Jacobson Pharma Corporation Limited

雅各臣科研製藥有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 2633

GLOBAL OFFERING

Sole Sponsor

BOC INTERNATIONAL

Sole Global Coordinator
Sole Bookrunner and Sole Lead Manager

BOC INTERNATIONAL

IMPORTANT

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

Jacobson Pharma Corporation Limited
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**437,500,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**43,752,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**393,748,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$1.72 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**2633**

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

BOC INTERNATIONAL

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 section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (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 for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (on behalf of the Underwriters) on or about Tuesday, September 13, 2016 and, in any event, not later than Thursday, September 15, 2016. The Offer Price will be not more than HK$1.72 per Offer Share and is currently expected to be not less than HK$1.28 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$1.72 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$1.72 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (on behalf of the Underwriters) on or before Thursday, September 15, 2016 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. 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 in the section headed ''Risk Factors'' in this prospectus. The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

September 8, 2016

EXPECTED TIMETABLE[1]

Latest time for completing electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2] . . . . . 11:30 a.m. on Tuesday, September 13, 2016

Application lists open[3] . . . . . 11:45 a.m. on Tuesday, September 13, 2016

Latest time for lodging **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Tuesday, September 13, 2016

Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Tuesday, September 13, 2016

Latest time for giving **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Tuesday, September 13, 2016

Application lists close[3] . . . . . 12:00 noon on Tuesday, September 13, 2016

Expected Price Determination Date[5] . . . . . Tuesday, September 13, 2016

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . . Tuesday, September 20, 2016

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus . . . . . Tuesday, September 20, 2016

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above will be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.jacobsonpharma.com** from . . . . . Tuesday, September 20, 2016

Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from . . . . . Tuesday, September 20, 2016

e-Auto Refund payment instructions/refund checks in respect of wholly or partially unsuccessful application to be posted on or before . Tuesday, September 20, 2016

HK eIPO White Form refund payment instruction to be dispatched on or before . . . . . Tuesday, September 20, 2016

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] . . . . . Tuesday, September 20, 2016

Dispatch/collection of refund checks and e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before . . . . . Tuesday, September 20, 2016

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on 9:00 am on . . . . . Wednesday, September 21, 2016

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

*(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 lodging 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 monies) until 12:00 noon on the last day of lodging applications, when the application lists close.*

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 13, 2016, the application lists will not open on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

*(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong 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 Tuesday, September 13, 2016 and, in any event, not later than Thursday, September 15, 2016 unless otherwise determined between the Sole Global Coordinator (on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed by Thursday, September 15, 2016 between us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not become unconditional and will lapse.

(6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, September 20, 2016 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Wednesday, September 21, 2016. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Jacobson Pharma Corporation Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Lead Manager, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at **www.jacobsonpharma.com**, does not form part of this prospectus.*

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read this section carefully before you invest in Offer Shares.

OUR BUSINESS OVERVIEW

We are the largest generic drug company in Hong Kong, having over 30% share of the total generic drug market in Hong Kong for each year since 2012, and we were larger than the next two providers combined in terms of revenue in 2015, according to Frost & Sullivan. For each year since 2012, we have been (i) the largest provider of generic drugs to the Hospital Authority, the statutory body managing all public hospitals and a number of public institutions and clinics in Hong Kong, and accounted for over 70% of the Hospital Authority's annual purchase of generic drugs for each respective year, and (ii) the largest provider of generic drugs in Hong Kong in the non-Hospital Authority sector, with over 20% share, according to Frost & Sullivan. We achieved our pre-eminent market position as a result of our leadership in a number of therapeutic categories, as well as in distribution, product development and drug manufacturing.

We are the leader in a number of large and fast-growing therapeutic categories in the Hong Kong pharmaceutical market. For sales to the Hospital Authority, we were the leader in five main therapeutic categories, cardiovascular, central nervous system, gastrointestinal, oral anti-diabetics and respiratory, with 68.8%, 50.1%, 52.1%, 65.0% and 29.9% of the total procurement of generic drugs by Hospital Authority in each respective category in 2015, according to Frost & Sullivan. Our Contractubex was one of the best-selling scar treatment products in Hong Kong in 2015, with a 36.0% market share in the Hong Kong scar treatment market in terms of revenue, according to Frost & Sullivan. Our proprietary Chinese medicines are also highly recognized and widely carried. For example, Po Chai Pills is the most recognized gastrointestinal proprietary Chinese medicines in Hong Kong and our "Po Chai Pills" (or "Puji Pills" in China) was recognized by 97.0% of respondents in Hong Kong, 26.6% in Guangdong, 88.8% in Macau, 96.3% in Singapore, 85.0% in Kuala Lumpur and 85.0% in Jakarta, according to the Frost & Sullivan Survey.

We have extensive market penetration, covering substantially all of the hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong as of December 31, 2015. In light of our significant market share in the generic drug market and our deep industry knowledge as well as our extensive sales and brand management capabilities, we have been a distributor for pharmaceutical and biotech products from reputable multi-national companies, thus further enhancing the breadth of our product portfolio. As a result of our close interactions with market participants, we have gathered significant feedback, relevant market intelligence and data on industry trends to allow us to further strengthen our product development strategies and identify business opportunities.

We are the leading pharmaceutical research and development company in Hong Kong among generic drug manufacturers in terms of number of new drugs registered during the Track Record Period, according to Frost & Sullivan, and our in-house research and development team developed 49.4%, 56.6% and 30.9% of the new drugs registered by drug manufacturers in Hong Kong in 2013, 2014 and 2015, respectively. Through acquisitions and in-house development, we own approximately 3,000 product licenses in Hong Kong, which represented 68.1% of all product licenses granted to Hong Kong manufacturers as of December 31, 2015, according to Frost & Sullivan. We focus on specialized formulations and are the only generic drug supplier with active and on-going production activities in a number of pharmaceutical dosage forms in Hong Kong, including suppositories, enemas, sterile eye drops and injectables, according to Frost & Sullivan. In March 2016, we entered into a memorandum of understanding with a research and academic institution, HKIB, with the aim to establish a new joint research and development center for developing new drug manufacturing technologies. We had 89 New Product Formulae under development in various stages, and expect to launch 35 of these within the next 24 months, as of the Latest Practicable Date.

We have the largest number of licensed production facilities for Western medicines in Hong Kong as of December 31, 2015, according to Frost & Sullivan, which provides us with significant production capacity to take on new opportunities in local and overseas markets. Our production facilities are equipped with machinery and equipment that cater to high volume production. As a demonstration of our manufacturing standards and capabilities, we have secured a contract for manufacturing a line of specialized products for the Department of Health in July 2015.

Pharmaceutical products that have been approved in Hong Kong have reduced regulatory hurdles in certain strategically important export markets like China and Macau. For example, they are pre-qualified for sales and distribution in Macau. In addition, generic drugs that are manufactured and approved in Hong Kong would be deemed as eligible for filing submissions for new drug applications with other regulatory authorities that are members of PIC/S, including Singapore, Malaysia, Australia, New Zealand, Japan, the United Kingdom and the United States, increasing our access to these new markets in the Asia Pacific region and globally.

We aspire to become the leading generic drug and proprietary Chinese medicine company in strategically selected markets in the Asia Pacific region. Our experienced and technically seasoned management team has a long proven track record of driving organic business growth and unleashing synergies through strategic acquisitions. Mr. Sum, our founder, Chairman and CEO, has around 28 years of experience in the pharmaceutical industry. We have a sound track record of successfully integrating acquired businesses and unlocking their value by rejuvenating their sales revenue, broadening their product portfolio as well as strengthening their manufacturing capabilities. Our Group has experienced significant growth through a number of acquisitions since 2001 and expects to continue to grow through acquisitions. Please refer to the section headed "History, Reorganization and Corporate Structure — Our Major Acquisitions and Disposal" for details of our major acquisitions. We expect to capture an increasing share of Hong Kong's total generic drug market, which totaled HK$2.9 billion in 2015, representing about 23.2% of total pharmaceutical sales in Hong Kong, according to Frost & Sullivan. We also aim to capture a larger share of Macau and China's pharmaceutical market. As Chinese end-users are becoming more discerning, we anticipate that they will increasingly appreciate the quality of products that we deliver as Hong Kong's leading drug manufacturer.

We achieved a robust increase in our revenue during the Track Record Period primarily through increases in sales of our generic drugs to both the Hospital Authority and non-Hospital Authority sectors and sales of proprietary Chinese medicines. Our revenue grew from HK$926.2 million for the year ended March 31, 2014 to HK$1,083.9 million for the year ended March 31, 2016.

OUR PRODUCTS

The following table shows details of our ranking under our generic drug business in selected key therapeutic categories, according to Frost & Sullivan. The following table also shows the number of New Product Formulae developed by us during the Track Record Period and the range of Estimated Remaining Useful Life of generic drug products in selected key therapeutic categories:

Therapeutic Categories	Hospital Authority Ranking	Our Market Share in 2015 in Hong Kong	2015 Overall Market Size in Hong Kong (HK$ in millions)	Overall Market's Expected CAGR in Hong Kong from 2015 to 2020	Number of New Product Formulae Developed by us during the Track Record Period	Range of Estimated Remaining Useful Life (years)
Respiratory	1	78.4%	441.2	8.4%	15	15 to 30
Cardiovascular	1	17.9%	590.9	12.2%	9	17 to 30
Central nervous system	1	12.9%	488.0	11.4%	14	15 to 30
Gastrointestinal	1	16.8%	361.6	9.2%	10	15 to 30
Scar treatment	*	36.0%	87.7	10.6%	—	20
Oral anti-diabetics	1	12.2%	196.4	12.0%	1	17 to 28

Note:

* *We did not sell scar treatment products to the Hospital Authority during the Track Record Period.*

The following table shows the key products under our proprietary Chinese medicines business:

Product	Description
Po Chai Pills (保濟丸) (known as "Puji Pills" or "普濟丸" in China)	a proprietary Chinese medicine made with natural Chinese herbs for the relief of indigestion, vomiting, diarrhea and bloating, which is also indicated for relieving hangovers from alcohol
Flying Eagle Woodlok Oil (飛鷹活絡油)	an anti-rheumatic proprietary Chinese medicated oil composed of natural Chinese herbs and essential oils indicated for the relief of muscle aches, pains, bruises and swellings associated with fatigue or physical exercise
Tong Tai Chung Woodlok Oil (唐太宗活絡油)	an anti-rheumatic proprietary Chinese medicated oil composed of a balanced combination of methyl salicylate and menthol indicated for the relief of muscle aches, pains, bruises and swellings associated with fatigue or physical exercise

The table below sets forth the sales volume and price ranges of our top 10 products under our generic drug business in terms of revenue contribution for the year ended March 31, 2016:

Product and Dosage Form	Therapeutic Category	Sales Volume for the Years Ended March 31,			Price Range for the Years Ended March 31,[1]		
		2014	2015	2016	2014	2015	2016
		(in thousand sales packs)			(HK$ per sales pack)		
Marsedyl Elixir 120 ml[2]	Respiratory	660.4	738.0	1,081.8	28.8–45.6	28.8–47.0	28.8–51.0
P.E.C. Syrup 120 ml[2]	Respiratory	431.2	509.5	643.4	38.0–49.0	38.0–50.0	39.0–52.0
Contractubex 20g	Scar treatment	123.8	170.8	168.2	76.4–135.0	75.3–135.0	78.2–135.3
Fendil Syrup 120ml	Respiratory	293.5	319.2	333.7	44.0–45.0	45.0–46.0	46.0–50.0
Bisacodyl Suppository 10mg 100's	Gastrointestinal	36.6	40.2	43.4	250.0–263.0	263.0–295.0	295.0–329.0
Avastinee Tablets 10mg 500's[3]	Cardiovascular	0.4	174.7	204.2	125.0–750.0	69.5–880.0	50.0–880.0
Suphenin Syrup 120ml[2]	Respiratory	188.9	222.6	284.4	45.0–46.0	46.0–46.5	46.0–48.0
Glupozide Tablets 80mg 500's[4]	Oral anti-diabetics	219.6	228.5	164.1	53.6–760.0	81.5–800.0	70.0–880.0
Lostear Eye Drops 0.3% 10ml.	Sterile eye drop	2,160.0	2,204.0	2,419.4	3.9–21.0	4.5–24.0	3.9–26.0
Fendyl Syrup 120ml	Respiratory	178.0	178.0	208.3	44.0–45.0	45.0–46.0	46.0–48.0

Notes:

(1) Some of our products vary significantly in price as we sold the products to a wide range of customers, and as such, adopted a wide range of pricing policies during the Track Record Period. Please see the section headed "Business — Generic Drugs — Customers — Terms and Pricing" of this prospectus.

(2) The increases in the sales volumes of marsedyl elixir, P.E.C. syrup and suphenin syrup during the Track Record Period were primarily due to the organic growth of the market demand in Hong Kong.

(3) The increase in the sales volume of avastinee tablets during the Track Record Period was primarily due to a two-year Hospital Authority tender awarded in January 2014 with a contract value of approximately HK$15.3 million.

(4) The decrease in the sales volume of glupozide tablets from the year ended March 31, 2015 to the year ended March 31, 2016 was primarily due to a decrease in tender volume of the Hospital Authority in the year ended March 31, 2016.

The table below sets forth the sales volume of the key products under our proprietary Chinese medicines during the Track Record Period:

Product and Dosage Form	Sales Volume for the Years Ended March 31,		
	2014	2015	2016
	(in thousand sales packs)		
Po Chai Pills	5,908.3	5,794.8	6,428.3
Flying Eagle Woodlok Oil	2,186.2	534.7	2,245.5
Tong Tai Chung Woodlok Oil	—	79.2	87.8

Please see the section headed "Business — Proprietary Chinese Medicines — Customers — Terms and Pricing" of this prospectus for price ranges of our proprietary Chinese medicines during the Track Record Period.

OUR BUSINESS MODEL

We are a leading Hong Kong-based company engaged in the development, production, marketing and sale of generic drugs and proprietary Chinese medicines.

We are a vertically integrated manufacturer of generic drugs and proprietary Chinese medicines. The following flow chart shows our business model from early stage research and development to product commercialization as of the Latest Practicable Date.

- ***Product development*** — We have dedicated product research and testing laboratories in Hong Kong and China focused on developing specialized products, enhancing our product portfolio and increasing our production know-how. We aim to develop 89 New Product Formulae within the next 24 months. In March 2016, we entered into a memorandum of understanding with a research and academic institution, HKIB, with the aim to establish a new joint research and development center for developing new drug manufacturing technologies. Please refer to the section headed "Business — Product Development" for more details.

- ***Production*** — We had nine production facilities for generic drugs as of March 31, 2016. Eight of these facilities are located in Hong Kong and are PIC/S-accredited, and one is located in China and is GMP-accredited. Our facilities can manufacture a wide range of pharmaceutical dosage forms including solid, semi-solid, liquid, enemas, suppositories, sterile eye drops and injectables. We also have two GMP-accredited production facilities for proprietary Chinese medicines located in Hong Kong.

- ***Quality management*** — Within our quality management team, we had 16 registered pharmacists, 3 employees with Ph.D.s and 49 with master's degrees as of March 31, 2016. We enforce stringent quality management and control covering a wide range of activities, including sourcing, receiving materials, manufacturing, releasing finished products, stability studies, validation and qualification of equipment and facilities.

- ***Sales and marketing*** — We sell and market our pharmaceutical products to substantially all of the hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong as of December 31, 2015.

- ***Distribution and logistics*** — We have our own vertically integrated logistic operations to distribute our own products as well as third-party products. We distribute our generic drugs primarily to public and private hospitals, doctors in private practice, registered pharmacies, retail outlets and trading companies in Hong Kong. We have consignment agreements with our third-party consignees primarily for the distribution of our generic drugs to the Hospital Authority. We also distribute our generic drugs through third-party distributors in China and the Philippines. For our proprietary Chinese medicines, we primarily distribute directly in Hong Kong and work with third-party distributors in Macau, China and overseas markets.

We also market and distribute pharmaceutical and biotech products from reputable multi-national companies, which enhance the breadth of our product portfolio and grow our operational capabilities.

OUR CUSTOMERS AND SUPPLIERS

Our direct customers for generic drugs primarily include hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong.

The Hospital Authority primarily procures drugs through an open tender system which stipulates a whole spectrum of tendering requirements and performance specifications for tenderers to make reference to and comply with. Please see the section headed "Business — Our Business Model — Customers" for details. We also have consignment agreements with our consignees primarily for supplying our generic drugs to the Hospital Authority. During the Track Record Period, we secured over 100 contracts with the Hospital Authority with a total contract value of approximately HK$698.2 million and tender success rates of approximately 79.4%, 93.0% and 90.0% for the years ended March 31, 2014, 2015 and 2016, respectively. As of the Latest Practicable Date, we had 104 outstanding contracts with the Hospital Authority with a total contract value of approximately HK$610.5 million. A portion of the total contract value under these outstanding contracts was recorded as revenue during the Track Record Period, and we expect to generate an additional approximately HK$412.9 million of revenue for the three years ending March 31, 2019.

The Department of Health also procures some generic drugs through an open tender system similar to that of the Hospital Authority. Our tender success rates with the Department of Health were approximately 66.7%, 75.0% and 83.3% for the years ended March 31, 2014, 2015 and 2016, respectively. As of the Latest Practicable Date, we had 21 outstanding contracts with the Department of Health with a total contract value of approximately HK$11.9 million. A portion of the total contract value under these outstanding contracts was recorded as revenue during the Track Record Period, and we expect to generate an additional approximately HK$9.8 million of revenue for the three years ending March 31, 2019.

For our proprietary Chinese medicines, we primarily engage in direct sales in Hong Kong and utilize well-established third-party overseas distributors in overseas markets. As of March 31, 2016, our proprietary Chinese medicines were mainly sold to registered pharmacies and retail outlets (including drug stores, chain stores and convenience stores) and trading companies.

For the years ended March 31, 2014, 2015 and 2016, sales to our five largest customers collectively accounted for approximately 39.3%, 37.0% and 35.1% of our total revenue during the same periods, respectively, and sales to our single largest customer, the Hospital Authority, accounted for approximately 31.5%, 29.7% and 28.0% of our total revenue, respectively. Other than the Hospital Authority, our other four largest customers during the Track Record Period included distributors of our generic drugs or proprietary Chinese medicines, registered pharmacies, retail outlets and trading companies.

During the Track Record Period, the raw materials for our generic drugs were primarily APIs, excipients and packaging materials, and the raw materials for our proprietary Chinese medicines were primarily active substances, excipients and packaging materials. For the years ended March 31, 2014, 2015 and 2016, purchases from our five largest suppliers collectively accounted for approximately 17.8%, 19.6% and 19.5% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for approximately 4.0%, 5.0% and 4.2% of our total purchases during the same periods, respectively. Our five largest suppliers during the Track Record Period comprised our suppliers for active ingredients or packaging materials and multi-national companies from which we market and distribute pharmaceutical products.

For further details on our customers and suppliers, see "Business — Our Business Model", "Business — Generic Drugs" and "Business — Proprietary Chinese Medicines" of this prospectus.

PRODUCT RETURNS, RECALLS AND WARRANTIES

During the Track Record Period, we had seven incidents of product recalls. Two of the incidents occurred due to discrepancies between registered particulars and labels affixed to our pharmaceutical products. One incident was due to a discrepancy from a new specification being added to the registered particulars as an upgraded quality assurance measure of the products. Two incidents were due to the excipients being added to the formulation of certain products which such change in formulation had not been approved by the Department of Health. Two incidents were due to discrepancies in the assay content of certain ingredients specified on the label. These product recall incidents were not material to our Group's business and operation. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any product recall or product return that has materially adversely affected our business and results of operations or any complaint, product liability or other claim in connection with our product quality, which if determined adversely against us, would have materially adversely affected our business and results of operations. For further details of the seven product recalls, please refer to the section headed "Business — Product Returns, Recalls and Warranties" of this prospectus.

GRAVE EVENT RELATING TO PURINOL TABLETS

In early 2009, there was a grave event of intestinal infection by a species of fungus in immunosuppressed patients with hematological malignancies or bone marrow transplantation in certain hospitals in Hong Kong, including Queen Mary Hospital, Tuen Mun Hospital and United Christian Hospital, which source was identified upon investigation by an expert in microbiology commissioned by the Department of Health in collaboration with the Hospital Authority to be traced to the cornstarch used by Europharm as an excipient in producing a drug named Purinol tablets. For further details, please refer to the section headed "Business — Generic Drugs — Production — Grave Event relating to Purinol Tablets". In the view of adopted microbiological testing and measures, that the revenue contribution of Purinol tablets had been insignificant to our Group before the event and that this event occurred back in 2009 and all related claims had been fully settled, our Company confirms that this pre-Track Record Period event does not have and is not expected to have in the future any material financial or operational adverse impact on Group or any criminal liability on our Group, Directors or senior management.

