable to each of Wong Wai Ling, Tang Sing Hing Kenny and Tsui Nam Hung is HK\$180,000 and the annual director's fee payable to Lee Luk Shiu is HK\$240,000. Save for the annual director's fees mentioned above, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, none of the Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors

The Company's policies concerning remuneration of the Directors are as follows:

- (a) the amount of remuneration is determined by the Remuneration Committee on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;
- (b) non-cash benefits may be provided to the executive Directors under their remuneration package; and
- (c) the Directors may be granted, at the discretion of the Board, options pursuant to the Share Option Scheme, as part of this remuneration package.

An aggregate sum of approximately HK\$2,852,000, HK\$2,851,000 and HK\$3,229,000 was paid to the Directors as aggregate emoluments (including director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) by the Group for the years ended 31 March 2012, 2013 and 2014 respectively. Further information in respect of the Directors' remuneration is set out in note 11 of the Accountants' Report in Appendix I to this prospectus.

Save as disclosed in Appendix I to this prospectus, none of the Directors received any remuneration or benefits in kind from the Group during the Track Record Period.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) so far as the Directors are aware, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, immediately following the completion of the Share Offer and assuming that the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised, which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the

SFO (including interests and short positions which he will be taken or deemed to have under the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required, pursuant to Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, once the Shares are listed;

- (b) so far as the Directors are aware, none of the Directors and experts referred to under the heading “Consents of experts” of this Appendix has any direct or indirect interest in the promotion of the 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 the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors and experts referred to under the heading “Consents of experts” in 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 the Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of the Group, excluding contracts which are determinable by the employer within one year without payment of compensation other than statutory compensation;
- (e) taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the Directors are not aware of any person, not being a Director or chief executive of the Company, who will, immediately following completion of the Share Offer and the Capitalisation Issue, be interested in or has short positions in the Shares or underlying shares of the Company which have to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once the Shares are listed, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (f) none of the experts referred to under the heading “Consents of experts” of this Appendix has any shareholding in any member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (g) none of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company’s issued share capital) has any interest in the Group’s five largest suppliers and five largest customers.

6. Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in the section headed “Underwriting” of this prospectus.

Save as disclosed herein and in the section headed “Directors, senior management and employees” and the Accountants’ Report set out in Appendix I to this prospectus, none of the Directors, or any close associate of any of them is or will be entitled to receive any part of the brokerage charged to the Company, or re-allowance of other types on purchase charged to the Company.

7. Related party transactions

During the three years preceding the date of this prospectus, the Group was engaged in related party transactions as described in the Accountants’ Report set out in Appendix I to this prospectus and the section headed “Connected Transactions” in this prospectus.

E. SHARE OPTION SCHEMES

1. Pre-IPO Share Option Scheme

(i) *Purpose and summary of terms*

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain employees, executives or officers of the Group made or will make to the growth of the Group and/or the listing of Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by written resolutions of the sole Shareholder passed on 25 September 2014 are substantially the same as the terms of the Share Option Scheme of the Company except for the following principal terms:

- (a) no options will be offered or granted upon the commencement of dealings in the Shares on the Stock Exchange; and
- (b) the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 24,640,000 Shares, representing approximately 3.1% of the total number of issued Shares immediately following the completion of the Share Offer and Capitalisation Issue.

Application has been made to the Listing Division for the listing of and permission to deal in the 24,640,000 Shares that may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(ii) *Outstanding options*

As at the Latest Practicable Date, the Company had conditionally granted options under the Pre-IPO Share Option Scheme (the exercise of which would entitle the grantees to an aggregate of 24,640,000 Shares, representing approximately 3.1% of the issued share capital of the Company immediately following completion of the Share Offer and Capitalisation Issue and without taking into account of the Shares falling to be issued upon the exercise of any options that may be granted under the Share Option Schemes) to, and accepted by certain Directors, senior management and employees of the Group. The subscription price per Share under the Pre-IPO Share Option Scheme shall be at a 30% discount to the Offer Price.

