
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK\$333.9 million, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.75 per H Share, being the mid-point of the Offer Price range stated in this prospectus.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$51.1 million, assuming an Offer Price of HK\$1.75 per H Share, being the mid-point of the Offer Price range stated in this prospectus.

If the Offer Price is set at HK\$2.00 per H Share (being the high end of the Offer Price range), and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will increase by approximately HK\$48.7 million.

If the Offer Price is set at HK\$1.50 per H Share (being the low end of the Offer Price range), and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will decrease by approximately HK\$48.7 million.

We currently intend to apply these net proceeds for the following purposes:

- approximately 43%, or HK\$143.6 million, will be used to expand our production facilities in Nanjing, Jiangsu province, among which:
 - approximately 31%, or HK\$103.6 million, will be used to construct a new production line to manufacture products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks with a designed annual capacity of 800,000 units, 650,000 units and 2.0 million units, respectively;
 - approximately 6%, or HK\$20.0 million, will be used to build a research and development and testing center; and
 - approximately 6%, or HK\$20.0 million, will be used to establish an information and logistics control center;
- approximately 34%, or HK\$113.5 million, will be used to finance our marketing and promotional activities for the next two years so as to enhance the nationwide brand awareness of our Zhongsheng and Cobayer brands, among which:
 - approximately 23%, or HK\$76.8 million, will be used for TV, print, radio and online advertising;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 6%, or HK\$20.0 million, will be used for engagement of celebrity spokespersons;
- approximately 3%, or HK\$10.0 million, will be used for promotion and enhancement of our corporate and brand image by creating and introducing new corporate video, new product packaging design and new marketing materials; and
- approximately 2%, or HK\$6.7 million, will be used for promotional events across China during major holidays;

As of the Latest Practicable Date, we only maintained effective CFDA advertising approvals for five major health food products, namely Coenzyme Q₁₀ Capsules, Coenzyme Q₁₀ Tablets, Linolenic Acid Soft Capsules, Keda Green Capsules and Weisi Capsules. We intend to apply for CFDA advertising approvals for selected health food products when there comes an actual advertising need, based on the most recent market demand and customer feedback of such specific products, and launch such advertisements upon obtaining the relevant CFDA advertising approvals. In the absence of CFDA advertising approval for any particular health food product, we intend to, among other marketing strategies, rely upon advertising of our brand and corporate image without referring to any particular health food product. For details of our marketing strategies, see “Business – Marketing and Customer Service – Marketing and Promotional Activities”.

- approximately 18%, or HK\$60.1 million, will be used to strengthen and expand our existing sales network and expand into new regions in the next few years, in particular, first-tier cities, provincial capitals and affluent second-tier cities in China, among which:
 - approximately 6%, or HK\$20.0 million, will be used to support our expansion of sales network in 2014. Based on prevailing market conditions, we currently contemplate increasing the number of our Zhongsheng retail stores to 45 and the number of our Cobayer retail stores to 72 by the end of 2014, respectively; and
 - approximately 12%, or HK\$40.1 million, will be used to support our expansion of sales network in 2015 and 2016. Subject to the prevailing macroeconomic conditions and the market demand of our products, and based on the minimum capital required to open Zhongsheng and Cobayer retail stores, the proceeds will allow us to open 20 and 80 additional Zhongsheng and Cobayer retail stores, respectively, in 2015 and 2016; and
- the remaining amount of approximately 5%, or HK\$16.7 million will be used for our working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above uses in the proportions stated above.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments as permitted by the relevant laws and regulations. Our PRC legal advisor is of the view that there is no legal impediment in remittance to the PRC provided that relevant registration with SAFE for the Listing is completed within 15 working days after the Global Offering. We will comply with the PRC laws in respect of foreign exchange registration and proceeds remittance.