OUR COMPETITIVE STRENGTHS

- Leadership in a diverse range of generic drugs and the overall generic drug market in Hong Kong
- Cross-border qualifications that facilitate our Macau, China and overseas expansion
- Highly recognized and widely carried proprietary Chinese medicines in Hong Kong, Macau, China and other overseas markets
- Leading research and development capabilities that can develop premium generic drugs to fulfill unmet demands
- Proven track record of unlocking value through careful acquisitions
- Well-established sales and distribution network covering substantially all of Hong Kong's private and public hospitals and registered pharmacies
- State-of-the-art equipment crucial for manufacturing a wide range of complex drugs
- Seasoned management team comprised of pioneers in the Hong Kong pharmaceutical industry

OUR BUSINESS STRATEGIES

- Deepen our penetration in Macau, China and other strategically selected Asia Pacific markets
- Engage in strategic acquisitions and alliances
- Enhance our product development capabilities and further enrich our portfolio with premium generic drugs and proprietary Chinese medicines
- Consolidate, streamline and improve our manufacturing capabilities

OUR RESULTS OF OPERATIONS

The following tables set forth selected financial data from our consolidated financial information for the periods indicated, extracted from the Accountants' Report attached as in Appendix I in this prospectus:

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Revenue	HK$'000	% of Revenue	HK$'000	% of Revenue
Revenue	926,181	100.0	947,591	100.0	1,083,856	100.0
Cost of sales	(501,339)	(54.1)	(562,883)	(59.4)	(596,101)	(55.0)
Gross profit	**424,842**	**45.9**	**384,708**	**40.6**	**487,755**	**45.0**
Other income/(loss)[(1)]	65,172	7.0	6,005	0.6	(465)	(0.1)
Selling and distribution expenses	(97,974)	(10.6)	(105,061)	(11.1)	(133,807)	(12.3)
Administrative and other operating expenses	(169,123)	(18.3)	(146,810)	(15.4)	(167,963)	(15.5)
Profit from operations	**222,917**	**24.0**	**138,842**	**14.7**	**185,520**	**17.1**
Finance costs	(5,969)	(0.6)	(2,707)	(0.3)	(2,523)	(0.2)
Profit before taxation	**216,948**	**23.4**	**136,135**	**14.4**	**182,997**	**16.9**
Income tax	(32,247)	(3.5)	(22,157)	(2.4)	(30,335)	(2.8)
Profit for the year	**184,701**	**19.9**	**113,978**	**12.0**	**152,662**	**14.1**

Note:

(1) Our other income for the year ended March 31, 2014 included a non-recurring gain of HK$61.1 million from disposal of certain buildings and leasehold land. For more information, please see the section headed "Financial Information — Principal Statement of Profit or Loss and Other Comprehensive Income Items — Other Income/(Loss)" of this prospectus.

Revenue

The following table sets out our revenue by business segment and market during the Track Record Period:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Revenue	HK$'000	% of Revenue	HK$'000	% of Revenue
Generic drugs						
Hospital Authority	292,134	31.5	281,844	29.7	303,345	28.0
Non-Hospital Authority	531,600	57.4	557,167	58.8	641,408	59.2
Generic drugs subtotal	**823,734**	**88.9**	**839,011**	**88.5**	**944,753**	**87.2**
Proprietary Chinese medicines	102,447	11.1	108,580	11.5	139,103	12.8
Total	**926,181**	**100.0**	**947,591**	**100.0**	**1,083,856**	**100.0**

Our overall revenue increased during the Track Record Period primarily due to (i) growth in both volume and price in the non-Hospital Authority sector in our generic drugs segment, (ii) additional Hospital Authority contracts secured in cardiovascular and CNS products in our generic drugs segment, (iii) increases in the sales volume and prices of Flying Eagle Woodlok Oil and Po Chai Pills in our proprietary Chinese medicines segment, and (iv) the acquisition of Tong Tai Chung Group in June 2014 in our proprietary Chinese medicines segment.

The following table sets out a geographic breakdown of our revenue based on the locations at which goods are distributed by us, our consignees or our distributors during the Track Record Period:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Revenue	HK$'000	% of Revenue	HK$'000	% of Revenue
Hong Kong	851,566	91.9	879,109	92.8	994,206	91.7
China	34,078	3.7	28,834	3.0	40,850	3.8
Macau	21,862	2.4	19,868	2.1	27,743	2.6
Singapore	9,251	1.0	4,683	0.5	11,943	1.1
Others	9,424	1.0	15,097	1.6	9,114	0.8
Total	**926,181**	**100.0**	**947,591**	**100.0**	**1,083,856**	**100.0**

The following table sets forth a breakdown of our revenue of generic drugs by selected key therapeutic categories during the Track Record Period:

	For the Years ended March 31,		
	2014	2015	2016
		HK$'000	
Respiratory	274,014	284,990	360,827
Cardiovascular	93,383	99,777	107,393
Central nervous system	54,490	53,276	64,831
Gastrointestinal	61,098	59,887	61,899
Scar treatment	24,985	33,570	32,720
Oral anti-diabetics	38,351	24,504	23,163

The decrease in our revenue from sales of oral anti-diabetics from the year ended March 31, 2014 to the year ended March 31, 2015 was mainly due to loss of certain tenders from the Hospital Authority, including metformin tablets. We regained the majority of these tenders during the year ended March 31, 2016 and will recognize the majority of the revenue from these tenders during the year ending March 31, 2017 and subsequent years thereafter.

Gross Profit and Gross Profit Margin

The table below sets forth, for the periods indicated, the breakdown of gross profit and gross profit margin in respect of our product sales by segment:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	GP%	HK$'000	GP%	HK$'000	GP%
Generic drugs	374,103	45.4	333,727	39.8	423,055	44.8
Proprietary Chinese medicines	50,739	49.5	50,981	47.0	64,700	46.5
Total	**424,842**	**45.9**	**384,708**	**40.6**	**487,755**	**45.0**

Our gross profit margin decreased from 45.9% for the year ended March 31, 2014 to 40.6% for the year ended March 31, 2015, primarily as a result of additional staff costs, consumables and depreciation and amortization incurred for upgrading our generic drug production facilities to comply with the PIC/S standards. Our gross profit margin increased from 40.6% for the year ended March 31, 2015 to 45.0% for the year ended March 31, 2016, primarily attributable by an increase in the utilization rate for our production facilities, as we increased our sales volume of generic drugs.

For discussion of our consolidated statements of profit or loss and other comprehensive income, see "Financial Information — Principal Statement of Profits or Loss and Other Comprehensive Income Items" of this prospectus.

Summary of Consolidated Statements of Financial Position

	As of March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Non-current assets	1,011,869	1,311,176	1,322,061
Current assets	444,940	394,035	499,989
Current liabilities	488,914	650,238	816,835
Net current liabilities	43,974	256,203	316,846
Total assets less current liabilities	967,895	1,054,973	1,005,215
Non-current liabilities	50,908	48,338	49,070
Net assets	**916,987**	**1,006,635**	**956,145**
Total equity attributable to:			
Equity shareholders of the Company	877,894	957,343	906,882
Non-controlling interests	39,093	49,292	49,263
Total equity	**916,987**	**1,006,635**	**956,145**

We recorded net current liabilities of HK$44.0 million, HK$256.2 million and HK$316.8 million as of March 31, 2014, 2015 and 2016, respectively. Among the current liabilities, there were bank loans contractually due for repayment after one year of HK$159.0 million, HK$311.0 million and HK$227.3 million as of March 31, 2014, 2015 and 2016, respectively. These bank loans were classified as current liabilities because the loan agreements included a clause that gives the banks the unconditional right to call the bank loans at any time. These bank loans were mainly used to fund capital investments in our production facilities, which are classified as non-current assets on the statement of financial position. In addition, we declared interim dividends of HK$15.0 million, HK$22.8 million and HK$200.2 million to our then shareholders during the years ended March 31, 2014, 2015 and 2016, respectively, which led to dividend payables of HK$13.2 million, HK$26.4 million and HK$224.8 million as of March 31, 2014, 2015 and 2016, respectively. For further details, see "Financial Information — Net Current Liabilities" of this prospectus.

Summary of Consolidated Cash Flow Statements

	For the Years ended March 31,		
	2014	2015	2016
		HK$'000	
Net cash generated from operating activities	150,272	161,754	221,450
Net cash used in investing activities	(126,529)	(390,971)	(133,723)
Net cash (used in)/generated from financing activities	(8,747)	160,853	(67,586)
Net increase/(decrease) in cash and cash equivalents	14,996	(68,364)	20,141
Cash and cash equivalents at the beginning of the year	116,778	131,492	63,005
Effect of foreign exchange rate changes	(282)	(123)	(221)
Cash and cash equivalents at the end of the year	**131,492**	**63,005**	**82,925**

For details of our cash flows, see "Financial Information — Liquidity and Capital Resources — Cash flows" of this prospectus.

Key Financial Ratios

	Year ended March 31,		
	2014	2015	2016
		(%)	
Profitability ratios			
Gross profit margin	45.9	40.6	45.0
Net profit margin	19.9	12.0	14.1
Return on equity	22.2	11.9	15.6
Return on total assets	13.7	7.2	8.7

	As of March 31,		
	2014	2015	2016
Liquidity ratios			
Current ratio	0.91	0.61	0.61
Quick ratio	0.58	0.35	0.37
Capital adequacy ratio			
Net gearing ratio*	18.3%	40.3%	37.3%

Note:

* *Net gearing ratio is calculated based on bank loans, overdrafts and other loans less cash and cash equivalents divided by total equity multiplied by 100%.*

Please refer to the section headed "Financial Information — Key Financial Ratios" of this prospectus for descriptions of the calculation of the above ratios.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Kingshill and Longjin will together be interested in approximately 57.58% of our issued share capital in aggregate.

Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries. Longjin is owned as to 75% by Mr. Lau.

Furthermore, pursuant to the Deed of Acting in Concert dated January 8, 2016, Kingshill and Longjin agreed, and Mr. Lau as the majority shareholder of Longjin agreed to procure Longjin, to act in concert with each other. They have also confirmed that prior to the commencement of the Deed of Acting in Concert, they were acting in concert with each other in exercising their voting right in JPG (BVI) during the Track Record Period. Accordingly, as Trust Co, Kingshill, Longjin, Mr. Sum and Mr. Lau, directly and indirectly, will together be entitled to exercise 57.58% of the voting power of our Company, each of Trust Co, Kingshill, Longjin, Mr. Sum and Mr. Lau will be regarded as our Controlling Shareholder immediately following the completion of the Global Offering. For further details of our Controlling Shareholders interest in the shares, please refer to the section headed "Substantial Shareholders" in this prospectus. Please see the section headed "Relationship with our Controlling Shareholders" of this prospectus for further details.

RECENT DEVELOPMENTS

In March 2016, with a view to further expanding our market penetration in the PRC, we entered into a strategic cooperation framework agreement with Yunnan Baiyao, whereby Yunnan Baiyao will sell and distribute Puji Pills in China, while we sell and distribute selected proprietary Chinese medicines and consumer products of Yunnan Baiyao in Hong Kong and Macau.

In March 2016, we entered into a memorandum of understanding with HKIB with the aim to establish a new joint research and development center for developing new drug manufacturing technologies.

In June and August 2016, we entered into a non-disclosure agreement with an Independent Third Party and a non-disclosure deed with another Independent Third Party respectively, both of which are involved in pharmaceutical business in Hong Kong, whereby we will receive information related to

theirrespective products to assess the potential for future business collaboration or product license acquisitions. We expect to complete the respective assessment in the coming few months.

We are not aware of any material changes in the pharmaceutical industry which would adversely affect our business subsequent to the Track Record Period. We have not experienced any significant decrease in revenue or increase in cost of sales or other costs subsequent to the Track Record Period and up to the Latest Practicable Date. Also, there were no material changes which would adversely affect our revenue, gross profit margin, net profit margin, net current liabilities or tender business with the Hospital Authority for the four months ended July 31, 2016 compared to the Track Record Period. However, it is expected that our finance costs and gearing ratio for the year ending March 31, 2017 will increase significantly compared with the year ended March 31, 2016, primarily due to (i) the cessation of interest expense capitalization following the expected completion of construction of the new generic drug production facilities during the year ending March 31, 2017, and (ii) additional loans drawn down primarily used to fund the settlement of our interim dividends declared during the Track Record Period and income tax payments which have accrued as of March 31, 2016.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position since March 31, 2016.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions and any discretionary incentive fee which may be payable by us) for the Global Offering are approximately HK$67.1 million. During the Track Record Period, we incurred listing expenses of HK$11.4 million, of which approximately HK$8.9 million was recognized as administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended March 31, 2016 and approximately HK$2.5 million was capitalized as deferred expenses in the consolidated statement of financial position as of March 31, 2016 to be recognized as a reduction in equity. We expect to incur additional listing expenses of approximately HK$55.7 million, of which approximately HK$22.2 million is expected to be recognized as administrative and other operating expenses and approximately HK$33.5 million are expected to be recognized as a deduction in equity directly. We expect that our net profit for the year ending March 31, 2017 will be impacted by these one-off listing expenses.

OFFERING STATISTICS

Offer size	:	Initially 25% of our enlarged issued share capital
Over-allotment Option	:	Up to 15% of our initial Offer Shares
Offer Price per Share	:	HK$1.28 to HK$1.72 per Share
Offering structure	:	Approximately 90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)

	Based on an Offer Price of HK$1.28	**Based on an Offer Price of HK$1.72**
Market Capitalization	HK$2,240 million	HK$3,010 million
Unaudited pro forma adjusted net tangible assets per Share[(1)]	HK$0.56	HK$0.67

Note:

(1) Please refer to the section headed "Appendix II – Unaudited Pro Forma Financial Information" for further details regarding the assumptions used and the calculations method.

DIVIDEND

Prior to the completion of the Reorganization, we declared interim dividends with an amount of HK$15.0 million, HK$22.8 million and HK$200.2 million to our then shareholders during the years ended March 31, 2014, 2015 and 2016, respectively, 30% of which were settled through internal resources and 70% through term loans in August 2016. The settlement of these dividends decreased our cash and cash equivalents and dividend payables and increased our bank borrowings. Our future declarations of dividends may or may not reflect our historical or further declarations of dividends. Our Company does not have a dividend policy. Our Board has the absolute discretion to declare dividends, subject to our Articles of Association, the Cayman Companies Law, Hong Kong laws and PRC laws governing our subsidiaries' ability to declare and pay dividends to us. Any declaration of dividends will depend on our future operations and earnings, capital requirements and surplus, cash flows and general financial conditions, contractual restrictions and other factors that our Directors consider relevant. For details of our dividend policy, see "Financial Information — Dividend" of this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$600.6 million (after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK$1.50 per Share, being the mid-point of the offer price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

Percentage of Net Proceeds, approximately	Future Plans
45%	acquisitions, including: ♦ approximately 35% for potential future business or share acquisitions, joint ventures or other strategic arrangements to expand and enhance our product portfolio and to deepen our market penetration in Hong Kong, Macau, China, other strategically selected markets in the Asia Pacific region and globally and improve our pharmaceutical platform, including (i) approximately 20% for targets (a) carrying out generic drug businesses which are complementary to our existing generic drug product portfolio in our key therapeutic categories, including cardiovascular, central nervous system, gastrointestinal, oral anti-diabetics and respiratory, (b) with renowned proprietary brands of Chinese medicines or Western medicines or (c) with technology or knowhow that could enhance our product formulation or production process; or combination of (a), (b) or (c); and (ii) approximately 15% for targets with local distribution network in Macau, China and other strategically selected Asia Pacific markets to facilitate our further market penetration in these markets; and ♦ approximately 10% for intangible asset acquisitions, including registration dossiers, drug master files, product licenses, specialized formulation technologies or dosage form technologies related to Chinese medicines or patented drugs which will be coming off patent in the next five years to expedite the development process or brands with heritage which we can leverage to expand into strategically selected markets in the Asia Pacific region;
18%	capital investments in relation to acquiring, expanding, streamlining or upgrading our manufacturing plants, premises, facilities or capabilities;
15%	pursuing bioequivalence clinical studies for specialized generic drugs and further elevating our product development and research capabilities, whether in-house or through collaboration with external parties, including HK$10.0 million for establishing a new advanced joint research and development center with HKIB;
12%	bolstering our sales, marketing and advertising efforts for the next five years to enhance brand recognition and fortify brand loyalty for our products and businesses; and
10%	working capital and other general corporate purposes.

REGULATORY COMPLIANCE

As of the Latest Practicable Date, there were two unreleased building orders issued by the Building Authority against our Group and 24 unreleased building orders issued against the relevant landlord(s) of premises where our leased properties are located pursuant to section 24 or section 24C of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) in relation to certain building works without having first obtained from the Building Authority the approval of building plans and commencement of such building works as required by section 14 of the Buildings Ordinance. For further details of such building orders, please see the section headed "Business — Property — Building Orders in respect of a number of our Owned Properties and Leased Properties in Hong Kong" of this prospectus.

RISK FACTORS

Our business faces risks including those set out in "Risk Factors" section in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares.

Some of the major risks that we face include:

- We may experience difficulty winning tenders due to competition and the highly demanding tender process.
- Failure to comply with pharmaceutical or other regulations may restrict our business operations.
- Our generic drug production facilities are subject to PIC/S GMP-requirements, which may increase compliance costs and uncertainties.
- Defective products may expose us to liability or damage our reputation.
- We may not be able to successfully identify, consummate and integrate future mergers or acquisitions.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountants' Report"	the report of the Reporting Accountants dated September 8, 2016, the text of which is set out in Appendix I of this prospectus
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"APT China"	APT Pharma (China) Co., Ltd (雅柏藥業(中國)有限公司), a limited liability company incorporated under the laws of China on October 13, 1995, which is a wholly-owned subsidiary of our Company
"APT Pharma"	APT Pharma Limited, a limited liability company incorporated under the laws of Hong Kong on December 21, 1990, which is a wholly-owned subsidiary of our Company
"Articles" or "Articles of Association"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"BOCI Asia Limited"	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under SFO
"Building Authority"	has the meaning ascribed to it under the Buildings Ordinance and, as at the Latest Practicable Date, means the Director of Buildings of the Government
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Companies Law"	the Companies Law (2013 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time

"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, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Charmaine"	Charmaine Pharmaceutical Company Limited, a limited liability company incorporated under the laws of Hong Kong on November 26, 1985, which is a wholly-owned subsidiary of our Company
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
"China Food and Drug Administration" or "CFDA"	China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局)
"Chinese Medicine Ordinance"	The Chinese Medicine Ordinance (Chapter 549, the Laws of Hong Kong), as amended and supplemented or otherwise modified from time to time
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"CMCHK"	The Chinese Medicine Council of Hong Kong
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), 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" or "our Company" or "the Company"	Jacobson Pharma Corporation Limited (雅各臣科研製藥有限公司), formerly known as Jacobson Pharma Corporation Limited (雅各臣藥業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 16, 2016 and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, our Company's present subsidiaries
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Parties"	Mr. Sum and Mr. Lau
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, being Mr. Sum, Mr. Lau, Trust Co, Kingshill and Longjin
"Deed of Acting in Concert"	the deed of acting in concert dated January 8, 2016 entered into between Kingshill, Longjin and Mr. Lau whereby they confirmed the existence of their acting in concert arrangement
"Deed of Non-competition"	the deed of non-competition entered into between the Controlling Shareholders and our Company dated August 30, 2016 in respect of certain non-competition undertakings given by the Controlling Shareholders in favor of our Group
"Department of Health"	The Department of Health of the Government of Hong Kong
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law, promulgated on March 16, 2007 and became effective as of January 1, 2008 (《中華人民共和國企業所得税法》)
"EIT Rules"	the Regulation on the Implementation of the PRC Enterprise Income Tax Law, promulgated on December 6, 2007 and became effective on January 1, 2008 (《中華人民共和國企業所得税法實施條例》)
"Estimated Remaining Useful Life"	the remaining useful life of a generic drug product being its Estimated Useful Life less the time elapsed since it was newly acquired or developed by us
"Estimated Useful Life"	the useful life of a generic drug product newly acquired or developed by us being estimated to be 30 years
"Euro"	the official currency of the eurozone, which consists of 19 of the 28 member states of the European Union