A full list of such grantees containing all details of each option as required under paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules is set out below:

<u>Name of grantee</u>	<u>Position held</u>	<u>Address</u>	<u>Date of joining the Group</u>	<u>Number of Shares to be issued upon full exercise of the options granted under the Pre-IPO Share Option Scheme</u>	<u>Approximate percentage of total issued share capital of the Company</u>
Mr. Pang	Executive Director	House 10, Constellation Cove, No. 1 Hung Lam Drive, Tai Po, New Territories, Hong Kong	June 1996	13,600,000	1.7%
Mrs. Pang	Executive Director	House 10, Constellation Cove, No. 1 Hung Lam Drive, Tai Po, New Territories, Hong Kong	June 1996	8,000,000	1%
Choy Suk Man	Company Secretary and Financial Controller	Flat E, 6/F, Block 1, Hong Sing Garden, Tseung Kwan O, New Territories, Hong Kong	July 2014	1,000,000	0.125%
Mak Wing Keung	Information Technology Manager	Flat D, 11/F, Block 5, Scenic Gardens, 25 Town Park Road South, Yuen Long, New Territories, Hong Kong	May 2004	720,000	0.09%
Cheuk Wah Kit	Key Account Manager	Room C208, King Yip House, Shan King Estate, Tuen Mun, New Territories, Hong Kong	July 2005	720,000	0.09%
Yeung Chi Kwan	Accountant	Flat 233, Hong Tai House, Cheung Hong Estate, Tsing Yi, New Territories, Hong Kong	July 2010	300,000	0.038%
Cheung Ka Kin	Assistant Accountant	Flat 3308, Block F, Tin Shing Court, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	July 2010	300,000	0.038%

All the options granted under the Pre-IPO Share Option Scheme were granted to the grantees on 25 September 2014. No options will be vested if the grantee ceases to be a participant of the Pre-IPO Share Option Scheme by way of cessation of his/her employment with any member of the Group.

Pursuant to the Pre-IPO Share Option Scheme and the offer letters in respect of the grant of the options, the options conditionally granted to Choy Suk Man, Yueng Chi Kwan and Cheung Ka Kin under the Pre-IPO Share Option Scheme are subject to the following vesting and exercise periods:

- (1) 30% of the option shall become vested and exercisable on the 1st anniversary date of the Listing Date (the “**1st Vesting Date**”), and the exercise period in respect thereof shall commence on the 1st Vesting Date and end on the day immediately before the 10th anniversary date of the offer date (the “**Expiration Date**”) (both dates inclusive).
- (2) 30% of the option shall become vested and exercisable on the 2nd anniversary date of the Listing Date (the “**2nd Vesting Date**”), and the exercise period in respect thereof shall commence on the 2nd Vesting Date and end on the Expiration Date (both dates inclusive).
- (3) 40% of the option shall become vested and exercisable on the 3rd anniversary date of the Listing Date (the “**3rd Vesting Date**”), and the exercise period in respect thereof shall commence on the 3rd Vesting Date and end on the Expiration Date (both dates inclusive).

On the other hand, options conditionally granted to Mr. Pang, Mrs. Pang, Mak Wing Keung and Cheuk Wah Kit under the Pre-IPO Share Option Scheme are subject to the following vesting and exercise periods:

- (1) 20% of the option shall become vested and exercisable on the 1st Vesting Date, and the exercise period in respect thereof shall commence on the 1st Vesting Date and end on the Expiration Date (both dates inclusive).
- (2) 20% of the option shall become vested and exercisable on the 2nd Vesting Date, and the exercise period in respect thereof shall commence on the 2nd Vesting Date and end on the Expiration Date (both dates inclusive).
- (3) 20% of the option shall become vested and exercisable on the 3rd Vesting Date, and the exercise period in respect thereof shall commence on the 3rd Vesting Date and end on the Expiration Date (both dates inclusive).
- (4) 20% of the option shall become vested and exercisable on the 4th anniversary date of the Listing Date (the “**4th Vesting Date**”), and the exercise period in respect thereof shall commence on the 4th Vesting Date and end on the Expiration Date (both dates inclusive).

