
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “BUSINESS – OUR STRATEGIES” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses of HK\$102.5 million in connection with the Global Offering payable by us and by First Kind and us in relation to the Over-allotment Option, and assuming an Offer Price of HK\$4.00 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$3.63 to HK\$4.36 per Offer Share) will be approximately HK\$897.5 million. We currently intend to apply such net proceeds in the following manner:

- approximately HK\$359.0 million (equivalent to approximately 40% of our total estimated net proceeds) will be used for our infrastructure investment, including:
 - the construction of new production plant, warehouses and ancillary facilities in Guangzhou, Guangdong province, and the purchase and installation of production lines therein for production of medical contrast medium, in three phases:

First phase: The production workshop in the new production plant which will house one production line for our gadopentetate dimeglumine injection which is expected to be completed by the end of 2013 and in full operation in the first half of 2014 when its annual production capacity of gadopentetate dimeglumine injection is expected to increase from approximately 10,000.0 litres to 39,000.0 litres.

Second phase: The production workshop in the new production plant which will house one production line for our three newly developed CT medical contrast mediums with designed annual production capacity of approximately 499,000 litres which is expected to be completed by the end of 2014 and in full operation in the first half of 2015.

Third phase: The ancillary facilities for the new production plant which are expected to be completed by the end of 2015.

- the purchase and installation of new production facilities in the production plant in Tongliao, Inner Mongolia autonomous region for production of our uremic clearance granule and various other medicines. When the new production line of our uremic clearance granule is in full operation which is expected to be in the second half of 2015, our annual production capacity of uremic clearance granule is expected to increase from approximately 940.0 tonnes to 2,290.0 tonnes;
- the purchase of quality control devices for the inspection centre in Tongliao, Inner Mongolia autonomous region;
- the upgrading of our existing production lines for other medicines in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region; and
- the upgrading of our information system;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$179.5 million (equivalent to approximately 20% of our total estimated net proceeds) will be used for research and development activities in order to develop new products, including:
 - the recruitment of experts and staff for different aspects of in research and development;
 - the purchase of new research and development facilities and equipment;
 - the development of evidence-based practice (循証) for our uremic clearance granule;
 - the expansion of our scope of research and development activities to cover more symptoms; and
 - the acquisition of new research and development projects if suitable targets are identified;
- approximately HK\$134.6 million (equivalent to approximately 15% of our total estimated net proceeds) will be used for expansion of our existing marketing and distribution networks to increase the level of our market penetration to cover more end-customers, such as county medical institutions and community and rural healthcare centres, and accordingly increase our market share, including:
 - the recruitment of marketing staff to consolidate our relationship with hospitals, medical institutions and pharmacies and to strengthen the medical practitioners' understanding of our pharmaceutical products;
 - the addition of our liaison points to expand our geographic coverage for marketing services, with a focus of expansion in the eastern, western and northern parts of the PRC; and
 - the organisation and sponsoring of national and regional academic conferences and seminars;
- approximately HK\$134.6 million (equivalent to approximately 15% of our total estimated net proceeds) will be used for merger and acquisition of enterprises with traditional Chinese medicines planting capability, and those focus on oral modern Chinese medicines for kidney disease or medical contrast medium. We currently do not have any specific merger and acquisition plan or target and have not entered into any definitive agreement with any potential target; and
- approximately HK\$89.8 million (equivalent to approximately 10% of our total estimated net proceeds) will be used for working capital and other general corporate purposes.

If the Offer Price is set at the high end of the indicative Offer Price range, being HK\$4.36 per Offer Share, the net proceeds of the Global Offering will increase by approximately HK\$86.4 million. If the Offer Price is set at the low end of the indicative Offer Price range, being HK\$3.63 per Share, the net proceeds of the Global Offering will decrease by approximately HK\$88.8 million. We will adjust the allocation of the net proceeds for the above purposes on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

As advised by our PRC Legal Advisers, subject to the relevant PRC governmental approval, registrations and/or filings, the net proceeds of the Global Offering can be applied in the PRC according to the above intended use of the net proceeds under the relevant existing laws and regulations in the PRC by: (i) increasing the registered capital of our Company's subsidiaries in the PRC; (ii) establishing a new subsidiary in the PRC; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loans to GZ Consun in an amount not exceeding the difference between the investment amount and the registered capital of such subsidiary.

We estimate that the aggregate net proceeds to be received by First Kind (after deducting underwriting fees payable by First Kind and assuming an Offer Price of HK\$4.00 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$3.63 to HK\$4.36 per Offer Share) will be approximately HK\$145.5 million, assuming that the Over-allotment Option is exercised in full. We will not receive any of such proceeds.