"Europharm"	Europharm Laboratoires Company Limited, a limited liability company incorporated under the laws of Hong Kong on February 28, 1986, which is jointly owned as to 75% by Europharm Holdings, 14.31% by Europharm Investment and 10.69% by three Independent Third Parties
"Europharm Holdings"	Europharm Holdings (BVI) Limited, a limited company incorporated under the laws of BVI on October 29, 1996, which is a wholly-owned subsidiary of our Company
"Europharm Investment"	Europharm Investment Limited, a limited liability company incorporated under the laws of BVI on December 11, 2013, which is a wholly owned subsidiary of our Company
"Flying Eagle Woodlok Oil"	an anti-rheumatic proprietary Chinese medicated oil composed of natural Chinese herbs and essential oils indicated for the relief of muscle aches, pains, bruises and swellings associated with fatigue or physical exercise
"Frankin"	Frankin Pharmaceutical Laboratories Company Limited, a limited liability company incorporated under the laws of Hong Kong on January 8, 1980, which is a wholly-owned subsidiary of our Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent global market research and consulting company which was founded in 1961 and is based in the United States
"Frost & Sullivan Report"	an industry report prepared by Frost & Sullivan on the pharmaceutical market, which was commissioned by our Company
"Frost & Sullivan Survey"	the consumer survey conducted by Frost & Sullivan in Guangdong Province, Hong Kong, Macau, Singapore, Kuala Lumpur and Jakarta in 2016 for the purpose of analyzing brand recognition of our "Po Chai Pills" (or "Puji Pills" in China) in these markets, to which consumers with a sample size ranging from 80 to 1,000 who purchased or had immediate family members who purchased gastrointestinal medicines during the 12 months preceding the surveys were interviewed; the consumers selected with approximately equal number of females and males as well as reasonable age and household income distribution
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Greater China"	refer to China, Hong Kong and Macau as a unity
"Green Application Form(s)"	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company

"Group", "our Group", "the Group", "we", "us", "our" or "Jacobson"	our Company and our subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of HK eIPO White Form at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"HKFRSs"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKIB"	Hong Kong Institute of Biotechnology Limited, a research and academic institution
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions described in this prospectus and the Application Forms
"Hong Kong Offer Share(s)"	the 43,752,000 Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Hong Kong Underwriter"	the underwriter of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriter" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 7, 2016 relating to the Hong Kong Public Offering and entered into among our Company, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses" in this prospectus
"Hospital Authority" or "HA"	Hospital Authority of Hong Kong, a statutory body managing all the public hospitals in Hong Kong under the governance of its board and is under the monitor of the Secretary for Food and Health of the Hong Kong Government
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of us, our subsidiaries or any of their respective associates
"International Offer Share(s)"	the 393,748,000 Shares initially being offered by our Company pursuant to the International Offering for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S or any other available exemption for registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Sole Global Coordinator, that is expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the international underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company, our Controlling Shareholders, the Sole Global Coordinator, the Sole Bookrunner and the International Underwriters in respect of the International Offering, as further described in the section headed "Underwriting — the International Offering" in this prospectus

"Jacobson Medical" or "JML"	Jacobson Medical (Hong Kong) Limited, a limited company incorporated in Hong Kong on October 15, 1996, which is a wholly-owned subsidiary of our Company
"Janker"	Janker Limited, a limited liability company incorporated under the laws of Hong Kong on July 2, 1991, which is a wholly-owned subsidiary of our Company
"Jean-Marie"	Jean-Marie Pharmacal Company Limited, a limited liability company incorporated under the laws of Hong Kong on February 21, 1978, which is a wholly-owned subsidiary of our Company
"Jetstar"	Jetstar Company Limited, a limited liability company incorporated under the laws of Hong Kong on October 8, 1991, which is a wholly-owned subsidiary of our Company
"JPG (BVI)"	Jacobson Pharma Group (BVI) Limited, a limited liability company incorporated under the laws of BVI on March 18, 2008, which is a wholly-owned subsidiary of our Company
"Kingshill"	Kingshill Development Limited, a limited liability company incorporated under the laws of BVI on July 8, 1998, which was solely owned by Mr. Sum as at the Latest Practicable Date and one of our Controlling Shareholders
"Latest Practicable Date"	August 29, 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"LCST (Holdings)"	Li Chung Shing Tong (Holdings) Limited, a limited liability company incorporated under the laws of Hong Kong on January 8, 1988, which is owned as to 55.2% by our Company
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about September 21, 2016 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Longjin"	Longjin Investments Limited, a limited liability company incorporated under the laws of BVI on August 30, 1994, which was owned by Mr. Lau and Ms. Lau as to 75% and 25% respectively as at the Latest Practicable Date and one of our Controlling Shareholders

"Macau"	the Macau Special Administrative Region of the PRC
"Macau Health Bureau"	Macau Health Bureau* (澳門特別行政區政府衞生局), a public body supervised by the Secretariat for Social Affairs and Culture of the Macau Government, mainly responsible for coordinating the activities between the public and private organizations in the area of public health
"Marching"	Marching Pharmaceutical Limited, a limited liability company incorporated under the laws of Hong Kong on May 1, 1981, which is a wholly-owned subsidiary of our Company
"Marching Trading"	Marching Pharmaceutical Trading Limited, a limited liability company incorporated under the laws of Hong Kong on September 28, 1998, which is a wholly-owned subsidiary of our Company
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, a summary of which is set out in Appendix IV to this prospectus
"Merck (Germany)"	Merck Holding GmbH, a Germany chemical, pharmaceutical and life sciences company
"Merz (Germany)"	Merz Pharma GmbH & Co. KGaA, a Germany healthcare company
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOH" or "NHFPC"	the Ministry of Health of the PRC (中華人民共和國衞生部) which became part the National Health and Family Planning Commission of the PRC (中華人民共和國國家衞生和計劃生育委員會) since March 2013
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"Mr. Lau"	Mr. Lau Wing Hung, one of our Controlling Shareholders and the father of Ms. Lau
"Mr. Sum"	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
"Ms. Lau"	Ms. Lau Hoi Shan Margaret, the daughter of Mr. Lau and over the age of 18

* *For identification purpose only*

"National Medical Insurance Catalogue"	a list of pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance of the PRC as determined by the PRC central government, as amended, supplemented or otherwise modified from time to time
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Neochem"	Neochem Pharmaceutical Laboratories Limited, a limited liability company incorporated under the laws of Hong Kong on August 6, 1975, which is a wholly-owned subsidiary of our Company
"New Product Formula(e)"	a new product formula(e) regardless of any external packaging
"Nomination Committee"	the nomination committee of the Board
"Nice"	Nice Laboratories Limited, a limited liability company incorporated under the laws of Hong Kong on June 11, 1982, which is a wholly-owned subsidiary of our Company
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$1.72 and expected to be not less than HK$1.28, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and to be determined as further described in the section headed "Structure of the Global Offering — Determining the Offer Price" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, where relevant, including any additional Shares issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 65,625,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering — The Over-Allotment Option" in this prospectus
"P&P Board of Hong Kong" or "PPBHK"	Pharmacy and Poisons Board of Hong Kong
"P&P (Manufacturing Licensing) Committee"	Pharmacy and Poisons (Manufacturing Licensing) Committee
"P&P Regulations"	Pharmacy and Poisons Regulations
"Pei pa koa"	a traditional Chinese natural herbal remedy used for the relief of sore throat, coughs, hoarseness, and loss of voice

"Pharmason"	Pharmason Company Limited, a limited liability company incorporated under the laws of Hong Kong on March 11, 2015, which is a wholly-owned subsidiary of our Company
"Po Chai Pills" or "Li Chung Shing Tong's Po Chai Pills"	a proprietary Chinese medicine registered with the Hong Kong Department of Health for the relief of indigestion, vomiting, diarrhea and bloating, which is also indicated for relieving hangovers from alcohol
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"Price Determination Agreement"	the agreement to be entered into by the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around September 13, 2016 (Hong Kong time) and, in any event no later than September 15, 2016 (Hong Kong time) on which the Offer Price is determined by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters) for the purposes of the Global Offering
"Provincial Medical Insurance Catalogue"	a list of pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance of the PRC as determined by the government authorities of each Chinese province, as amended, supplemented or otherwise modified from time to time
"Puji Pills"	a proprietary Chinese medicine registered with the CFDA for the relief of indigestion, vomiting, diarrhea and bloating, which is also indicated for relieving hangovers from alcohol
"Queenshill"	Queenshill Development Limited, a limited liability company incorporated under the laws of BVI on December 12, 2012, which was solely owned by Mr. Sum as at the Latest Practicable Date
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure" of this prospectus

"Reporting Accountants"	KPMG
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (國家税務總局)
"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 or supplemented from time to time
"Share(s)"	ordinary share(s) in the capital of our Company with nominal value of HK$0.01 each
"Share Incentive Scheme"	the share incentive scheme conditionally adopted by our Company on August 30, 2016, the principal terms of which are summarized in "Statutory and General Information — D. Other Information — 2. Share Incentive Scheme" in Appendix V to this prospectus
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on August 30, 2016, the principal terms of which are summarized in "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of Shares
"Singmalay"	Singmalay Company Limited, a limited liability company incorporated under the laws of Hong Kong on July 29, 1998, which is a wholly-owned subsidiary of our Company
"Sole Sponsor", "Sole Global Coordinator", "Sole Bookrunner" or "Sole Lead Manager"	BOCI Asia Limited
"Stabilizing Manager"	BOCI Asia Limited, or any of its affiliates or any persons acting for it
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager and Kingshill, pursuant to which the Kingshill will agree to lend up to 65,625,000 Shares to the Stabilizing Manager on terms set forth therein
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance

"Synco"	Synco (H.K.) Limited, a limited liability company incorporated under the laws of Hong Kong on October 9, 1968, which is a wholly-owned subsidiary of our Company
"The Kingshill Trust"	The Kingshill Trust is a discretionary trust established by Mr. Sum (as the settlor) on May 16, 2016 with Mr. Sum and his family members as the discretionary beneficiaries
"The Queenshill Trust"	The Queenshill Trust is a discretionary trust established by Mr. Sum (as the settlor) on May 16, 2016 with Mr. Sum and his family members as the discretionary beneficiaries
"Tong Tai Chung Group"	refers to Jetstar, Janker, Singmalay and Tong Tai Chung Herbs Medicine
"Tong Tai Chung Herbs Medicine"	Tong Tai Chung Herbs Medicine Manufacturing Limited, a limited liability company incorporated under the laws of Hong Kong on September 19, 1997, which is a wholly-owned subsidiary of our Company
"Tong Tai Chung Woodlok Oil"	an anti-rheumatic propriety Chinese medicated oil composed of a balanced combination of methyl salicylate and menthol indicated for the relief of muscle aches, pains, bruises and swelling associated with fatigue or physical exercise
"Track Record Period"	the period comprising the three financial years of our Company ended March 31, 2014, 2015 and 2016
"Trust Co"	Kingshill Development Group Inc., a company incorporated in the BVI which is wholly-owned by UBS Nominees Limited as nominee for UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, which holds the entire issued shares capital of Kingshill. It is also one of our Controlling Shareholders
"Ultra Perfect Profit"	Ultra Perfect Profit Limited, a limited liability company incorporated under the laws of BVI, which is owned by Mr. Lau and Ms. Lau as to 75% and 25% respectively as at the Latest Practicable Date
"Underwriters"	the Hong Kong Underwriter and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Universal"	Universal Pharmaceutical Laboratories, Limited, a limited liability company incorporated under the laws of Hong Kong on June 19, 1940, which is a wholly-owned subsidiary of our Company
"U.S." or "United States"	the United States of America

"U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Vickmans"	Vickmans Laboratories Limited, a limited liability company incorporated under the laws of Hong Kong on May 9, 1975, which is a wholly-owned subsidiary of our Company
"Yunnan Baiyao"	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司), an Independent Third Party which is a limited liability company incorporated in the PRC and listed on the Shenzhen Stock Exchange

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

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"ACE inhibitors"	refers to angiotensin-converting-enzyme inhibitors, pharmaceutical drugs used primarily for the treatment of hypertension and congestive heart failure
"active ingredient"	an API in a Western medicine or active substance in a proprietary Chinese medicine
"active pharmaceutical ingredient" or "API"	the ingredient in a Western medicine that is biologically active
"active substance"	the ingredient in a proprietary Chinese medicine that is biologically active
"analgesics"	drugs used to achieve analgesia, relief from pain
"angiotensin II receptor antagonists"	drugs used primarily in the treatment of high blood pressure
"antacid"	drugs that neutralize stomach acidity and relieve heartburn
"anti-allergics"	drugs used to relieve or control allergic symptoms
"anti-arrhythmics"	drugs that help restoring the normal rhythms of the heart
"antidepressants"	drugs that treat major depressive disorder and other mental health conditions
"anti-diabetics"	drugs that treat diabetes by lowering glucose levels in the blood
"antidiarrheals"	drugs that relieve diarrhea
"antiemetics"	drugs that treat vomiting and nausea
"antiflatulents"	drugs that alleviate or prevent excessive intestinal gas
"anti-fungal agents"	drugs that selectively eliminate fungal pathogens from a host with minimal toxicity to the host
"antihistamines"	drugs that counteract the activity of histamine in the body, thereby reducing allergic reactions
"antihypertensives"	drugs that treat hypertension
"anti-infectives"	drugs for killing infectious agents or inhibiting them from spreading
"anti-platelet agents"	drugs that increase arterial circulation by decreasing platelet aggregation and inhibiting thrombus formation
"antipsychotics"	drugs that manage psychosis, principally schizophrenia and bipolar disorder

"anti-pyretics"	drugs that reduce fever
"anti-rheumatics"	drugs that manage rheumatoid arthritis
"antispamotics"	drugs that suppress muscle spasms
"antitussives"	drugs that suppress coughing or relieve dry coughs
"anti-ulcerants"	drugs that treat ulcers in the stomach and the upper part of the small intestine
"anxiolytic"	drugs that alleviate anxiety
"beta-blockers"	drugs that treat certain common cardiovascular diseases
"biguanide"	refers to a group of anti-diabetics
"bioequivalent"	similar bioavailabilities (rate and extent of availability) for two pharmaceutical products after administration in the same molar dose to such a degree that their effects, with respect to both efficacy and safety, can be expected to be essentially the same
"blistering"	the process of making blisters or enclosing the tablets and capsules into perforated plastic packing
"bronchodilator"	a substance that dilates the trachea and decreases resistance in the respiratory airway and increasing airflow to the lungs
"calcium channel blockers"	drugs that disrupt the movement of calcium through calcium channels
"cardiovascular"	of or relating to the heart and blood vessels
"central nervous system" or "CNS"	the complex of nerve tissues that controls the activities of the body, which comprise the brain and spinal cord in vertebrates
"cholesterol reducers"	drugs that lower the cholesterol levels of the body
"chronic diseases"	a disease that persists for a long time
"Contractubex"	a gel product for treating scars
"controlled-release"	a mechanism that releases drugs at a constant rate to provide plasma concentrations which remain invariant with time
"coronary heart diseases"	damage or disease in the heart's major blood vessels
"cough expectorant"	a drug that thins mucus, thereby increasing the ease of coughing up
"decongestants"	drugs that relieve nasal congestion
"dermatologicals"	drugs that are applied directly on the skin to treat skin conditions
"diabetes"	a group of diseases that result in excessive sugar in the blood

"diuretics"	drugs used to promote urination
"encapsulation" or "tableting"	the packing of medical ingredients in a capsule or tablet
"enemas"	fluid injected into the lower bowel through the rectum for bowel cleansing
"enteric-coated"	descriptive term for a solid dosage form in which a polymer coating is applied to prevent the release of the drug substance in a gastric environment
"excipient"	a natural or synthetic substance formulated alongside the active ingredient of a medication, including substances with potent active ingredients that bulk up solid formulations for the purpose of long-term stabilization
"eye drops"	sterile aqueous or oily solutions, emulsions or suspensions of one or more active substances intended for deposit on the eye
"flu"	also known as influenza, an infectious disease caused by an influenza virus with common symptoms including a high fever, runny nose, sore throat, muscle pains, headache, coughing and feeling tired
"fluid-bed coating"	a manufacturing technique used to produce an optimal surface coating for products through even application of a film material, which is used to form a protective layer on the tablet surface to increase its shelf life or storage stability
"gastrointestinal"	of or relating to the stomach and the intestines
"generic drug"	a drug that contains the same active ingredients as an original formulation and is comparable in dosage form, strength, quality, performance and intended use
"genitourinary"	of or relating to the genital and urinary organs
"glycemic index"	an index that measures how a carbohydrate-containing food raises blood glucose
"GMP"	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimizing production errors and the possibility of contamination
"granulation"	the process of forming or crystallizing into grains
"GSDP"	Good Storage and Distribution Practices, sets of detailed guidelines governing the storage and distribution of pharmaceutical products formulated by the World Health Organization
"gynecological"	of or relating to the health of the female reproductive systems and the breasts

"HOKLAS"	Hong Kong Laboratory Accreditation Scheme, an accreditation scheme operated by Hong kong Accreditation Service
"homogeneity"	a term used in the sciences and statistics relating to the uniformity in a substance or organism in composition or character, such as with regards to color, shape, size, weight, height, distribution, texture, temperature and radioactivity
"hot-melt extrusion"	an emerging processing technology in the pharmaceutical industry for the preparation of various dosage forms and drug delivery systems, such as granules and sustained release tablets, involving feeding raw materials at elevated controlled temperature and pressure through an orifice into a product of uniform shape and density
"hypertension"	also known as high blood pressure, a long term medical condition in which the blood pressure in the arteries is persistently elevated
"hypnotics"	commonly known as sleeping pills, a class of drugs whose primary function is to induce sleep
"indigestion"	pain or discomfort in the stomach associated with difficulty in digesting food
"laxatives"	drugs that loosen stools and increase bowel movements
"lipid-lowering agents"	drugs that are used in the treatment of abnormally elevated levels of any or all lipids and/or lipoproteins in the blood
"menthol"	an organic compound made synthetically or obtained from corn mint, peppermint or other mint oils
"methyl salicylate"	also known as wintergreen oil, a naturally or synthetically produced ester used as liniments
"mucolytics"	drugs that dissolve mucus, thereby increasing the ease of coughing up
"musculoskeletal"	of or relating to or denoting the musculature and skeleton together
"off-patent"	a description which a drug or pharmaceutical formula is no longer subject to patent restriction
"oncology"	the study and treatment of cancer
"originator drugs"	patented drugs manufactured by the original manufacturer
"orodispersible"	a drug dosage form available for a limited range of over-the-counter and prescription medications which differentiate the drug from traditional oral dosage drugs by rapidly dispersing drug in the mouth before being swallowed

"OTC"	over-the-counter, a term used to describe medicines sold directly to a consumer without a prescription from a healthcare professional, as compared to prescription drugs, which are sold only to consumers possessing a valid prescription
"particle technology"	the branch of science and engineering dealing with the production, handling, modification and use of a wide variety of particulate materials, both wet or dry, in sizes ranging from nanometers to centimeters
"pharmaceutical intermediates"	an organic compound that is formed in a stage between the parent substance and the final pharmaceutical compound
"pharmacopeia"	a book containing directions for the identification of compound medicines, and published by the authority of a government or a medical or pharmaceutical society
"Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme", "PIC Scheme" or "PIC/S"	two international instruments, the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seek to promote constructive co-operation in the field of GMP between the participating authorities in different geographic markets
"PIC/S GMP"	Good Manufacturing Practice in accordance with the PIC/S GMP Guide issued by PIC/S
"platform technologies"	technologies that enable the development of products or processes without the expense of introducing a new process or technology
"powder coating"	a type of coating applied as a free-flowing, dry powder
"process analytical technology"	a scientific approach for designing, analyzing, and controlling manufacturing through timely measurements of critical quality attributes of raw materials during processing
"proprietary Chinese medicine" or "PCM"	proprietary Chinese medicine as stipulated in the Chinese Medicine Ordinance
"Quality by Design" or "QbD"	a systematic approach to development that begins with predefined objectives and emphasizes product and process understanding and process control, based on formulation science and quality risk management
"R&D"	research and development
"reagent"	a substance or mixture for use in chemical analysis or other reactions

"registered pharmacies"	"authorized seller of poisons" or "ASPs" which are authorized to carry on a business of retail sale of poisons if the actual sale of poisons is conducted on premises registered in respect of the seller under section 13 of the Pharmacy and Poisons Ordinance (Cap. 138) by a registered pharmacist or in his presence and under his supervision
"respiratory"	of or relating to the biological system consisting of specific organs and structures used for respiration
"SAP"	an enterprise resource planning software developed by the German company SAP SE
"scar treatment"	use of medical procedure or pharmaceutical products to reduce scars
"sq.m."	square meter
"statins"	lipid-lowering agents that inhibit the enzyme HMG-CoA reductase, which plays a central role in the production of cholesterol
"sterile injectables"	sterile liquid preparations that may contain drug substances and/or excipients or solution thereof, to be deposited into a body cavity, fluid or tissue by use of a needle
"sulphonylureas"	anti-diabetic drugs widely used in the management of type 2 diabetes
"suppositories"	a solid dosage form in which one or more drug substances are dispersed in a suitable base and molded or otherwise formed into a suitable shape for insertion into the rectum to provide local or systemic effect
"sustained-release"	a type of dosage form designed to indicate an initial release of drug sufficient to provide a therapeutic dose soon after administration, and then a gradual release over an extended period
"tranquilizer"	a drug that acts on the central nervous system and is used to calm, decrease anxiety, or help a person to sleep
"type 2 diabetes"	a long term metabolic disorder that is characterized by high blood sugar, insulin resistance and relative lack of insulin
"vitamins"	vital nutrients that an organism requires in limited amounts
"Western medicine"	pharmaceutical product and medicine as stipulated in the Pharmacy and Poison Ordinance (Chapter 138, the Laws of Hong Kong)

Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no 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 in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. Particular attention should be paid to the fact that our Company is incorporated in Cayman Islands and one of our Group's subsidiaries is located in China and are governed by legal and regulatory environments which in some respects may differ from that in Hong Kong and the United States. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial position or on the trading price of the Shares, and could cause the loss of all or part of such investment.