- (5) 20% of the option shall become vested and exercisable on the 5th anniversary date of the Listing Date (the “**5th Vesting Date**”), and the exercise period in respect thereof shall commence on the 5th Vesting Date and end on the Expiration Date (both dates inclusive).

Assuming that all the options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interests of the public would be reduced from approximately 25% to approximately 24.3% of the issued share capital of the Company (taking into no account the exercise of any options that may be granted under the Share Option Scheme).

The grantees under the Pre-IPO Share Option Scheme have agreed not to exercise their options if such exercise of any part or parts of which will result in the drop of the public float to a level below 25% of the issued share capital of the Company from time to time.

The options issued under the Pre-IPO Share Option Scheme represent approximately 3.1% of the enlarged share capital of the Company as at the Listing Date. If all options are exercised, this would have a dilutive effect on the Shareholders of approximately 3.0%, a dilutive effect of approximately 3.0% on earnings per Share and an anti-dilutive effect on the net asset value per Share as the exercise price of the options is higher than the net asset value per Share as at the Listing Date. Pursuant to the HKFRS, the fair value of the options granted under the Pre-IPO Share Option Scheme at the date of grant of such options will be charged to the consolidated statements of profit or loss and other comprehensive income of the Group over their respective vesting periods.

2. Share Option Scheme

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the sole Shareholder passed on 25 September 2014 are set out below:

(a) *Purpose of the Share Option Scheme*

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that Eligible Participants (as defined below) have made or may make to the Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in the Company with the view to achieving the following principal objectives:

- (i) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.

For the purpose of the Share Option Scheme, “**Eligible Participants**” means any person who satisfies the eligibility criteria in paragraph (b) below.

(b) *Who may join and basis of eligibility*

The Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (the “**Affiliate**”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate, at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) *Price of Shares*

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of: (i) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a Share on the date of grant.

(d) *Grant of options and acceptance of offers*

An offer for the grant of options shall be deemed to have been accepted when the Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof. Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

(e) *Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) to (iv) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company shall not, in aggregate, exceed 10% of the Shares in issue as at the date of listing of the Shares (the “**Scheme Mandate**”

Limit”) unless approved by the shareholders of the Company pursuant to sub-paragraph (iii). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

- (ii) Subject to sub-paragraphs (iii) and (iv), the Scheme Mandate Limit may be renewed by the shareholders of the Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by shareholders of the Company in general meeting. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Manage Limit as renewed. A circular must be sent to the shareholders of the Company containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (iii) Subject to sub-paragraphs (iv), the Board may seek separate shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the shareholders of the Company containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. Notwithstanding anything contrary to the terms of the Share Option Scheme, no options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in the said 30% limit being exceeded.

(f) *Maximum entitlement of each participant*

No option may be granted to any Eligible Participant which, if exercised in full would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (i) approval of the shareholders of the Company at general meeting, with such Eligible Participant and its close associates (or his associates if such eligible person is a connected person) abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant having been sent by the Company to its shareholders with such information from time to time as required by the Listing Rules;
- (iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before the shareholders' approval mentioned in (i) above; and
- (iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

(g) *Grant of options to certain connected persons*

Any grant of options to any director, chief executive, or substantial shareholder of the Company, or any of their respective close associates, must be approved by the independent non-executive directors (but excluding, for all purposes, any independent non-executive director who is a proposed grantee).

Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective close associates would result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the shareholders of the Company on a poll in a general meeting where all core connected persons of the Company must abstain from voting (except where such connected person(s) intends to vote against the proposed grant of

option and his intention to do so has been stated in the circular to be sent to the Company's shareholders). The Company will send a circular to the shareholders containing the information required under the Listing Rules.

(h) *Restrictions on the time of grant of options*

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. "Inside information" has the meaning defined in the SFO.

The Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(i) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) *Performance targets*

Save as determined by the Board and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

(k) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles of the Company in force as at the allotment date and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holder to participate in all dividends or other distributions paid or made after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be on or before the allotment date. Any Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of the Company as the holder thereof.

(l) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

(m) *Rights on cessation of employment*

- (i) In the event of death of the grantee (being an individual) before exercising the option in full, his legal personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine.
- (ii) Subject to sub-paragraphs (iii) and (iv), in the event of the grantee who is an employee ceasing to be an employee for any reason other than his death, disability or the termination of his employment, the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following such cessation.
- (iii) Where the grantee is an employee, director, consultant, professional, agent, partner, adviser of or contractor to the Group or its Affiliate at the time of the grant of the relevant option(s) and his employment or service to the Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, adviser of or contractor to the Group or its Affiliate and not exercised) within 6 months following such cessation or such longer period as the Board may determine.
- (iv) Where the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within three months following the date of such cessation or such longer period as the Board may determine.

(n) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of the Company while an option remains exercisable, and such event arises from, including a capitalization of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the options so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Company's shareholders in general meeting, no such adjustments may be made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalization issue, the independent financial adviser of the Company or the auditors of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(o) *Rights on a general offer*

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(p) *Rights on winding-up*

In the event notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by the Company not later than 2 business days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and the Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

(q) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantee on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of

arrangement, and thereupon the grantee may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by the Company not later than 2 business days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and the Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

(r) *Lapse of options*

An option (to the extent that such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (i) the expiry of the exercise period as set out in paragraph (i) above;
- (ii) the expiry of any of the periods referred to in paragraph (m) above;
- (iii) subject to paragraph (p) above, the date of the commencement of the winding-up of the Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (q) above;
- (v) the date on which the grantee who is an employee ceases to be an employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;
- (vi) the happening of any of the following events, unless otherwise waived by the Board:
 - (A) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (B) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent;
 - (C) there is unsatisfied judgment, order or award outstanding against the grantee or the Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

- (D) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (A) to (D);
 - (E) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or
 - (F) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;
- (vii) the date on which the grantee commits a breach of paragraph (1) above;
- (viii) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board; or
- (ix) the date on which the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria.
- (s) *Cancellation of options granted but not yet exercised*

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued Shares in the authorised share capital of the Company.

(t) *Period of the Share Option Scheme*

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years commencing on its effective date, after which no further options will be issued but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to in the event that the eligible participant is a corporation, any change of the management and/or shareholding of the eligible participant shall constitute a breach of the Share Option Scheme.

(u) *Alteration to the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except those specific provisions relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) which cannot be altered to the advantage of grantees or prospective grantees except with the prior

approval of the shareholders of the Company in general meeting. No such alternation shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantee as would be required of the shareholders of the Company under the Articles for the time being of the Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the shareholders of the Company in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by the shareholders of the Company in general meeting.

The amended terms of the Share Option Scheme must continue to comply with the relevant provisions of the Listing Rules as may be amended from time to time.

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the Share Option Scheme.

(v) *Termination to the Share Option Scheme*

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

(w) *Conditions of the Share Option Scheme*

The Share Option Scheme shall take effect subject to the passing of the shareholders' resolution to adopt the Share Option Scheme and is conditional upon the Stock Exchange granting approval for the listing of and permission to deal in any Shares to be issued and allotted by the Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted by the Company under the Share Option Scheme. On the assumption that 800,000,000 Shares are in issue on the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange, the application to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in the Shares on the Hong Kong Stock Exchange includes the 80,000,000 Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnities

Each of Mr. Pang, Mrs. Pang and Genwealth (collectively the “**Indemnifiers**”), pursuant to a deed of indemnity referred to the paragraph headed “Summary of material contracts” of this Appendix, have given joint and several indemnities in respect of among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time)) to any other member of the Group on or before the date on which the Share Offer becomes unconditional or the 30th day after the date of the Prospectus, whichever is the earlier (the “**Effective Date**”); and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental to or relating to taxation) and claims falling on any member of our Group resulting from or by reference to any income, profits, gains earned, accrued or received, or any transactions or events entered into or occurring, on or before the Effective Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities or claims are chargeable against or attributable to any other person, firm, company or corporation.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group in relation to taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the Effective date.