This prospectus also contains "forward-looking statements" that involve risks and uncertainties. The actual results of our Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, the risks faced by our Group as described in this prospectus. If any of the following considerations and uncertainties develops into actual events, our business, financial position or results of operations may be materially adversely affected. In such circumstances, the trading price of the Shares could decline and may cause the loss of all or part of such investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may experience difficulty winning tenders due to competition and the highly demanding tender process.

The Hospital Authority primarily procures pharmaceutical products through a tender process. The Department of Health and other institutions also procure some pharmaceutical products through a tender process. 31.5%, 29.7% and 28.0% of our revenues are derived from sales to the Hospital Authority during the years ended March 31, 2014, 2015 and 2016. The tender processes are highly competitive, and to the extent that more companies are eligible to bid on tenders, competition may increase. Drugs are selected based on factors such as price and whether the drugs meet bioequivalence requirements regarding the absorption and excretion by patients of the drugs as compared to originator drugs. Other factors that must be met include quality standards, service, reputation, evidence of compliance and licensing with a number of standards and the qualifications of the bidder's technical team, as well as our production facilities' continued compliance with applicable regulations and requirements.

We will enter into approximately 50 to 100 bids in a typical calendar year. Pharmaceutical products that have previously been selected in the tender processes for one period must still continue to participate to win the tender processes in subsequent periods for the issuance of any new purchase orders. In recent years, the Hospital Authority has adopted policies to encourage two winning bids for a single drug for drugs with a high volume to diversify its suppliers. The requirements of the tender process are also demanding, and failure to adhere to the requirements of the process would disqualify us from the bidding process. There is no assurance that our products will always be successful in winning bids in the tender process or that we will be able to comply with the requirements of the bidding process. In addition, more recently, the typical coverage periods of tenders in Hong Kong have been three years, compared to two years historically, which makes the financial consequences of failing to win tenders more severe. In addition, we may have difficulties accurately anticipating inflation or other macroeconomic, technological or political changes when we issue our price, which may lead the actual impact of the business to differ from the anticipated impact. If we fail to win such bids, we will not be able to sell the related pharmaceutical products to the Hospital Authority or Department of Health and our business, financial position and results of operations may be materially adversely affected.

Failure to comply with pharmaceutical or other regulations may restrict our business operations.

The pharmaceutical industries in Hong Kong, Macau, China and globally are highly regulated, subject to comprehensive rules and regulations and supervision of various regulatory authorities in jurisdictions where our Group operates in, including pharmaceutical and environmental regulations.

The manufacturing, marketing and distribution of pharmaceutical products are under the regulatory authorities of the Department of Health of Hong Kong, Macau Health Bureau and CFDA. As a pre-requisite for carrying on a pharmaceutical manufacturing business in Hong Kong, Macau and China, all pharmaceutical companies are required to obtain certain permits and licenses, including a business license and a drug manufacturing permit from relevant authorities for manufacturing pharmaceutical products before commencing production and/or sale of such products in Hong Kong, Macau and China. See the section headed "Regulatory Overview — Laws and Regulations in the PRC" in this prospectus for additional information.

We are also subject to environmental and building regulations. We are subject to Hong Kong and PRC laws and regulations concerning the discharge of effluent water and solid waste during our manufacturing processes and the controlled use, storage, handling and disposal of hazardous materials and chemicals. We are required to obtain certain clearances and authorizations from government authorities for the treatment and disposal of any discharge.

There may be unforeseeable regulatory changes, for example, to product registration requirements and import and marketing regulations relating to pharmaceuticals and controlled chemicals, which may materially adversely affect our business, financial position and results of operations. In addition, these licenses and permits are subject to renewal and periodic reassessment by the relevant Hong Kong, Macau and PRC government authorities from time to time. In addition, the standards of compliance required in relation to renewal and periodic reassessment may change. Regulatory changes may increase our costs and capital expenditures. We may be obliged to install, replace, upgrade or supplement our equipment or lengthen our production process. Our existing licenses and permits may also be suspended or revoked or we may not be able to renew our existing licenses and permits due to various reasons, some of which may be beyond our control, including our failure to satisfy any licensing requirements or the standards imposed by the relevant authorities for the issue of such licenses, or if our products cause harmful effects to end-users or fail to comply with the registered specifications. Any suspension or revocation of, or failure to renew, our existing licenses and permits could cause disruption to our business or prevent us from continuing to carry on our business.

Furthermore, any changes in compliance standards, or any new laws or regulations in Hong Kong and other regions may increase our capital investment and may distract our management from business operations to manage such regulatory changes and prohibit us from conducting, or render it more restrictive for us to conduct, our business or may increase our compliance costs, which may have a material adverse effect on our business, financial position and results of operations.

New legislation may significantly affect our business. For example, in June 2012, Hong Kong's first cross sector competition legislation, the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (the "Competition Ordinance"), was enacted. The Competition Ordinance covers various industries and sectors and includes limitations on certain conduct that companies such as ours may engage in. Any new legislation could affect our revenue, limit our ability to pursue certain business opportunities, impact the value of assets that we hold, require us to change certain business practice and impose additional costs on us. Accordingly, we cannot provide assurance that new legislation will not eventually have a material adverse effect on our business, financial position and results of operations. For more information on the Competition Ordinance, see "Regulatory Overview — Laws and Regulations Relating to Our Business Operations in Hong Kong — Competition Ordinance."

Our generic drug production facilities are subject to PIC/S GMP-requirements, which may increase compliance costs and uncertainties.

We are required to comply with PIC/S GMP when producing our generic drugs in Hong Kong. We must also comply with manufacturing license requirements for our proprietary Chinese medicines. Such standards contain minimum requirements for the quality controls used in manufacturing, processing, and packaging of a drug product. Complying with these standards is a basic requirement in the pharmaceutical industry and an expensive, difficult, time-consuming and highly technical process. Since

January 1, 2016, Hong Kong has started to adopt more stringent requirements under PIC/S GMP, which is applicable to new registration or renewal of our currently registered generic drugs. For generic drugs being manufactured by APT China and registered for sale in Hong Kong, the manufacturing of these products is required at the time of renewal of their respective product registration to comply with the PIC/S GMP standards, and any failure of which may adversely affect our business, financial position and results of operations. For the year ended March 31, 2016, there were a total of 40 generic drug products being manufactured by APT China and registered for sale in Hong Kong which in aggregate contributed a total revenue of approximately HK$4.5 million.

The approval process for new drug and generic drug marketing applications includes a prerequisite of the manufacturer's compliance with these standards. Our ability to manufacture drugs depends on our ability to ensure data integrity and compliance with all aspects of these standards. Inspectors determine whether a manufacturer has the necessary facilities, equipment, and skills to manufacture the specified dosage forms for which it has applied for approval. Regulatory determinations regarding compliance with these standards are based upon inspection of the facilities, sample analyzes, and compliance history of the firm. This information is summarized in reports which represent several years of history of the firms. Regulators can issue a warning letter or initiate other regulatory actions against a company that fails to comply with these standards. Any determination that we have failed to comply with these standards may impact our application to market a drug, which would materially adversely affect our business, financial position and results of operations. In addition, any determination that we have failed to comply with these standards may lead to the loss of key licenses and qualifications or otherwise materially adversely affect our reputation, our ability to attract and retain customers and business partners and our ability to secure financing or other support.

In addition, our production facilities are required to have precise and reliable controls in line with Hong Kong, Macau and PRC regulations. Such jurisdictions have imposed regulatory requirements and compliance obligations on drug manufacturers. For example, all facilities and manufacturing techniques used for the manufacture of pharmaceutical products must be operated in conformity with these standards and production facilities may be subject to periodic announced and unannounced inspections by the Department of Health, Macau Health Bureau, CFDA and other regulatory authorities. Complying with such regulatory requirements and obligations may result in increased costs or delays in our manufacturing operations. Any determination that we have failed to comply with such regulatory requirements and obligations could result in the loss of relevant licenses to conduct manufacturing activities, which may halt or restrict operations at the production facility, which would have a material adverse effect on our business, financial position and results of operations.

A determination that we are in violation of such standards and other regulations could lead to an interruption of our production output and the imposition of civil penalties, including fines, contractual damages, product recalls or product seizures and criminal sanctions. Any such instances may result in import bans, regulatory proceedings and criminal lawsuits, all of which will require us to devote significant resources and attention to address, and will materially adversely affect our business, reputation, financial position and results of operations.

Defective products may expose us to liability or damage our reputation.

The nature of our business exposes us to the risk of product liability, personal injury or wrongful death claims that are inherent in the research and development, manufacturing and marketing of pharmaceutical products. Manufacturers or vendors of defective products in Hong Kong, Macau and China may be subject to civil liability for loss or physical injury to any affected person. Manufacturers in Hong Kong, Macau and China that produce defective products may be subject to criminal liability and have their business licenses revoked. In addition, the PRC Consumers' Rights Law (《中華人民共和國消費者權益保護法》) offers further protection to the legal rights and interests of customers in respect of the safety of person and property in the purchase and use of goods and services.

If severe adverse side effects are discovered in our products, we may be faced with a number of consequences, including: recall or withdrawal of such products; removal of regulatory approvals for such

products or the relevant production facilities; lower success in winning bids submitted to the tender processes; and exposure to lawsuits relating to such products. Even if a product is approved for commercial use by an appropriate governmental agency, there is no assurance that users will not claim that effects other than those intended resulted from the use of our products. In addition, any adverse associations with our existing or future acquired products, including with respect to their efficacy or side effects, may materially adversely affect our reputation. For example, in early 2009, there was a grave event of intestinal infection by a species of fungus in immunosuppressed patients with hematological malignancies or bone marrow transplantation in certain hospitals in Hong Kong, including Queen Mary Hospital, Tuen Mun Hospital and United Christian Hospital, which source was identified upon investigation by an expert in microbiology commissioned by the Department of Health in collaboration with the Hospital Authority to be traced to the cornstarch used by Europharm as an excipient in producing a drug named Purinol tablets. For further details, please refer to the section headed "Business — Generic Drugs — Production — Grave Event relating to Purinol Tablets". Please also refer to the sections headed "Business — Generic Drugs — Production — Quality Management" and "Business — Proprietary Chinese Medicines — Production — Quality Management" of this prospectus for measures we implemented to ensure that our products are safe, effective and of high quality.

In addition, the discovery of severe side effects of products manufactured or sold by other pharmaceutical companies may also materially adversely affect the sales of our products that have the same active ingredients, which could have a material adverse effect on our business, financial position and results of operations.

A substantial claim or a substantial number of claims, if successful, could have a material adverse effect on our business, financial position and results of operations. Lawsuits may divert the attention of our management from our business strategies and may be costly to defend. In addition, we do not have complete product liability insurance for all of our products. In the event of allegations that any of our products are harmful, we may experience reduced demand for our products or our products may be recalled from the market. During the Track Record Period, we had seven product recalls. For further details of the seven product recalls, please refer to the sectioned headed "Business — Product Returns, Recalls and Warranties" of this prospectus. We may experience product recalls in the future which could materially adversely affect our business and results of operations. We may also be forced to defend lawsuits and, if such defense is unsuccessful, to pay damages.

We may not be able to successfully identify, consummate and integrate future mergers or acquisitions.

We plan to expand our product portfolio, product development capabilities and the geographic scope of our operations, including through partnerships with local companies and strategic mergers or acquisitions of companies in key markets. We are actively seeking to identify potential targets that would help us achieve one or more of these objectives. The merger or acquisition of any large target would require significant financial resources, resulting in significant cash outflow, increased debt financing, or all of the above. Mergers and acquisitions may also increase our indebtedness through existing indebtedness of the acquired company, which could significantly reduce or eliminate the headroom under existing bank loans or facilities and make it more difficult for us to incur additional indebtedness.

The merger or acquisition of companies involves other risks, including risks that:

- we may not be able to identify suitable targets or acquire companies on favorable terms;
- we compete with other companies that may have stronger financial positions and are therefore may not be able to win over them in acquisition of target product lines or companies;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential transactions;
- we may not be able to obtain the necessary regulatory approvals, including the approval of antitrust regulatory bodies, in any of the countries in which we may seek to consummate potential transactions;

- we may ultimately fail to complete a transaction after we announce that we plan to acquire a product line or a company;
- transactions may require significant management resources and divert attention away from our daily operations, result in the loss of key customers and personnel, and expose us to unanticipated liabilities; and
- we may be adversely affected by any adverse publicity that is associated with the companies, businesses or products we have acquired or may acquire in the future.

Any of the above may materially adversely affect our business, financial position and results of operations.

Any failure to develop and maintain the quality of our drugs and our reputation may materially adversely affect the level of market recognition of, and trust, in our products.

We believe that the success of our business depends on the maintenance and enhancement of the reputation of our generic drugs and proprietary Chinese medicines, which depends on the perceived effectiveness and quality of our products as well as the success of our marketing and promotion efforts. We have devoted significant resources to improve our brand recognition and brand image in recent years, including advertising through television media, printed media and digital media, outdoor advertising and participating in fairs and exhibitions. However, our marketing and promotion efforts may not be successful or may inadvertently negatively impact our business. In addition, the reputation of our products would be materially adversely affected by the dissemination of counterfeit products, especially for our Po Chai Pills. If the brand image or reputation of us or our products is harmed, our product sales may suffer. If we fail to successfully market or promote our drugs or our drugs are tarnished, demand for our current and future products may be materially adversely affected.

Our research and development activities may not result in the successful development of new products.

Our future growth and prospects are dependent on our ability to successfully develop new generic drugs and proprietary Chinese medicines. We may not be able to successfully develop new products due to reasons beyond our control, including failure to meet clinical safety, efficacy or other standards and requirements during testing and clinical trial, or failure to obtain regulatory approvals, including Department of Health, Macau Health Bureau and CFDA approval, on time or at all. Clinical trials are lengthy and expensive, and their results are difficult to predict. The process of obtaining Department of Health, Macau Health Bureau and CFDA approval can also be lengthy and expensive and the Department of Health, Macau Health Bureau and CFDA and other regulatory authorities may impose certain standards for safety, manufacturing, packaging and distribution of new products. Complying with such standards may be time-consuming and expensive and could result in delays in obtaining Department of Health, Macau Health Bureau and CFDA approval, or possibly prevent us from obtaining Department of Health, Macau Health Bureau and CFDA approval altogether. Even if we do obtain Department of Health, Macau Health Bureau and CFDA approval for a new product, such approval may be subject to certain conditions or limitations, which could impact the products' profitability.

There is no assurance that any research and development activities conducted or commissioned by us will be completed within the anticipated time frame or that the costs of such research and development activities can be fully or partially recovered. Our research and development activities may not yield products that can pass regulatory hurdles. Pursuit of some of our research and development activities may require purchasing specialized equipment or other additional costs. If our research and development activities do not result in the successful development of a new product, we will need to write-off the relevant capitalized development costs relating to that product, which would materially adversely affect our financial position and results of operations.

We may not be able to successfully implement our business strategies.

The successful implementation of our business strategies is subject to significant business, economic and competitive uncertainties and contingencies, including, without limitation, the continued growth of the pharmaceutical market in Hong Kong, Macau and China, the availability of funds, competition and government policies. The implementation of our business strategies may also be materially adversely affected by any failure to maintain, renew or establish new relationships with our business partners (such as distributors, research partners and suppliers), failure or delays in the procurement of raw materials, including APIs, active substances and excipients, or installation of production equipment, labor disputes, civil unrest, the need to comply with environmental or other laws and regulations, delays in securing requisite government approvals, a general economic downturn, changes in market conditions or other factors beyond our control.

The implementation of our business strategies also involves significant costs, such as the costs inherent in research and development, setting up new offices or operations, purchasing additional property, plant and equipment and maintaining increased inventory levels, which may affect the amount of cash we have available for our working capital requirements. The implementation of our business strategies may also involve unexpected expenses, which could affect our ability to implement our business strategies within our budget or at all. The failure to implement our business strategies in a timely manner, within our budget or at all, could have a material adverse effect on our business, financial position, results of operations.

We have been, and in the future may be, the target of lawsuits, harassment or other hostile conduct by third parties, including malicious allegations, which could generate adverse publicity and harm our reputation and could adversely affect our business and the trading price of our Shares.

We have been, and in the future may be, the target of lawsuits, harassment, or other hostile conduct by third parties. Such conduct has in the past included, and may in the future include, malicious allegations, anonymous or otherwise, regarding our corporate history, internal allocations of personnel or other resources, accounting standards, business operations and business ethics. For example, in June 2016, a law firm representing certain minority shareholders of Europharm sent us a letter threatening to petition for a court order to wind up Europharm or for its majority shareholders to purchase the minority interests. For more details, please refer to the section headed "Business — Legal Proceedings and Compliance." The outcome of the petition, if ever made, or any other claims we may be subject to in the future is inherently uncertain and defending against these claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. Even if we successfully defend against these claims, we may nonetheless suffer adverse publicity and our reputation may be harmed. An adverse determination in any lawsuit, winding up order or other proceedings could:

- cause us to pay damages or incur legal and other costs;
- limit our ability to develop or manufacture certain products;
- require us to pay substantial monetary damages or royalties to third parties; or
- otherwise limit our ability to conduct business or require us to change the manner in which we operate.

Any such adverse determination may materially adversely affect our business, financial position and results of operations and the trading price of our Shares.

If we do not maintain stable relationships with our key customers, our business, financial position and results of operations may be materially adversely affected.

We rely on key customers, including the Hospital Authority, for a significant amount of our sales. Sales to the Hospital Authority accounted for 31.5%, 29.7% and 28.0% of our revenue for the years ended

March 31, 2014, 2015 and 2016, respectively. We typically renew our agreements with these key customers about every two to four years. Our key customers may discontinue these agreements, which may significantly reduce our revenue or render certain raw materials unusable. Our relationships with our customers depend on our ability to deliver on their purchase requests in a timely manner and according to their pricing, quality and other requirements. To the extent that we cannot meet their requirements, we may damage or lose our relationships with customers. Finding additional or alternative key customers involves a significant investment of time and resources, and replacement customers may not be able to purchase our product at the same or similar volumes as our current key customers. As a result, damage to our key customer relationships may result in loss of revenues or other losses.

The registration and renewal of our generic drugs and proprietary Chinese medicines may be challenging.

All generic drugs and proprietary Chinese medicines require product registration before being sold and supplied in Hong Kong, Macau, China and many overseas countries. The registration requirements for these products vary by country and therapeutic categories. Complying with these product registration and product license requirements requires sophisticated facilities and significant initial investments and on-going costs. In addition, regulatory regimes and their implementations are becomingly increasingly stringent and there is no assurance that we can continue to comply with such requirements.