Under the Deed of Indemnity, the Indemnifiers shall be under no liability in respect of any taxation:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited consolidated accounts of the Group for each of the three years ended 31 March 2014, as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the date of the Deed of Indemnity;

- (c) arising from the ordinary course of the normal business of the Group as a consequence of any event (including, but without limitation to, any transaction, act, event or omission of whatever nature and whether or not any of the Group companies is a party to it) which occurred, or in respect of or by reference to any income, profits or gains earned, accrued or received, after 31 March 2014;
- (d) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any members of the Group which are carried out or effected:
 - i. pursuant to an obligation (whether or not legally binding) of the Company incurred prior to the date of the Deed of Indemnity;
 - ii. in compliance with any law, regulation or request (whether or not having the force of law) of any competent authority for tax purposes; or
 - iii. with the agreement or at the request of the Indemnifiers;
- (e) to the extent that a claim in respect of the same taxation or claim has already been made under the deed by either the Company or by any of the Group companies; and

Under the Deed of Indemnity, the Indemnifiers have also jointly and severally undertaken to indemnify and at all times keep the Group companies and each of them fully indemnified on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any of Group companies directly or indirectly as a result of or in connection with:

- (a) the non-compliance or alleged non-compliance by any Group companies with any applicable laws, rules and regulations in Hong Kong, the PRC, Taiwan or any jurisdictions in the course of its business occurred on or before the Effective Date; and/or
- (b) the implementation of the Reorganisation of the Group in the preparation of Listing as set out in the Prospectus.

Under the Deed of Indemnity, the Indemnifiers have also agreed and undertaken jointly and severally, unconditionally and irrevocably, to indemnify the Group companies and each of them and at all times keeps the same indemnified on demand from and against all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any Group companies in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any Group companies and/or any act, non-performance, omission or otherwise of any Group companies accrued or arising on or before the Effective Date.

The Indemnifiers have further agreed and undertaken jointly and severally, unconditionally and irrevocably, to indemnify the Group companies and each of them and at all times keeps the same indemnified on demand from and against all costs and expenses which may be made, suffered or incurred by any Group companies in respect of or arising directly or indirectly from or on the basis of or in connection with:

- (a) the legal action against Aomori (Japan) Pharmaceutical Limited (“**Aomori**”) instituted by Hin Sang Hong (HK) in the Court of First Instance of Hong Kong known as HCA No. 1754 of 2012 (the “**Aomori Case**”), in which Hin Sang Hong (HK) had failed to file the Statement of Claim within the statutory 14 days period after Aomori had filed an Acknowledgment of receipt of Writ of Summons. As a result, Aomori has the right to apply to Court for an order to dismiss the action and claim costs against Hin Sang Hong (HK). Further, should Hin Sang Hong (HK) decide to seek leave from the Court to file the Statement of Claim out of time, Aomori can also seek costs for such application. Each of the Indemnifiers hereby irrevocably and unconditionally undertakes to pay in full on demand:
 - (i) all costs which is awarded to Aomori and borne by Hin Sang Hong Company, arising from the Aomori case; and
 - (ii) all legal costs which is incurred by Hin Sang Hong Company Limited and not borne by Aomori, arising from the Aomori Case; and
- (b) the legal action against Kingdom Overseas Limited (“**Kingdom Overseas**”) instituted by Hin Sang Hong (HK) in the Court of First Instance of Hong Kong known as HCA No. 525 of 2012 (the “**Kingdom Case**”), in which Hin Sang Hong (HK) claimed against Kingdom for an approximate sum of HK\$54,345,000.00 and Kingdom counterclaimed against Hin Sang Hong (HK) for an approximate sum of HK\$51,034,217.48. Each of the Indemnifiers hereby irrevocably and unconditionally undertakes to pay up in full on demand:
 - (i) the entire sum of damages which is awarded to Kingdom Overseas and borne by Hin Sang Hong (HK) after deducting any sum awarded to Hin Sang Hong (HK) arising from the Kingdom Case;
 - (ii) all costs which is awarded to Kingdom Overseas and borne by Hin Sang Hong (HK) arising from the Kingdom Case; and
 - (iii) all legal costs which is incurred by Hin Sang Hong (HK) and not borne by Kingdom Overseas, arising from the Kingdom Case; and
 - (iv) the entire sum of settlement, payable to Kingdom Overseas, reached between Kingdom and the Hin Sang Hong (HK) out of Court in relation to the Kingdom Case; and