In particular, the renewal process for drug registrations has also become increasingly demanding and we may not be able to continue to renew our licenses. For example, the CFDA, which is responsible for drug regulations in China, has been imposing more stringent regulatory requirements on certain pharmaceutical products in China prior to approving the renewal of their drug licenses. These requirements have increased the required stringency for quality specification testing by requiring, for example, (i) new quality specifications for active ingredients and poisonous substances that require more quantitative analysis, and (ii) additional stability testing based on the quality specifications. Meeting these requirements may require the performance of additional quantitative analytical tests. Our Flying Eagle Woodlok Oil was impacted by these new CFDA requirements, and as such, there was a delay in renewing the license for Flying Eagle Woodlok Oil from December 2010 to September 2014. We relied on temporary permits and recorded an average annual revenue from sales of Flying Eagle Woodlok Oil of approximately HK$6.4 million during that period, as compared to an average annual revenue of approximately HK$14.2 million during the period from September 2014 to March 2016 (average annual revenue is calculated based on revenue for the relevant period divided by number of days of the period and multiplied by 365). We are currently uncertain whether or not the CFDA's new policy will affect our other pharmaceutical products. As of the Latest Practicable Date, we had 13 generic drugs and two propriety Chinese medicines registered with CFDA. Sales of these 13 generic drugs and 2 proprietary Chinese medicines represented all of our revenue generated from products distributed by us or our distributors in China and in aggregate contributed approximately 3.7%, 3.0% and 3.8% of our revenue for the years ended March 31, 2014, 2015 and 2016, respectively. 2 of these drugs have drug licenses that are currently being renewed and we have received no notification that these pharmaceutical products were adversely impacted by the new CFDA policy. Among the remaining 13 products, 1, 1, 2, 1, 7 and 1 of the licenses will be expired in 2016, 2017, 2018, 2019, 2020 and 2021, respectively. There is no assurance that our other products will not be subject to similar delays in the future.

Failure to comply with regulatory requirements regarding on proprietary Chinese medicines may result in fines and material adverse effects to our business, financial position and results of operations, and in extreme case, as well as cessation of our business activities.

We face competition from other drug manufacturers.

We face competition from other pharmaceutical companies, including multinational companies as well as manufacturers of proprietary Chinese medicines with similar curative effects that can be used as substitutes for our products. See the section headed "Business — Competition" in this prospectus for additional information.

Our competitors may have greater financial, technical, research and development, manufacturing, marketing and other resources and capabilities than we do. Our competitors may develop products that are similar or superior to ours. Our competitors also may obtain Department of Health, Macau Health Bureau, CFDA or other regulatory approval for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Such competitors may have greater brand name recognition, more established distribution networks, larger customer bases or more extensive knowledge of our target markets. Our competitors' greater size in some cases provides them with a competitive advantage with respect to manufacturing costs because they may be able to achieve greater economies of scale and may be able to purchase raw materials, including APIs, active substances and excipients, at lower prices. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. In addition, certain of our competitors may adopt low-margin sales strategies.

There is no assurance that private and public hospitals, registered pharmacies, doctors in private practice and other customers will continue to stock and prescribe our products over those of our competitors. Failure to adapt to changing market conditions and to compete successfully with existing or new competitors may have a material and adverse effect on our business, financial position and results of operations. We may lose tenders and market share in our existing markets or we may fail to increase our market share in Macau, China or other target markets as expected.

Furthermore, competition is likely to intensify if, among other reasons:

- the number of manufacturers or distributors of substitute or similar products increases;
- competitors increase their sales and marketing activities;
- competitors drastically reduce prices; or
- competitors develop new products or substitute products having comparable medicinal applications or therapeutic effects that may be used as direct substitutes for our products which are more effective and have prices comparable to or lower than our products.

In addition, to increase sales, certain manufacturers or distributors of pharmaceuticals may engage in questionable practices, such as offering kickback payments, bribes or other illegal gains or benefits, in order to influence procurement decisions of customers and we may lose sales, customers or contracts to competitors that engage in such practices as a result.

If we fail to accurately project demand for our products, we may encounter inadequate supply or oversupply, which would materially adversely affect our business, financial position and results of operations, as well as damage our reputation and drugs.

Our distributors and customers typically order our product on an order-by-order basis. We project demand for our products based on our marketing plan, our sales reports, our internal database of historical customer orders and our inventory levels.

If we overestimate such demand, our business may suffer. For example, we may acquire the license to produce a product or invest in research and development for a product without sufficient demand to offset the costs needed to acquire or develop the product or we may purchase more raw materials than required. If we underestimate demand, we may not have sufficient raw materials to meet the demand and capture the sales. We may fail to accurately forecast demand and coordinate our procurement and production to meet demand on a timely basis. Our inability to accurately predict market demand and to timely meet such demand could materially adversely affect our business, financial position and results of operations as well as damage our reputation.

We utilize distributors to sell our products and the failure to maintain stable relationships with our distributors may have a material adverse effect on our business, financial position and results of operations.

We rely on distributors for our sales of proprietary Chinese medicines and certain sales of our generic drugs overseas. Our distributors are responsible for the sale, marketing and logistical services for

products they purchase from us in the territory they distribute. In case agreements with our distributors are terminated, we may need to incur additional costs to increase our sales and marketing footprint and we may need to look for alternative distributors to distribute our products. In addition, we may have difficulty managing the activities of our distributors and their actions may reflect negatively on us or our brands. Thus, our failure to maintain stable relationships with our distributors may have a material adverse effect on our business, financial position and results of operations.

We may be exposed to infringement claims, which may lead to monetary damages, the forfeiture of intellectual property and disruptions to our business.

In the course of developing new products, we may be unaware that some third parties have patented similar processes or obtained regulatory protection of similar products and, as a result, unknowingly infringe on some third-party proprietary or intellectual property rights. We also enter into agreements with our research partners or third parties to acquire and/or use their technologies or methods for the production of new pharmaceutical products. Although we are not aware of any infringement claims against us, we may be exposed to infringement claims by third parties in the future. From time to time, we may also purchase APIs, active substances or other raw materials from third parties for our manufacturing operations or undertake the distribution of third parties' products. If such APIs, active substances, raw materials or third parties' products infringe on the intellectual property rights of other third parties, we could also be exposed to infringement claims.

If we are subject to claims relating to infringement of intellectual property rights or wrongful use or disclosure of trade secrets, we would need to defend ourselves and could become involved in litigation. Even if we are successful in defending against these claims, litigation could result in substantial costs and divert the attention of our management from our business operations. If we fail to defend such claims, we may pay monetary damages or lose valuable intellectual property rights.

Our internal control system may not fully protect us against various risks inherent in our business and financial reporting.

Our internal controls will be essential to the integrity of our business and financial results once we become a public company upon Listing and our public reporting obligations are expected to place a strain on our management, operational and financial resources in the future. Effective internal control is necessary for us to produce reliable financial reports and prevent fraud. However, due to the inherent limitations in the design and implementation of any internal control system, we cannot assure you that our internal control system will be able to identify, prevent and manage all risks arising from our business and financial reporting. Our management may need to invest significant time and we may incur additional costs if we identify any deficiency in the implementation of our internal control procedures. Failure to address such deficiency in a timely and effectively manner may undermine the effectiveness of our internal control system and may cause investors to lose confidence in the reliability of our financial statements, which in turn may materially adversely affect our business, financial position, results of operations and reputation.

Our insurance coverage may not completely cover the risks related to our business and operations.

We maintain insurance coverage relating to employee accidents, social security, product transportation, product liability, public liability, contractors' all risk, business interruption as well as damage to property, plant and equipment resulting from natural disasters. See the section headed "Business — Insurance" in this prospectus for additional information. If any claims for injury or damages are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance. In addition, there are certain types of losses, such as from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, as well as damage to our reputation, lose all or a portion of our production capacity, as well as future

revenue anticipated to be derived from the manufacturing activities conducted at that property. Any material uninsured loss could have a material adverse effect on our business, financial position and results of operations.

Any failure by our key customers to make payment to us or any payment disputes or delays may materially adversely affect our business, financial position and results of operations.

We had trade receivables of HK$108.1 million as of March 31, 2016, including 15.0% from our consignee and 2.9% from the Hospital Authority. Our trade receivables were primarily owed to us by our consignee, the Hospital Authority and our distributors. If our consignees, the Hospital Authority or our other key customers were to become insolvent, significantly delay their payments or otherwise become unable or unwilling to settle their outstanding receivables in a timely manner or at all, our liquidity could be materially adversely affected and we would have to write off receivables or increase provisions against receivables, which could materially adversely affect our business, financial position and results of operations.

We recorded net current liabilities during the Track Record Period, and such positions may continue after the Listing.

We recorded net current liabilities of HK$44.0 million, HK$256.2 million and HK$316.8 million as of March 31, 2014, 2015 and 2016, respectively. Among the current liabilities, there were bank loans contractually due for repayment after one year of HK$159.0 million, HK$311.0 million and HK$227.3 million as of March 31, 2014, 2015 and 2016, respectively. These bank loans were classified as current liabilities because the loan agreements included a clause that gives the banks the unconditional right to call the bank loans at any time. We attribute our net current liabilities during the Track Record Period primarily due to an increase in borrowings to fund the upgrade of our two production facilities in Hong Kong and the interim dividends declared and not yet paid. As of March 31, 2016, our current liabilities included bank loans, overdrafts and other loans of HK$439.3 million and amounts due to the Controlling Parties and dividend payables of HK$36.2 million and HK$224.8 million, respectively.

Our net current liabilities expose us to liquidity risk. Payment of trade and other payables, our capital expenditure plans and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. In addition, if we encounter any liquidity issues in the future, we may curtail or defer our business expansion plans based on the availability of sufficient funds. We may continue to have net current liabilities in the future, which may limit our working capital for operations or business expansion plans and materially adversely affect our business, financial position and results of operations.

We had two production facilities under construction as of March 31, 2016, which are expected to increase our depreciation expenses.

We had two brand new automated production facilities under construction as of March 31, 2016. Please refer to the section headed "Business — Our Competitive Strengths — State-of-the-art equipment crucial for manufacturing a wide range of complex drugs" for more details. With the addition of machinery and equipment as well as leasehold land and buildings associated with such new production facilities, it is expected that additional depreciation expenses will be reflected in our statements of profit or loss and other comprehensive income and will adversely affect our results of operations and financial position.

Our financial ratios may be impacted by changes in accounting standards.

The Hong Kong Institute of Certified Public Accountants issued certain amendments and new accounting standards which were not yet effective during the Track Record Period and up to the Latest Practicable Date, set forth in Note 30 to Section B of the Accountants' Report in Appendix I to this

prospectus. Among the new standards and amendments, HKFRS 16, *Leases*, introduced a single accounting model and required a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying leased asset is of low value. As a lessee, we will be required to recognize in our statements of financial position (i) a right-of-use asset representing our right to use the underlying leased asset and (ii) a lease liability representing our obligation to make rental payments. In addition, we will record the lease expenses as interest expenses and depreciation expenses in our statements of profit or loss and other comprehensive income, rather than as rental expenses. As the lease liability will be measured at amortized costs using effective interest method, we will incur higher interest expenses in the early years of a lease. We had significant operating lease commitments of HK$98.8 million as of March 31, 2016. These changes in accounting standards may impact our financial ratios starting from the year ending March 31, 2020 when we adopt HKFRS 16 and may adversely affect our ability to comply with financial covenants in our loan agreements in the future.

Our products may not achieve widespread market acceptance.

Our future growth and prospects are dependent on the ability of our products to achieve widespread market acceptance. New products or new applications and markets for existing products may fail to achieve widespread market acceptance for various reasons, despite appearing to be initially promising. For example, they may experience competition from other products, lack of acceptance by physicians or other factors beyond our control. If our existing products fail to achieve or maintain widespread market acceptance, and we fail to develop and market new products, our business, financial position and results of operations may be materially adversely affected.

If we fail to successfully market and promote our drugs, the market share, brand recognition and reputation of our products may be materially adversely affected.

The success and lifespan of our generic drugs and proprietary Chinese medicines depend significantly on the effectiveness of our marketing and promotional activities. However, our ability to maintain or develop our marketing capabilities can be adversely affected by various factors, such as our ability to accurately identify consumer preference and effectively manage media resources and government regulations on advertisements. Any factor adversely affecting the scale and effectiveness of our marketing and promotional capabilities may have a material adverse effect on the market share, brand recognition and reputation of our products. In addition, any significant increase in our marketing expenses, whether due to market factors or otherwise, may adversely impact the profitability of our generic drugs and proprietary Chinese medicines.

If our products and inventories become obsolete, our business, financial position and results of operations will be materially adversely affected.

Rapid changes in industry standards and the emergence of new or substitute products in the industry and the markets for our products will render our products and inventories, including our raw materials and packaging materials, obsolete. Our products and inventories may also become obsolete as a result of adverse changes in demands and consumer preference. If we fail to effectively manage our inventory levels, our business, financial position and results of operations may be materially adversely affected.

Failure to obtain a steady supply of high quality raw materials and packaging materials could materially adversely affect our business, financial position and results of operations.

There is no assurance that we will be able to maintain our relationships with our suppliers or that we will be able to renew our existing supply agreements when they expire. Our failure to maintain such relationships or obtain such renewals could materially adversely affect our business, financial position and results of operations. In addition, to the extent that suppliers of our raw materials face quality issues, we may need to discard and write off any inventory from those suppliers. In addition, importation of certain of our raw materials are subject to an import approval, and there is no assurance that we will be

able to obtain such approval. Failure to obtain the approval may limit our ability to access these raw materials. The supplies and prices of raw materials and packaging materials may also be impacted, which may affect our costs of sales.

Our proprietary Chinese medicines are made with natural ingredients, which originate from raw materials of a suitable quality whose properties are related to the regions and climatic conditions in which they are grown. In addition, there have been historical instances in the proprietary Chinese medicine industry of raw materials being adulterated or contaminated, causing harm to the persons consuming them. The quality, availability and prices of these natural ingredients are dependent on and are closely affected by weather conditions and other seasonal factors, which may have an impact on the yields of such natural ingredients each year.

Furthermore, although we have a strict quality control system for the procurement of our raw materials and packaging materials, we cannot assure the investors that our suppliers will not inadvertently contaminate the raw materials or provide us with substandard raw materials or packaging materials that would adversely impact on the quality of our products. If we experience any quality or safety problems in relation to our raw materials, our reputation and business may suffer.

We utilize third-party consignees for warehousing and logistics services and the failure to maintain stable relationships with our consignees may have a material adverse effect on our business, financial position and results of operations.

We utilize third-party consignees to deliver our products to the Hospital Authority and certain other customers of our generic drugs in Hong Kong. Our consignee primarily provides us with warehousing, delivery, invoicing and payment collection services. In case agreements with our third-party consignees are terminated, we may need to incur additional costs to increase our own logistics capabilities or look for additional or alternative consignees to deliver our products. In addition, we may have difficulty managing the activities of our consignees and their service may not be reliable and may cause delays or other problems when delivering products to our ultimate customers. Thus, our failure to maintain stable relationships with our consignees may have a material adverse effect on our business, financial position and results of operations.

We may have difficulty managing our production capacity and manufacturing operations.

Substantially all of our products are manufactured in our own facilities. Our manufacturing operations are therefore an important part of our business and any failure to manage our production capacity or any prolonged or significant disruption to our manufacturing operations would have a material adverse effect on our business, financial position and results of operations. We have eight PIC/S-accredited facilities for generic drugs in Hong Kong, one GMP-accredited facility for generic drugs in China and two GMP-accredited facilities for proprietary Chinese medicines in Hong Kong. Our Po Chai Pills and certain generic drugs require highly specialized production equipment, and any damage or malfunction to such equipment may affect our ability to fulfill orders for our products.

If our production capacity is insufficient for satisfying all sale orders, our customer relationships and reputation may be materially adversely affected. If we do not have sufficient demand for our products, we may not fully utilize our capacity and may suffer loss of revenues and other losses. We construct production facilities based on our expectation on future sales growth, failing which may result in underutilization of our production facilities. Certain of our equipment and business operations rely on employees with experience, technical expertise and qualifications. The loss of these employees affect our ability to manufacture our products. In addition, regulatory changes may require us to upgrade our facilities and modify our manufacturing process. Our manufacturing operations are subject to a number of risks, such as fire, theft, machinery breakdowns, sub-standard performance of our manufacturing equipment, raw material contamination, natural disasters, power outages or water shortages, the occurrence of any of which may severely disrupt our manufacturing operations. Therefore, any natural disasters, health epidemics or other acts of God in Hong Kong or other geographic areas where we operate

may expose us to significant losses. Also, there is no certainty that our insurance coverage will adequately compensate us for any losses arising from any damage or disruption relating to our manufacturing operations.

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

Our success depends in part on our ability to protect our intellectual property rights. We rely primarily on trademarks, patents, unpatented proprietary technologies, processes and know-how and other contractual provisions to protect our intellectual property rights. However, these may not be adequate to protect our rights to our existing products as well as those products under development.

A third party could imitate or use our intellectual property rights without authorization and policing the unauthorized use of intellectual property can be difficult, time consuming and expensive. In addition, when our employees leave our company, they may take with them certain trade secrets, know-how or other intellectual property. If they provide such information to a competitor, our business may be less competitive as a result. Our competitors or other third parties may also independently develop proprietary technologies similar to ours, introduce counterfeits of our products, misappropriate our proprietary information or infringe on our brand names or trademarks. Counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products due to their low production costs and may cause confusion to our customers because, in some cases, they have a very similar appearance and use very similar packaging as authentic pharmaceutical products. Although the Hong Kong, Macau and PRC governments have been increasingly active in policing counterfeit pharmaceutical products, there is not yet an effective counterfeit pharmaceutical regulation control and enforcement system in Hong Kong, Macau and China. The proliferation of counterfeit pharmaceutical products has grown in recent years and may continue to grow in the future. Any such increase in the sales and production of counterfeit pharmaceuticals in Hong Kong, Macau and China, or the technological capabilities of the counterfeiters, could negatively impact our business, financial position and results of operations. In addition, any misappropriation of our intellectual property rights may impair the pricing for our products and materially adversely affect our brand and reputation. Our efforts to protect our intellectual property may not be adequate and we may not be able to identify any unauthorized use of our intellectual property or to take appropriate steps to enforce our rights on a timely basis.

While we are not aware of any infringement of our intellectual property rights in the past, there is no assurance that our intellectual property or other rights available under Hong Kong, Macau and PRC law will not be misappropriated or infringed in the future. In the event that any misappropriation or infringement occurs, we may need to protect our intellectual property or other ownership rights through litigation. The resulting diversion of financial and management resources to enforce such rights could have a material adverse effect on our business, financial position and results of operations.

Our employees and distributors could engage in corruption or other improper conduct that could harm our reputation and business.

We may not be able to effectively control our employees' conduct. We have a limited ability to thoroughly investigate the backgrounds of our distributors or monitor their conduct. We are not aware of incidents concerning any corrupt or inappropriate conduct engaged in by our employees or distributors during the Track Record Period. However, there is no assurance that our employees and distributors will not engage in corruption or other improper conduct or violate applicable anti-corruption laws.

In the pharmaceutical industry, corrupt practices include, without limitation, acceptance of kickbacks, bribes or other illegal gains or benefits by healthcare institutions or healthcare practitioners from pharmaceutical manufacturers and distributors in connection with the procurement or prescription of certain pharmaceuticals. If our employees engage in corrupt or other improper conduct or violate applicable anti-corruption laws, we could be required to pay damages or fines, which could have a material adverse effect on our business, financial position and results of operations. Furthermore, we could be liable for actions taken by our distributors, including any violations of applicable law in

connection with the marketing or sale of our products, or anti-corruption laws and regulations of Hong Kong, Macau, the PRC or other countries. It is also possible that the Hong Kong, Macau and PRC governments could adopt new or different regulations affecting the way in which pharmaceutical products are sold to address anti-corruption or other concerns. If our employees and distributors, without our knowledge, previously engaged in improper or illegal conduct to improve sales of our products, and are no longer able to do so due to stronger anti-corruption measures implemented by the relevant authorities, this may affect our sales. Furthermore, we could be liable for actions taken by our employees and distributors that violate anti-bribery laws. As shown by recent cases, anti-bribery laws have broad reach and significant implications.

Moreover, laws relating to incentive payments are not always clear. As a result, our employees and distributors could make certain improper payments without our knowledge, authority or endorsement in connection with the promotion or sale of our products or other activities involving our products which are deemed impermissible by the Hong Kong, Macau, PRC and other governments. Please see the section headed "Business — Internal Control and Risk Management" of this prospectus. Our brand and reputation, our sales activities or the price of our Shares could be adversely affected if it is alleged that our employees or our distributors were engaged in any such activities.

In addition, our distributors on-sell our products to their customers, with whom we have no contractual agreement and over which we lack oversight ability. We therefore are vulnerable to the improper behavior of the customers of our distributors whose actions are beyond our control. If our customers associate our brand with companies who are investigated or prosecuted for violations of anti-corruption and commercial bribery laws, they may seek to distance themselves from us, sever their relationships with us entirely or engage with our competitors, all of which may materially and adversely affect our reputation, business, financial position and results of operations.

Our business depends on the continuing efforts of our executive directors and our key personnel.

We believe that our success largely depends on the continued contributions, and our ability to retain the services, of our key personnel, including our executive directors. Our executive directors possess expertise and experience in our industry, operations and business that are difficult to replace. We also depend on other members of our management team, our research personnel and other key personnel. In addition, failure to retain our research personnel or the termination of our collaboration with external research partners or any failure of our research partners to meet our timing and quality standards could increase our research and development costs, delay the research and development process and reduce our efficiency in new product. Furthermore, pursuant to the requirements under the PIC/S GMP regime, we must have an authorized person, a production manager and a quality control manager that have been approved by PPBHK's Manufacturer Licensing Committee for each of our generic drug production facilities to be able to manufacture. Please see the section headed "Business — Generic Drugs — Production — Quality Management" of this prospectus. Any departure of these key personnel may disrupt our production and business operations. Although we maintain key person insurance, such insurance may not be sufficient to cover all losses in connection with the loss of the services of our key persons. There is no assurance that the services of our executive directors and our key personnel will continue to be available to us or that we will be able to replace any executive director or key personnel with persons who have similar knowledge or experience. The loss of our executive directors' or key personnel's services without suitable replacement which is not covered by our insurance coverage would have a material adverse effect on our business, financial position and results of operations.

If one or more of our executive directors or key personnel are unable or unwilling to continue in their present positions, and we are not able to find suitable replacements, our business may be severely disrupted and we may incur additional expenses to recruit and retain replacements. There are only a limited number of authorized persons and research personnel in Hong Kong. In addition, if any of our executive directors or key personnel joins a competitor or forms a competing company, we may lose some of our customers or other business partners, which could materially adversely affect our business, financial position and results of operations.

We may be unable to extend or renew the leases of our leased properties.

We lease a large number of properties that are essential for our business operations. To the extent that the owners of the properties increase rent, our costs of business operations may increase substantially. In addition, we may not be able to extend or renew our lease, and we may incur significant costs in connection with relocating our business. As of the Latest Practicable Date, we leased approximately 36,953 sq.m. for our production facilities, warehouses, offices and car parking spaces in Hong Kong, the PRC and Macau. To the extent that we cannot continue to lease our properties on the same terms or at all, our business, financial position and results of operations may be materially adversely affected.

Unexpected business interruptions resulting from epidemics, natural disasters or terrorist acts could materially adversely affect our business, financial position and results of operations.

An outbreak of avian influenza, severe acute respiratory syndrome or any communicable disease or epidemic, or increase in the severity of any such epidemic may, depending on their scale of outbreak, lead to serious disruption to the public and have a negative impact on the national and local economies in Hong Kong, Macau and China. In addition, such outbreaks and other unexpected business interruptions such as natural disasters or terrorist acts, especially in the cities where we, our suppliers or our customers have operations, may lead to quarantines, temporary closures of offices and manufacturing or other facilities, travel restrictions or the sickness or death of key personnel, which could cause material disruptions to our operations, and in turn, have a material adverse effect on our business, financial position and results of operations.

RISKS RELATING TO HONG KONG

Political and economic risks associated with conducting business in Hong Kong.

Substantially all of our business operations are conducted in Hong Kong, and substantially all of our revenue is derived from sales in Hong Kong. Accordingly, our business, financial position and results of operations are affected significantly by economic, political and legal developments in Hong Kong. Hong Kong is a special administrative region of the PRC and the basic policies of the PRC regarding Hong Kong are reflected in the Basic Law (基本法), Hong Kong's constitutional document, which provides Hong Kong with a high degree of autonomy and executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems". However, there is no assurance that there will not be any changes in the economic, political and legal environment in Hong Kong in the future. Our business, financial position and results of operations may be affected should there be any material adverse change in the stability and development of the economy, and political and legal environment of Hong Kong.

We are required to comply with certain orders issued by the Building Authority and may be subject to additional fines and penalties due to non-compliance with the Buildings Ordinance.

As at the Latest Practicable Date, there were two unreleased building orders issued by the Building Authority against our Group and 24 unreleased building orders issued against the relevant landlord(s) of premises where our leased properties are located pursuant to section 24 or section 24C of the Buildings Ordinance in relation to certain building works. According to the Building Orders, these building works were erected without having first obtained from the Building Authority the approval of building plans and commencement of such building works as required by section 14 of the Buildings Ordinance. Our Group was required to carry out rectification works in relation to these building works in accordance with the plans approved by the Building Authority.

Save as disclosed in the above paragraphs, there were no other outstanding building orders served on our Group during the Track Record Period and up to the Latest Practicable Date. Please refer to the section headed "Business — Property — Building Orders in respect of a number of our Owned Properties and Leased Properties in Hong Kong" in this prospectus for further details.

Because we generate a majority of our revenues in Hong Kong, we are susceptible to developments in Hong Kong.

Revenue generated from Hong Kong amounted to HK$851.6 million, HK$879.1 million and HK$994.2 million for the years ended March 31, 2014, 2015 and 2016, respectively, representing 91.9%, 92.8% and 91.7% of our total revenue, respectively. We anticipate that our business in Hong Kong will continue to be our core business following the completion of the Global Offering. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business, financial position and results of operations may be materially adversely affected. In addition, we may have difficulties operating businesses in new geographic markets. Therefore, if there is any deterioration in the economic, political and regulatory environment in Hong Kong, our business, financial position and results of operations may be materially adversely affected.

RISKS RELATING TO THE PRC

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business, financial position and results of operations.

The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. We have one operating subsidiary with production facilities established in the PRC. This subsidiary is generally subject to laws and regulations applicable to foreign investment in the PRC and, in particular, laws applicable to wholly foreign-owned enterprises. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us and could subject us to unexpected liabilities. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. In addition, such uncertainties, including the inability to enforce our contracts, could have a material adverse effect on our business, financial position and results of operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the PRC pharmaceutical industry, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

Changes in the economic, political, legal and social developments and conditions in China and policies adopted by the PRC government may materially adversely affect our business, financial position and results of operations.

China's economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. The economy of China has been transitioning from a planned economy to a more

market-oriented economy. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in China are still state-owned. The PRC government also continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue a consistent policy of economic reform.

Our business, financial position and results of operations could be materially adversely impacted by changes in economic, political, legal and social developments and conditions in China and the policies adopted by the PRC government, such as changes in laws and regulations (or the interpretation thereof).

Our financial position and results of operations could also be materially adversely affected by changes in measures introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion, the imposition of additional import restrictions and other state-driven changes. Moreover, although China's economy has grown significantly in recent years, there is no assurance that the economy will continue to grow, or that its growth will be steady or occur in geographical regions or economic sectors from which we benefit. A downturn in China's economic growth or a decline in its economic condition may have a material adverse effect on our business, financial position and results of operations.

There is uncertainty regarding the PRC withholding tax rate that will be applied to distribution from the PRC.

The EIT Law provides that a withholding tax at the rate of 10% is applicable to dividends and other distributions payable by a PRC resident enterprise to investors who are "non-resident enterprises" (that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant dividend or other distribution is not effectively connected with the establishment or place of business). However, pursuant to the Arrangement between the Mainland and Hong Kong Special Administrative Region 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 "**PRC-HK Tax Arrangement**") effective on December 8, 2006, the withholding tax rate for dividends paid by a PRC resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the capital of the PRC enterprise; otherwise, the dividend withholding tax rate is 10%. According to the Notice of the PRC State Administration of Taxation on 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 February 20, 2009 and effective on the same day, the corporate recipient 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 SAT issued the Notice on How to Understand and Identify the Owner of Benefits in the PRC-HK Tax Agreement (國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知) on October 27, 2009. Pursuant to these regulations, non-resident enterprises are required to obtain approval from the competent tax authorities in order to enjoy the favorable treatments under the treaties. However, if a company is deemed to be a pass-through entity rather than a qualified owner of benefits, it cannot enjoy the favorable tax treatments provided in the PRC-HK Tax Arrangement. In addition, if transactions or arrangements are deemed by the relevant tax authorities to be entered into mainly for the purpose of enjoying favorable tax treatments under the PRC-HK Tax Arrangement, such favorable tax treatments may be subject to adjustment by the relevant tax authorities in the future.

The implementation of the PRC Labor Contract Law, its implementation regulation and other labor-related regulations may increase our operating expenses.

The PRC Labor Contract Law became effective on January 1, 2008, which was revised on December 28, 2012 and came into effect on July 1, 2013. This new law and its implementing rules reinforce protection for employees who, under the existing PRC Labor Law, have certain rights under the terms of

their employment such as the rights to (i) sign written employment contracts; (ii) receive overtime wages; and (iii) terminate and alter their employment contracts. In addition, the PRC Labor Contract Law and its implementing rules have amended certain aspects of the existing PRC Labor Law which, as a result, may increase labor cost in China. The implementation of the PRC Labor Contract Law and its implementation regulation may increase our operating expenses, in particular our human resources costs and our administrative expenses. In the event that we decide to modify our employment or labor policy or practice significantly, or reduce the number of our staff, the PRC Labor Contract Law may limit our ability to implement the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could have a material adverse effect on our business, financial position and results of operations.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on January 1, 2008, employees who have continuously worked for more than one year are entitled to paid holidays ranging from five to 15 days, depending on the employees' length of service. Employees who agree to waive their holiday time at the request of their employers must be compensated with three times their normal daily salaries for each holiday waived. As a result of these laws, rules and regulations, our labor costs have increased. There is no assurance that there will not be additional or new labor laws, rules and regulations introduced in the PRC, which could lead to further increases in our labor costs and future disputes with our employees. In the event there are any employee-related disputes, work stoppages or strikes, we may experience an interruption to our business, which could materially adversely affect our business, financial position and results of operations.

Failure to comply with PRC regulations in respect of the registration requirements for employees share incentive plans may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則) issued by SAFE on January 5, 2012, PRC citizens who are granted shares or share options by an overseas listed company under its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income from the sale of shares or dividends distributed by the overseas listed company may be remitted into a foreign currency account of such PRC citizen or be exchanged into RMB. In addition, the overseas listed company or its PRC subsidiary or other qualified PRC agent is required to appoint an asset manager or administrator, appoint a custodian bank and open dedicated foreign currency accounts to handle transactions relating to the share option scheme or other share incentive plan. Our Company and its PRC citizen employees who will be granted shares or share options will be subject to these rules upon the Listing. If our Company or our PRC citizen employees fail to comply with these rules in the future, our Company or our PRC citizen employees may be subject to fines and other legal or administrative sanctions, which could have a material adverse effect on our business, financial position and results of operations.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC subsidiary.

Our Company or other members of our Group may make loans to our PRC subsidiary, or additional capital contributions to our PRC subsidiary by utilizing the proceeds we receive from the Global Offering. Any loans to our PRC subsidiary are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiary cannot exceed statutory limits and must be registered with the SAFE or its local branches. We may also decide to finance our PRC subsidiary through capital contributions. According to the relevant PRC regulations on foreign-invested enterprises, depending on the amount of total investment and the type of business in which a foreign-invested enterprise is engaged in, capital contributions to foreign-invested enterprises in the PRC are subject to approval by the

MOFCOM or its local branches. There is no assurance that we will be able to obtain required government registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our PRC subsidiary or their respective subsidiary. If we fail to receive such registrations or approvals, our ability to use the proceeds received from the Global Offering and to fund our PRC operations may be negatively affected, which may have a material adverse effect on our business, financial position and results of operations.

Government control of currency conversion and fluctuation in the exchange rates of the Renminbi may materially adversely affect our business, financial position and results of operations.

Part of our operating costs is denominated in Renminbi, while the revenue we receive is largely denominated in Hong Kong dollars. The Chinese government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditure from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The Chinese government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. To the extent that we are unable to convert our revenue into Renminbi or remit our revenue into the PRC, our business, financial position and results of operations would be materially adversely affected.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by factors including, without limitation, changes in the PRC's political and economic conditions. Any fluctuation in exchange rates of the Renminbi against the U.S. dollar, Euro or other foreign currencies may cause our costs for importing raw materials and equipment and our operating costs to be volatile. In addition, to the extent that we need to convert our revenue from Hong Kong dollars into Renminbi to pay our operating costs, appreciation of the Renminbi against the Hong Kong dollar would increase our operating costs in Hong Kong dollar terms.

There is uncertainty regarding taxation with respect to the indirect transfer of equity interests in PRC resident enterprises.

The SAT issued the Circular on Strengthening Administration of Enterprise Income Tax on Non-Resident Enterprises' Equity Transfer Income《國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知》("**Circular 698**") on December 10, 2009, with retrospective effect from January 1, 2008. Pursuant to Circular 698, when a non-PRC investor indirectly transfers the equity interests of a PRC resident enterprise by disposing of its equity interests in a non-PRC holding company (the "**Indirect Transfer**") under the conditions set out in Circular 698, the non-PRC investor shall report the Indirect Transfer to the relevant PRC tax authority. Based on bona fide commercial purpose, it may disregard the existence of the non-PRC holding company and impose EIT on the attributable capital gain.

The SAT issued the Circular on Several Issues Relating to Corporate Income Tax on Gains from Indirect Transfer of Assets by Non-resident Enterprises《關於非居民企業間接轉讓財產企業所得税若干問題的公告》("**Bulletin 7**") on February 3, 2015, which replaces the relevant provisions on Indirect Transfer in Circular 698. Bulletin 7 sets out a wider scope of Indirect Transfer of PRC assets that might be subject to EIT, and more detailed guidelines on the circumstances when such Indirect Transfer is considered to lack a bona fide commercial purpose (if it satisfies all of the following conditions, it shall be regarded as having bona fide commercial purposes: (1) the transferor holds or is held by the transferee or both parties are mutually held by another party, directly or indirectly, for over 80% of the shares; (2) the EIT burden of a future indirect transfer transaction that would be occurred after the existing indirect transfer shall not be reduced as compared with that of the same or a similar transaction occurred in the absence of the existing indirect transfer; and (3) the transferee shall pay all the consideration in the shares of its own or the shares of an enterprise that it has a control relationship) and thus regarded as avoiding PRC tax. The conditional reporting obligation of the non-PRC investor under Circular 698 is replaced by

a voluntary reporting by the transferor, the transferee or the underlying PRC resident enterprise being transferred. Furthermore, if the Indirect Transfer is subject to EIT, the transferee has an obligation to withhold tax from the sale proceeds, unless the transferor reports the transaction to the PRC tax authority under Bulletin 7. The EIT payable is 10% of the attributable capital gain if the transferor is a non-PRC resident.

There is uncertainty whether the relevant taxation authorities would determine the indirect transfer of equity interests in PRC resident enterprises undertaken by our Group has a bona fide commercial purpose or not. If our offshore restructuring is not considered to have reasonable commercial purpose and subject to EIT obligation under Bulletin 7, our business, financial condition may be affected.

RISKS RELATING TO THIS GLOBAL OFFERING

Future sale of the Shares or major divestment of Shares by any major Shareholder may have an adverse effect on our Share price.

Any future sale or availability of the Shares can have an adverse effect on the Share price. The sale of a significant amount of Shares in the public market after the Global Offering, or the perception that such sales may occur, could adversely affect the market price of Shares. Except as otherwise described in the paragraph headed "Lock up" under the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering" in this prospectus, there are no restrictions imposed on the Controlling Shareholders to dispose of their shareholdings. Any major disposal of Shares by any of the Controlling Shareholders after the expiry of six months after Listing may cause the market price of the Shares to fall. Between the seventh and twelfth months after Listing, the Controlling Shareholders may not dispose of their Shares to the extent that would cause them to cease to be "Controlling Shareholders" under the Listing Rules. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise capital.

The Share price may fluctuate, which could result in substantial losses for investors purchasing Shares in the Global Offering.

Following the Global Offering, the market price of the Shares could be subject to significant fluctuations due to various external factors and events as a result of including, without limitation, the following factors, some of which are beyond our control:

- the liquidity of the Shares in the market;
- difference between our actual financial position or results of operations and those expected by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- investors' perceptions of our Group and the general investment environment;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- fluctuations in stock market prices and volume;
- changes in pricing policies adopted by us or our competitors;
- additions or departures of key personnel;
- involvement in litigation;
- any unexpected business interruptions resulting from natural disasters or power shortages;
- liability claims brought against us based on matters such as product liability and liability for adverse medical events in clinical trials;
- our forced discontinued sale of our products;

- our ability to obtain or maintain regulatory approval of our products; and
- general political, economic, financial, social development and stock market conditions.

In recent years, stock markets in general have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

We may not declare dividends in the future.

We declared interim dividends with an amount of HK$15.0 million, HK$22.8 million and HK$200.2 million to our then shareholders during the years ended March 31, 2014, 2015 and 2016, respectively, which were fully settled in August 2016. There is no assurance that further dividends will be declared or paid in an amount equivalent to or exceeding historical dividends declared or at all. Investors are cautioned not to use historical dividends as an indication of the amount of future dividends to be declared or paid. The declaration, payment and amount of any further dividends are subject to the discretion of our Directors depending on, amongst other things, our earnings, financial position, cash requirements, our profit, provisions governing the declaration and distribution as contained in our Memorandum of Association and Articles of Association, applicable law and other relevant factors. For details, please refer to the section headed "Financial Information — Dividend" in this prospectus.

There has been no prior public market in Hong Kong for our Shares and their liquidity and market price may be volatile.

There has been no public market in Hong Kong for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between us and the Underwriters, and the Offer Price may differ significantly from the market price of the Shares following this Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following this offering, or that the market price of the Shares will not decline following this offering. In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including, but not limited to:

- variations in our financial position and results of operations;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our customers or our competitors;
- developments in the pharmaceutical industry;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- addition or departure of our key personnel;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or perceived sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of this Global Offering may limit the ability of our Shareholders to influence the outcome of decisions requiring the approval of Shareholders.

Our Controlling Shareholders, Mr. Sum, Mr. Lau, Trust Co, Kingshill and Longjin, will, upon the completion of the Global Offering, continue to beneficially own in aggregate a substantial percentage of our Company's share capital. See the section headed "Relationship with Our Controlling Shareholders" in this prospectus for additional information. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with our Company or our Shareholders' best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, may be disadvantaged as a result.

New investors will incur immediate dilution and may experience further dilution.

The Offer Price is substantially higher than our audited net asset value per Share based on our issued share capital after the completion of this Global Offering. If we were liquidated for net asset value immediately following the Global Offering, each Shareholder subscribing to the Global Offering would receive less than the price they paid for their Shares. If the Underwriters exercise the Over-Allotment Option, holders of the Shares may experience a further dilution of their interest. In addition, in order to expand our business, we may consider offering and issuing additional Shares in the future. Investors of the Shares may experience dilution in the net asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net asset value per Share.

Certain facts, forecasts and other statistics with respect to Hong Kong, Macau, China and other countries in the Asia Pacific region, their economies and the pharmaceutical industry contained in this prospectus have not been independently verified.

Facts, forecasts and other statistics in this prospectus relating to Hong Kong, Macau, China and other countries in the Asia Pacific region, their economies and the pharmaceutical industry have been derived from various sources. Such information has not been prepared or independently verified by us, the Sponsor, or any of our or their respective affiliates, directors or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics contained in such official government publications. In all cases, investors should give consideration as to how much weight or importance they should attach or place on such facts, forecasts or statistics.