- (c) any legal proceedings instituted by any third parties (the “**Third Parties**”) against the Group Company(ies), on or before the Listing Date, in relation to the quality of the parallel-imported goods sold by the Group Company(ies) (the “**Quality Claim**”). Each of the Indemnifiers hereby irrevocably and unconditionally undertakes to pay up in full on demand:
- (i) the entire sum of damages which is awarded to the Third Parties and borne by the Group Company(ies) arising from the Quality Claim;
 - (ii) all costs which is awarded to the Third Parties and borne by the Group Company(ies) arising from the Quality Claim;
 - (iii) all legal costs which is incurred by the Group Company(ies) and not borne by the Third Parties arising from the Quality Claim; and
 - (iv) the entire sum of settlement, payable to the Third parties, reached between the Third Parties and the Group Company(ies) out of Court in relation to the Quality Claim; and
- (d) any legal proceedings instituted by any proprietors of the parallel-imported goods (the “**Proprietors**”) against the Group Company(ies), on or before the Listing Date, in respect of the sale of such parallel-imported goods by the Group Company(ies) (the “**Proprietor’s Claim**”). Each of the Indemnifiers hereby irrevocably and unconditionally undertakes to pay up in full on demand:
- (i) the entire sum of damages which is awarded to the Proprietors and borne by the Group Company(ies) arising from the Proprietor’s Claim;
 - (ii) all costs which is awarded to the Proprietors and borne by the Group Company(ies) arising from the Proprietor’s Claim;
 - (iii) all legal costs which is incurred by the Group Company(ies) and not borne by the Proprietors arising from the Proprietor’s Claim; and
 - (iv) the entire sum of settlement, payable to the Proprietors, reached between the Proprietors and the Group Company(ies) out of Court in relation to the Proprietor’s Claim.
- (e) any action, claim, demand, proceeding, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any Group Member in respect of or arising directly or indirectly from or on the basis of or in connection with all services rendered by and all goods supplied by Tai Wo Tong Pharmaceutical to the Group, including but not limited to:
- (i) all services rendered to the Group pursuant to the Packing Agreement, including the packing of the Group’s PCM and procuring registration of the Group’s PCM with the Department of Health in Hong Kong;

- (ii) the supply of finished PCM to the Group pursuant to the Packing Agreement;
- (iii) the research and development services rendered to the Group in relation to the Group's PCM pursuant to the Services Agreement; and
- (iv) the supply of health care products under the brand of Tai Wo Tong to the Group pursuant to the Supply Agreement.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands, being jurisdiction in which the Company comprising the Group is incorporated.

2. Litigation

As at the Latest Practicable Date, save as disclosed in the sub-section headed "Business Legal Proceedings and Regulatory Compliance" in this prospectus, to the best of the Directors' knowledge, there is no current litigation or any pending or threatened litigation or arbitration proceedings against any member of the Group that could have a material adverse effect on the Group's financial condition or results of operation.