Shareholders and investors may face difficulties in protecting their interests because our Company is incorporated under the laws of the Cayman Islands which may be different from the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and our Company's affairs are governed by the Memorandum of Association, the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy

the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minorities is set out in "Appendix IV — 3. Cayman Islands Company Law" in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, terminology such as "anticipate," "believe," "expect," "estimate," "plan", "consider", "would", "may," "ought to," "should", "prospects," "going forward", "intend", "aim", "is/are likely to", "will" or similar expressions, as they relate to us or our business, are intended to identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Those statements include, without limitation, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources, and reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Purchasers of our Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard include, but are not limited to, those identified in this "Risk Factors" section, many of which are not within our control. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans and objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Sole Sponsor and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Listing is sponsored by the Sole Sponsor. We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the

Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on September 21, 2016. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 2633.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our Principal Share Registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.86191 to HK$1.00

HK$7.7561 to US$1.00

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

LANGUAGE

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

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Sum Kwong Yip, Derek (岑廣業)	Flat A, 18/F, Block 3 The Leighton Hill 2B Broadwood Road Hong Kong	British
Mr. Lo Chun Bun (盧進賓)	G/F, 153E Shui Tsiu Lo Wai Shap Pat Heung Yuen Long New Territories	Chinese
Mr. Yim Chun Leung (嚴振亮)	Flat F, 55/F, Block 6 The Belcher's 89 Pokfulam Road Pok Fu Lam Hong Kong	British
Non-executive Director		
Professor Lam Sing Kwong, Simon (林誠光)	Flat 5A, Block 2 Pine Court 23 Sha Wan Drive Pok Fu Lam Hong Kong	British
Independent Non-executive Directors		
Professor Chow Hee Lum, Albert (周喜林)	Flat D, 5/F, Block 10 600 Sai Sha Road Villa Athena Ma On Shan New Territories	Canadian
Dr. Lam Kwing Tong, Alan (林炯堂)	Room C, 22/F, Block 8 The Belcher's 89 Pokfulam Road Pok Fu Lam Hong Kong	British
Mr. Young Chun Man, Kenneth (楊俊文)	Flat A, 10/F, Tower 1 Serenade 11 Tai Hang Road Tai Hang Hong Kong	Chinese

Please see "Directors and Senior Management" in this prospectus for further details regarding our Directors.

PARTIES INVOLVED

Sole Sponsor and Sole Global Coordinator	**BOCI Asia Limited** 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
Sole Bookrunner and Sole Lead Manager	**BOCI Asia Limited** 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
Reporting Accountants	**KPMG** 8th Floor, Prince's Building 10 Chater Road, Central Hong Kong
Legal advisors to our Company	*As to Hong Kong and U.S. laws:* **Shearman & Sterling** 12/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to Hong Kong law in relation to our Group's business operation in Hong Kong:* **Lam Rachel Y.K.** Barrister-at-law Des Voeux Chambers 38/F Gloucester Tower The Landmark Central, Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing, China *As to Cayman Islands laws:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisors to the Underwriters	*As to Hong Kong and U.S. laws:* **Morrison & Foerster** 33/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34th Floor, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing, China
Industry consultant	**Frost & Sullivan** 1018, Tower B No. 500 Yunjin Road, Xuhui District Shanghai, 200232, China
Property Valuer	**DTZ Cushman & Wakefield Limited** 16th Floor Jardine House 1 Connaught Place Central Hong Kong
Receiving banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Hang Seng Bank Limited** 83 Des Voeux Road Central Hong Kong

Registered office in Cayman Islands	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in Hong Kong	Unit 2313-18, 23/F Tower 1, Millennium City 1 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Company's website	**www.jacobsonpharma.com** (The information on the website does not form part of this prospectus)
Company Secretary	Mr. Wong Wai Ming *(FCPA, FCCA)* Unit 2313-18, 23/F Tower 1, Millennium City 1 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Authorized representatives	Mr. Yim Chun Leung Unit 2313-18, 23/F Tower 1, Millennium City 1 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong Mr. Wong Wai Ming Unit 2313-18, 23/F Tower 1, Millennium City 1 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Audit Committee	Mr. Young Chun Man, Kenneth *(Chairman)* Professor Chow Hee Lum, Albert Dr. Lam Kwing Tong, Alan
Nomination Committee	Professor Chow Hee Lum, Albert *(Chairman)* Dr. Lam Kwing Tong, Alan Mr. Young Chun Man, Kenneth Mr. Yim Chun Leung

Remuneration Committee	Dr. Lam Kwing Tong, Alan *(Chairman)* Mr. Young Chun Man, Kenneth Mr. Lo Chun Bun
Principal Share Registrar	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance advisor	Altus Capital Limited 21 Wing Wo Street Central, Hong Kong
Principal banks	The Hongkong and Shanghai Banking Corporation Limited 10/F, HSBC Main Building 1 Queen's Road Central Central, Hong Kong Standard Chartered Bank (Hong Kong) Limited 13/F, Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

This and other sections of this prospectus contain information and statistics relating to our industry and related industry sectors, some of which have been derived from official governmental and from the report prepared by Frost & Sullivan. We believe that these sources are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information is or statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. Such information and statistics have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters or any other party involved in the Global Offering and no representation is given as to their accuracy. Accordingly, you should not place undue reliance on such information or statistics.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and prepare a report on the pharmaceutical market in Hong Kong, China and Macau with the Global Offering (the "Frost & Sullivan Report"). Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We were charged RMB876,000 by Frost & Sullivan in connection with its preparation of the report. Our payment of such fee is not contingent upon the results of its research and analysis.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved in-depth telephone and face-to-face interviews with industry participants. Frost & Sullivan also conducted secondary research which involved reviewing annual reports, industry publications and data based on its own research database. Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, and considered related industry drivers. Its forecasting methodology integrates several forecasting techniques with its internal analytics of critical market elements investigated in connection with its market research work. These elements primarily include identification of market drivers and restraints and integration of expert opinions. In preparation of the Frost & Sullivan Report, Frost & Sullivan assumed: (i) the social, economic and political environment is expected to remain stable from 2016 to 2020, and (ii) key industry drivers are expected to continue to affect the market from 2016 to 2020.

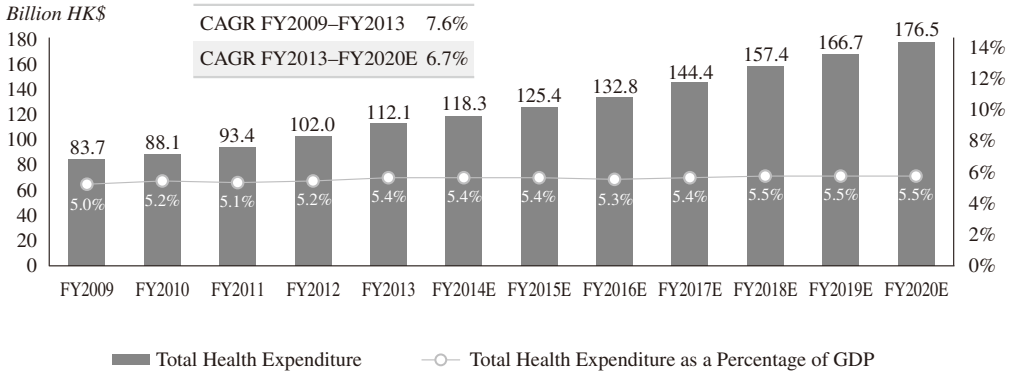
HONG KONG'S PHARMACEUTICAL MARKET

The Hong Kong pharmaceutical market is primarily comprised of the private sector, the Hospital Authority (醫院管理局) and the Department of Health (衞生署). The private sector is the largest purchaser of pharmaceutical products and is primarily comprised of private hospitals, doctors in private practice, registered pharmacies and drug stores. The Hospital Authority is the single largest purchaser of pharmaceutical products, with 44.4% of the total market in 2015. The Hospital Authority manages all the public hospitals in Hong Kong, including 41 public hospitals, 73 general out-patient clinics and 47 specialist out-patient clinics, as of April 11, 2016. The Department of Health provides a wide range of promotional, preventative, curative and rehabilitative services. Industry participants usually segment the Hong Kong pharmaceutical market as (i) the Hospital Authority sector, which mostly purchases through tender processes, and (ii) the non-Hospital Authority sector, where purchasers mostly purchase pharmaceutical products through individual purchase orders.

The pharmaceutical market has been growing steadily in recent years in light of population aging, public policies to improve access to healthcare, increased prevalence of chronic diseases and growing awareness of health issues.

The following chart shows the total health expenditure in Hong Kong from the year ended March 31, 2009 to the year ended March 31, 2013 and as forecasted for the year ended March 31, 2014 to the year ending March 31, 2020.

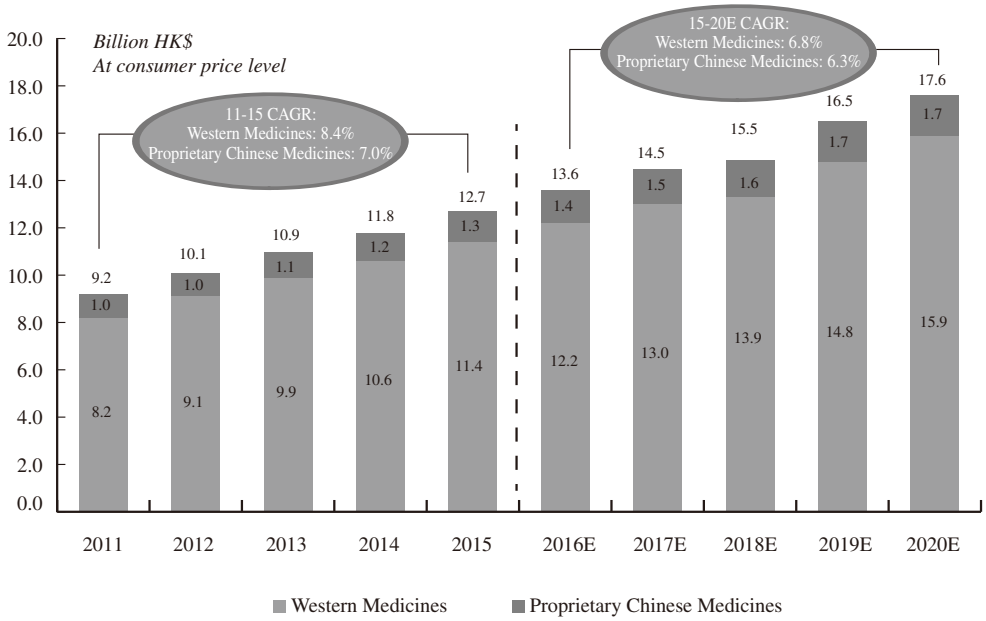
Total Health Expenditure, Hong Kong, FY2009–FY2020E



The total health expenditure has witnessed a steady growth since 2008, rising from HK$83.7 billion in the year ended March 31, 2009 to HK$112.1 billion in the year ended March 31, 2013, representing a CAGR of 7.6% during this period. The total health expenditure is expected to reach HK$176.5 billion in the year ending March 31, 2020. Health expenditure is expected to continue to represent approximately 5% of GDP.

The following chart shows a breakdown of the Hong Kong pharmaceutical market by proprietary Chinese medicine and Western medicine for 2011 to 2015 and as forecasted for 2016 to 2020.

Breakdown of Hong Kong Pharmaceutical Market by Western Medicine and Proprietary Chinese Medicine



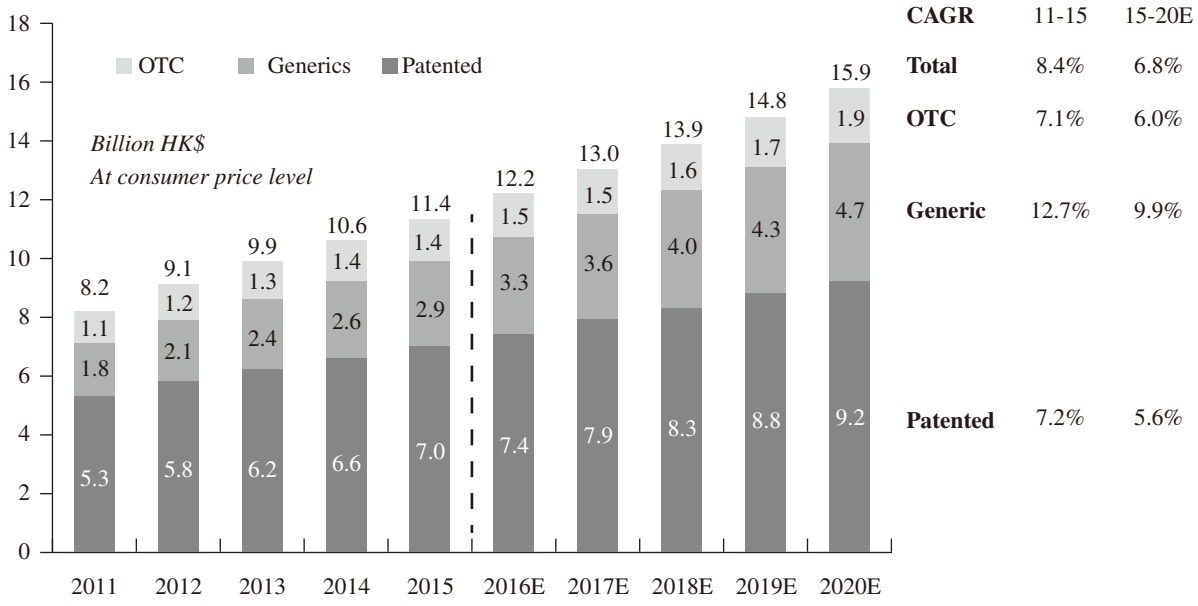
The Hong Kong pharmaceutical market is dominated by Western medicines, which have a market share of 90.0% by revenue in 2015. Driven by the increasing acceptance of Chinese medicine, proprietary Chinese medicine segment is expected to sustain stable growth over the next five years at a CAGR of 6.3%. The Western medicine segment grew from HK$8.2 billion from 2011 to HK$11.4 billion in 2015, at a CAGR of 8.4% and is expected to grow to HK$15.9 billion in 2020, with a CAGR of 6.8%.The proprietary Chinese medicine segment grew from HK$1.0 billion from 2011 to HK$1.3 billion in 2015, at a CAGR of 7.0% and is expected to grow to HK$1.7 billion in 2020, with a CAGR of 6.3%.

Hong Kong's Western Medicine Segment Overview

The Hong Kong Western medicine segment is principally divided into OTC, generic and patented drugs. OTC drugs are drugs that are generally purchased over-the-counter without a prescription, whereas generic drugs and patented drugs are primarily prescribed by doctors. Patented drugs are still on patent, which grants the inventor of the drug an exclusive right on the sale of the drug. Generic drugs have gone off patent, which lifts the original exclusion on the sale of the drugs.

The following chart shows the breakdown of the Western medicine segment from 2011 to 2015 and as forecasted for 2016 to 2020.

Breakdown of HK Western Medicine Market 2011–2020E



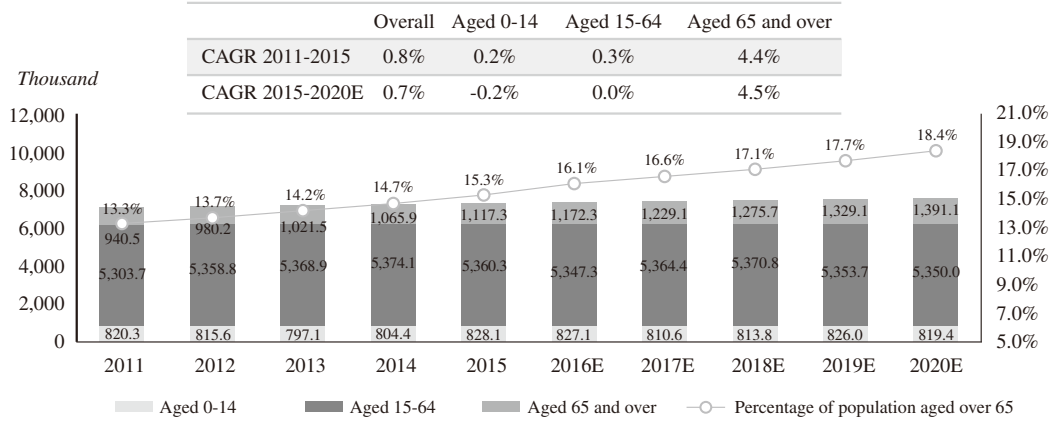
The key drivers of the overall Hong Kong Western medicine segment including population aging, public policies to improve access to healthcare, increased prevalence of chronic diseases and growing awareness of health issues. Western medicines are generally categorized by their therapeutic area. Expenditures in a given pharmaceutical area are primarily affected by changing patient demographics, growing awareness of health issues and policy changes. The major therapeutic areas have historically been cardiovascular, central nervous system, gastrointestinal, oncology, respiratory, oral anti-diabetics and anti-infective.

Population Aging

Hong Kong's population has been undergoing an aging trend over the past few years, due to a low birth rate and increasing life spans.

The following chart shows the total population breakdown by age group from 2011 to 2015 and as forecasted for 2016 to 2020.

Total Population Breakdown By Age Group*, Hong Kong, 2011–2020E



* *The figure represents the mid-year population*

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan Report

The proportion of the population 65-years-old or older is projected to rise from 13.3% to 15.3% from 2011 to 2015. Population aging is resulting in the increasing prevalence of various kinds of diseases, especially cancer and chronic diseases such as diabetes and cardiovascular diseases.

Public Policies to Improve Access to Healthcare

The Hong Kong government has enacted public policies to improve access to healthcare but the healthcare system in Hong Kong continues to be overburdened. In 2011, the Hong Kong Planning Department set a target to have one hospital bed available in Hong Kong for every 182 residents. The Hong Kong government continues to adopt policies to improve public healthcare services. In 2010 and 2014, there was one bed per 198 residents and one bed per 194 residents, respectively. As of March 2015, the Hospital Authority has over HK$80 billion of projects ready for construction or under construction, which would represent an increase of 2,800 hospital beds. The Hong Kong government has also launched a number of programs to encourage the development and use of private healthcare. For example, in 2009, the Hong Kong government launched the Elderly Health Care Voucher Pilot Scheme, which provides financial incentives to those who are 70-years-old or older to choose private healthcare services. As overall access to healthcare improves, access to pharmaceutical products and awareness of illnesses are also expected to rise.

The Hong Kong government has also adopted policies that target certain therapeutic areas, such as chronic diseases and cardiovascular health. For example, in 2010, the Hospital Authority launched the Shared Care Program, which subsidizes private sector treatments of chronic diseases. The program laid the groundwork for further increasing the patient pool and demand for medicines in the private sector. In 2014, the Hospital Authority adopted key strategies for enhancing the care and management of cardiovascular health in the next five to ten years, including increasing the prescription of secondary prevention medicines (such as anti-platelet agents, ACE-inhibitors, beta-blockers and statins), industry review of low prescription rates and strengthening medicine management for patients in rehabilitation.

Increased Prevalence of Chronic Diseases

Due to population aging and sedentary and otherwise unhealthy lifestyles, patients in Hong Kong have become increasingly prone to chronic diseases in recent years. For example, according to the International Diabetes Federation and Diabetes Hong Kong, the prevalence of diabetes in adults will increase from around 10% in 2012 to 12% in 2030. The rising prevalence of diabetes is expected to be driven by the overall Hong Kong population's lack of exercise, unhealthy diet, obesity and aging. In addition, gastrointestinal discomfort in Hong Kong has increased due to more frequent social dining, irregular meal times and growing stress levels, which has driven demand for digestive medicines.

Growing Awareness of Health Issues

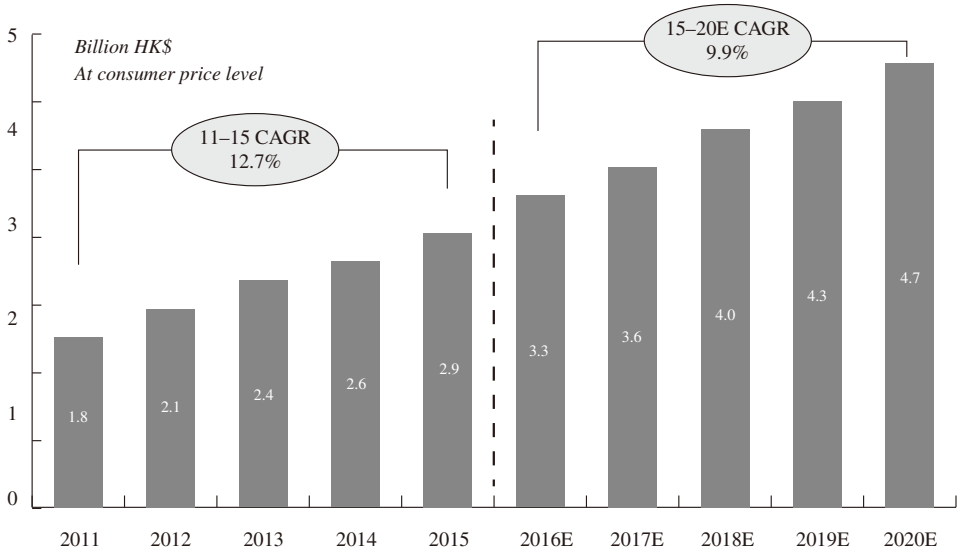
Healthcare service providers have facilitated the increased awareness of health issues that can be addressed by Western medicines through the active, multi-channel promotion of disease-specific knowledge. In addition, patients in Hong Kong have also become more aware of health issues. For example, awareness of diabetes-related symptoms and the increased availability of blood glucose monitoring devices in the Hong Kong market have increased patient demand for diabetes medications, and in particular, oral anti-diabetics. Awareness of cardiovascular health is also expected to increase. According to School of Public Health, University of Hong Kong, only 46% of all hypertensive cases amongst Hong Kong adults in 2011 were diagnosed by doctors. With advances in technology, improved awareness of health issues and more institutions for medical checkups, the number of patients receiving medication is predicted to increase.