3. The Sponsor

The Sponsor has made an application on behalf of the Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Schemes on the Stock Exchange. The Sponsor declared its independence from the Company pursuant to Rule 3A.07 of the Listing Rules and satisfies the independence criteria applicable to the Sponsor set out in Rule 3A.07 of the Listing Rules. The Sponsorship fee is approximately HK\$2.6 million.

4. Advisory fees or commissions received

The Underwriter will receive an underwriting commission and the Sponsor will in addition receive a financial advisory (sponsorship) and documentation fee as referred to in the paragraph headed "Underwriting — Total commission and expenses" in this prospectus.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately HK\$38,220 and are payable by the Company.

There is no annual cost of compliance with applicable rules and regulations during the Track Record Period.

6. Promoter

The Company has no promoter within 2 years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Ample Capital	A corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Hastings & Co.	Hong Kong legal advisers in relation to business operation
Chak & Associates	Hong Kong legal advisers in relation to regulatory compliance
Zhong Lun Law Firm	PRC legal advisers
TIPLO Attorneys-at-Law	Taiwan legal advisers
Appleby	Cayman Islands legal advisers
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Stirling Appraisals Limited	Property valuers

8. Consents of experts

Each of the parties listed in the paragraph headed “Qualifications of experts” has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, report, and/or valuation certificate opinion and/or references to its name (as the case may be), all of which are dated the date of the prospectus, in the form and context in which they respectively appear in the prospectus.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Share Registrar

The register of members of the Company will be maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd. and a branch Register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where the Directors otherwise

agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

11. No material adverse change

The Directors confirm that there has been no material adverse change in the financial prospects of the Company or its subsidiaries since 31 March 2014 (being the date to which the latest audited financial statements of the Group were made up).

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

13. Miscellaneous

Save as disclosed herein:

- (a) within two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of the Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

- (d) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (e) the Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of the Company; and
- (f) there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE, YELLOW and GREEN** Application Forms, the written consents referred to under the paragraph headed “F. 6. Qualifications of experts” in Appendix V to this prospectus, and certified copies of the material contracts referred to under the paragraph headed “B. Summary of material contracts” in Appendix V to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Hastings & Co., 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the accountants’ report prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information of our Group issued by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (d) the letter prepared by Appleby summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- (e) the Companies Law;
- (f) the service contracts referred to in the paragraph headed “D. 3. Particulars of service contracts” in Appendix V to this prospectus;
- (g) the rules of the Pre-IPO Share Option Scheme;
- (h) the rules of the Share Option Scheme;
- (i) the material contracts referred to in the paragraph headed “B. Summary of material contracts” in Appendix V to this prospectus;
- (j) the legal opinions prepared by Hastings & Co., the Hong Kong legal advisers in relation to business operation dated the date of this prospectus in respect of certain aspects of our Group;
- (k) the legal opinions prepared by Chak & Associates, the Hong Kong legal advisers in relation to regulatory compliance dated the date of this prospectus in respect of certain aspects of our Group;

- (l) the legal opinions prepared by Zhong Lun Law Firm, the PRC legal advisers dated the date of this prospectus in respect of certain aspects of our Group;
- (m) the legal opinions prepared by TIPLO Attorneys-at-Law, the Taiwan legal advisers dated the date of this prospectus in respect of certain aspects of our Group; and
- (n) the written consents referred to in the paragraph headed “F. 8. Consents of experts” in Appendix V to this prospectus.

The background of the entire page is a repeating floral pattern in a light yellow-gold color. The pattern consists of large, stylized flowers with multiple petals and smaller, simpler flowers interspersed with leaves. The overall effect is a dense, elegant, and traditional-looking decorative texture.

HS

衍生集團(國際)控股有限公司
Hin Sang Group (International) Holding Co. Ltd.