Hong Kong Generic Drug Market

The generic drug market is the second largest market in the Hong Kong Western medicine segment, amounting to HK$2.9 billion in 2015, growing at a CAGR of 12.7% from 2011 to 2015, and expected to grow to HK$4.7 billion in 2020, at a CAGR of 9.9%, which is faster than that of patented drugs. In addition to the factors that drive the overall growth of the Hong Kong Western medicine segment, the growth of the Hong Kong generic drug market is also expected to be affected by patent expirations of blockbuster drugs and the adoption of generic substitution policies.

The following chart shows the Hong Kong generic drug market from 2011 to 2015 and as forecasted for 2016 to 2020.

Hong Kong Generic Drug Market



The Hong Kong generic drug market is primarily driven by the patent expiration of blockbuster drugs. Over 150 patents for drugs are expected to expire between 2015 and 2020 in Hong Kong, including monoclonal antibodies, and some blockbuster chemical drugs, such as Olmesartan, Rosuvastatin and Aripiprazole. When patents for a patented drug expire, corresponding generic drugs can enter to compete with the patented drug. There has been a host of blockbuster drugs reaching the end of their patented life since 2011. The therapeutic areas of these drugs include oncology, cardiovascular diseases and diabetes, which are among the largest therapeutic areas in Hong Kong Western medicine segment, lending substantial opportunity to capture market share in these segments.

Major advances in the science, technology and infrastructure of drug research and development over the last 60 years have also driven the growth of the generic market. In light of this, the number of patented drugs in the market have increased, which provides an enlarged foundation for the development of future generic drugs. In addition, improvements in drug research technology and capabilities have also driven the development of generic drugs.

Furthermore, generic substitution policies are becoming increasingly prevalent in an attempt to rationalize drug expenditures. Generic substitution is the dispensing of an alternative generic drug with the same active ingredients in place of the prescribed patented drug. While generic substitution has played an important role managing rising drug expenditures in many countries, strict regulatory requirements are in place to ensure the generic drugs are bioequivalent to the branded products. As such, drugs from pharmaceutical companies with clinical substantiation and high quality will be more likely to benefit from generic substitution. Generic substitution is currently adopted by public healthcare institutions in Hong Kong, China and other countries like the United States, United Kingdom, Japan, Singapore, Australia and a growing number of other jurisdictions, which offers generic drugs suppliers an opportunity to capture additional market share.

Competitive Landscape of the Overall Hong Kong Generic Drug Market

A significant portion of generic drugs in Hong Kong are produced by large-scale and well-established manufacturers. For generic drugs to be registered with the Department of Health, the manufacturers are required to ensure that the drugs conform to the specified standards on safety, efficacy and quality. Jacobson is the largest generic drugs company in Hong Kong, with over 30% share of the total generic drug market in 2015 by revenue.

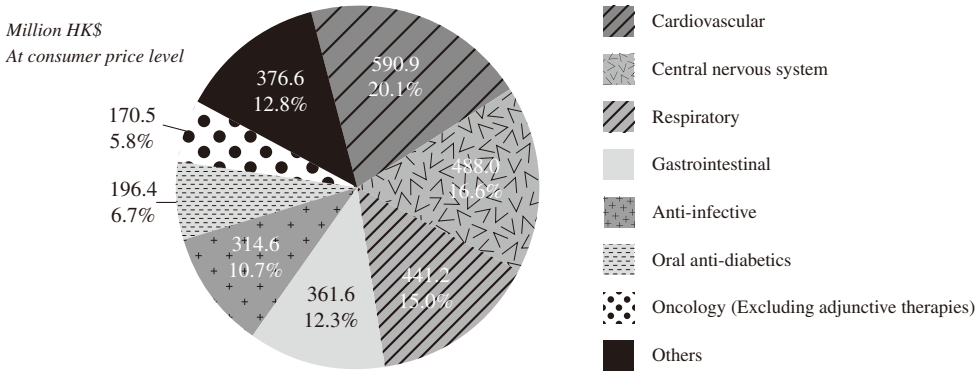
The following table shows the ranking of the top five pharmaceutical companies by revenue in the Hong Kong generic drug market in 2015.

Pharmaceutical Company	Market share	Headquarters
Jacobson	32.7%	Hong Kong
Player A	14.6%	Germany
Player B	11.5%	Israel/United States
Player C	10.8%	Ireland/United States
Player D	7.3%	Canada

Therapeutic Areas in the Hong Kong Generic Drug Market

The following chart shows the market share of Hong Kong generic drug market by therapeutic area in 2015.

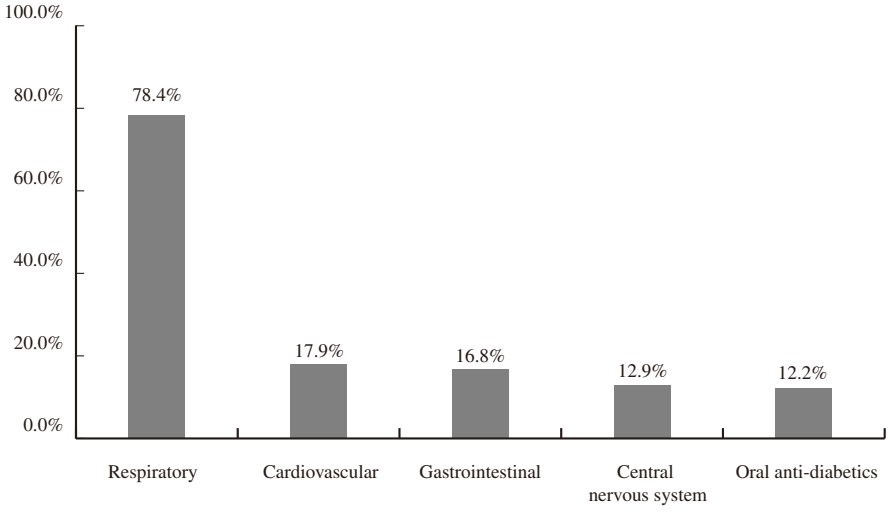
Market Share of Hong Kong Generic Drug Market by Therapeutic Area in 2015



Cardiovascular, central nervous system, respiratory, gastrointestinal, anti-infective, oral anti-diabetics and oncology are the major therapeutic areas by market share by revenue in 2015, amounting to 20.1%, 16.6%, 15.0%, 12.3%, 10.7%, 6.7% and 5.8% of total Hong Kong generic drug market in 2015, respectively.

Jacobson is the largest generic drug company in Hong Kong, with a 32.7% market share in 2015, and one of the leaders in five major therapeutic areas by revenue in 2015. The following table shows Jacobson's market share for the five therapeutic areas in 2015.

Market Share of Jacobson in Hong Kong Generic Drug Market

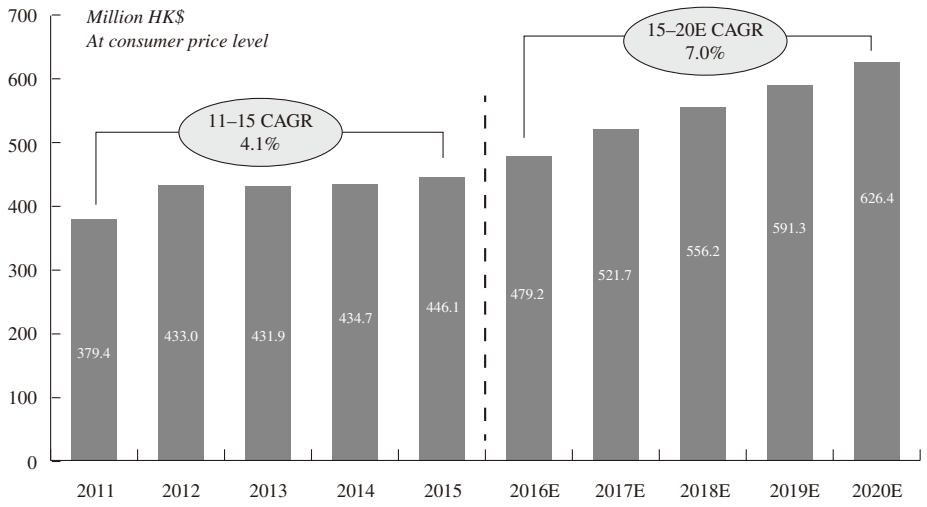


Hospital Authority Generic Drug Market

The Hospital Authority is the single largest purchaser of generic drugs in Hong Kong. It primarily purchases generic drugs mainly through a tender process.

The following chart shows the Hong Kong generic drug market in the Hospital Authority sector from 2011 to 2015 and as forecasted for 2016 to 2020.

Hong Kong Generic Drug Market By HA Channel

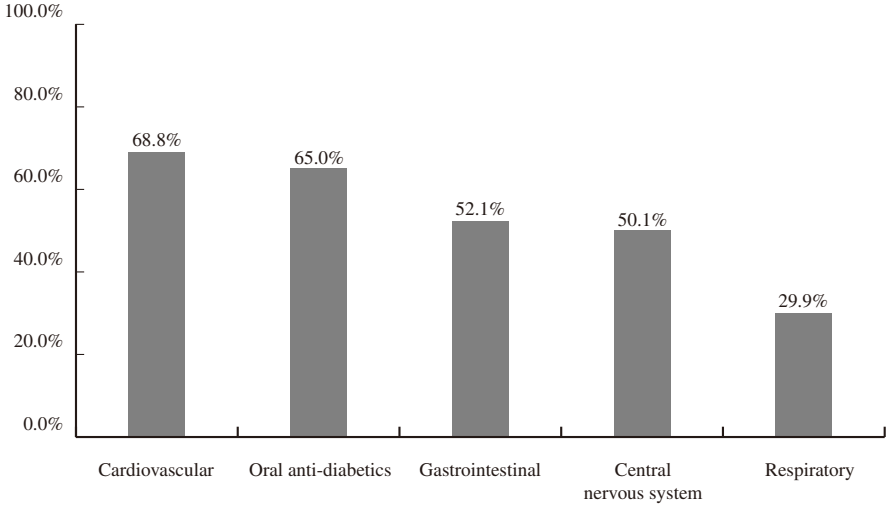


The Hospital Authority generic drug market grew from HK$379.4 million from 2011 to HK$446.1 million in 2015, at a CAGR of 4.1% and is expected to grow to HK$626.4 million in 2020, with a CAGR of 7.0%, driven primarily by a higher prevalence of chronic diseases and increasing government control on public healthcare spending, which spurs generic substitution.

Jacobson has also been the largest provider of generic drugs to the Hospital Authority and accounted for over 70% of the Hospital Authority's generic drugs by revenue for each year since 2012.

Among the major therapeutic areas in the Hospital Authority generic drug market, Jacobson leads the market share for five of the therapeutic areas by revenue in 2015. The following table shows Jacobson's market share for the five therapeutic areas to the Hospital Authority in 2015:

Market Share of Jacobson in Hong Kong Generic Drug Market by HA Channel



Hong Kong's Proprietary Chinese Medicine Segment

The major proprietary Chinese medicines in Hong Kong covers therapeutic categories like cardiovascular, respiratory, musculoskeletal, gastrointestinal, gynecological and genitourinary.

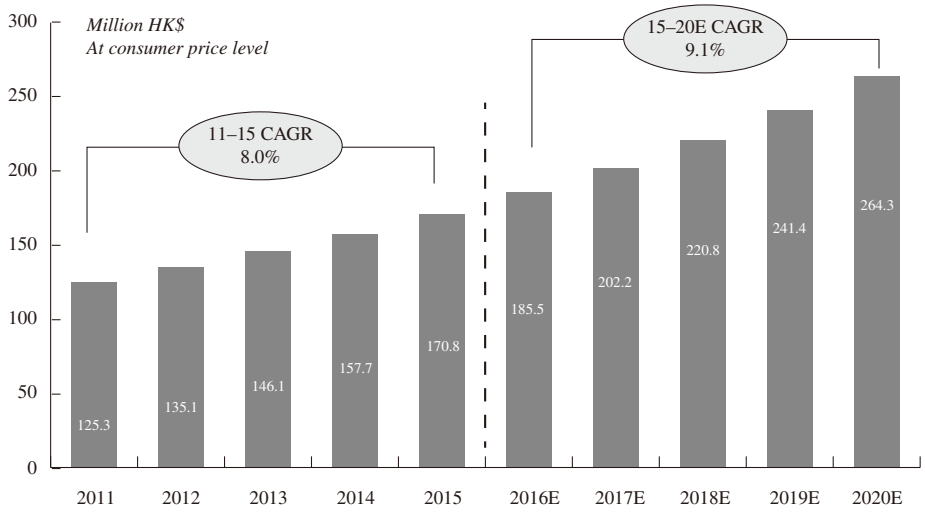
Hong Kong's Gastrointestinal Proprietary Chinese Medicine Segment

In Hong Kong, proprietary Chinese herbal formulations are commonly used to treat digestive system disorders and relieve common digestive problems, such as nausea, vomiting, diarrhea, constipation, and abdominal discomfort. Most of these medicines come in the form of easy-to-swallow pills, tablets or powder.

Gastrointestinal proprietary Chinese medicines can be used for both preventative and curative uses. The Hong Kong gastrointestinal proprietary Chinese medicine segment grew from HK$125.3 million in 2011 to HK$170.8 million in 2015, for a CAGR of 8.0% from 2011 to 2015, and the market will grow to HK$264.3 million in 2020, representing a CAGR of 9.1% from 2015 to 2020.

The following chart shows the Hong Kong gastrointestinal proprietary Chinese medicine segment from 2011 to 2015 and as forecasted for 2016 to 2020.

Hong Kong GI PCM Market



Being one of the most widely known gastrointestinal proprietary Chinese medicines in Hong Kong, Li Chung Shing Tong's Po Chai Pills was the most recognized gastrointestinal proprietary Chinese medicines, recognized by 97.0% of respondents in the Frost & Sullivan Survey, which demonstrates the effectiveness of the brand's advertisement strategy and establishment in customer awareness. Due to its high brand recognition and long history as well as good therapeutic efficacy, Li Chung Shing Tong's Po Chai Pills accounts for the largest market share in Hong Kong gastrointestinal proprietary Chinese medicine segment by revenue, with a share of 41.4%, 41.9% and 42.4% in 2013, 2014 and 2015, respectively.

Hong Kong's Anti-Rheumatic Proprietary Chinese Medicine Segment

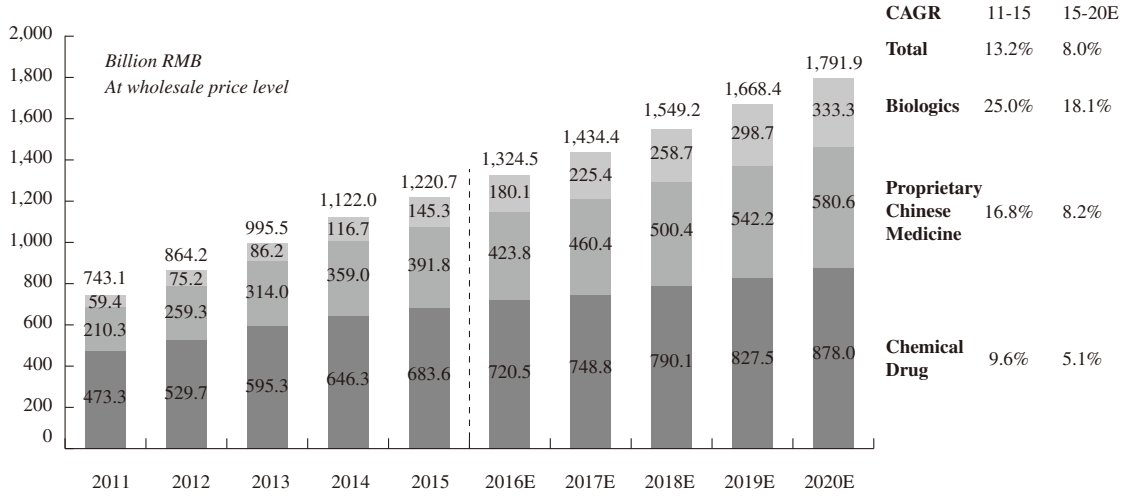
Anti-rheumatic proprietary Chinese medicines are typically medicated oils and balms that treat musculoskeletal system disorders, including a variety of aches and pains of muscles and joints, such as backache, arthritis, strains, bruises and sprains. The Hong Kong anti-rheumatic proprietary Chinese medicine market reached HK$64.0 million in 2015, and will grow to HK$100.3 million in 2020, with a CAGR of 9.4% from 2015 to 2020. Collectively, Flying Eagle Woodlok Oil and Tong Tai Chung Woodlok Oil and balm accounted for a market share of 20.5% of Hong Kong anti-rheumatic proprietary Chinese medicine market in terms of revenue in 2015.

OVERVIEW OF CHINA'S PHARMACEUTICAL MARKET

In accordance to the stipulations of the *Drug Registration Regulation*, pharmaceutical products in China are generally classified into chemical drug, biologics and proprietary Chinese medicine. Chemical drugs and biological products are generally classified as Western medicines. The chemical drug market is the largest pharmaceutical market in China and amounted to RMB683.6 billion and accounted for 56.0% of the total pharmaceutical market in 2015, whereas biologics is the smallest market with a 11.9% market share. The proprietary Chinese medicine segment has a market share of around 32.1%, and is expected to grow at a healthy pace of 8.2% from 2015 to 2020.

The following table shows the breakdown of the China pharmaceutical market from 2011 to 2015 and as forecasted for 2016 to 2020:

Breakdown of China's Pharmaceutical Market (2011-2020E)



The China pharmaceutical market is a RMB1,220.7 billion market in 2015, growing at a CAGR of 13.2% from 2011 to 2015, and expected to reach RMB1,791.9 billion in 2020, driven by population aging, the rise in prevalence of chronic diseases as well as the increasing disposable income. The United States spent 16.9% of its GDP on healthcare expenditure in 2014. In comparison, China only spent 5.5% of GDP, ranking ninth in terms of per capita healthcare expenditure among the ten largest healthcare markets. It is expected that China will continue to boost the development of its healthcare industry in the future.

China's Proprietary Chinese Medicine Segment

Chinese medicine is widely considered an integral part of the healthcare system in China and is widely respected. Guangdong Province has the highest proprietary Chinese medicines penetration rate among all provinces in China, accounting for approximately 10.0% of China's total proprietary Chinese medicine segment by revenue in 2015.

Key therapeutic areas in China's proprietary Chinese medicine segment include cardiovascular, oncology, respiratory, musculoskeletal, gastrointestinal, gynecological and genitourinary.

Guangdong Province's Gastrointestinal Proprietary Chinese Medicine Segment

The gastrointestinal proprietary Chinese medicine segment in Guangdong Province is growing rapidly, driven by growing awareness of health issues, relatively high acceptance for proprietary Chinese medicine treatment and increasing drug accessibility. Gastrointestinal proprietary Chinese medicine segment in Guangdong Province grew from RMB1.4 billion from 2011 to RMB3.0 billion in 2015, representing a CAGR of 16.8% from 2011 to 2015, and is expected to grow to RMB5.8 billion in 2020.

While the gastrointestinal proprietary Chinese medicine segment is a highly fragmented segment in Guangdong Province, "Puji Pills," the trade name of Li Chung Shing Tong's Po Chai Pills in China, was recognized by 26.6% of respondents in Guangdong Province.

Guangdong Province's Anti-rheumatic Proprietary Chinese Medicine Segment

Guangdong anti-rheumatic proprietary Chinese medicated oil and balm market is a RMB102.8 million market in 2015, with a CAGR of 18.6% from 2011 to 2015, and the market is expected to grow to RMB198.6 million in 2020, with a CAGR of 14.1% from 2015 to 2020, driven by increasing awareness of proprietary Chinese medicines, population aging and increases in disposable income.

Flying Eagle Woodlok Oil is the leading brand in the Guangdong anti-rheumatic proprietary Chinese medicated oil and balm market, accounting for 50.4% of Guangdong anti-rheumatic proprietary Chinese mediated oil and balm market by revenue in 2015 due to the increasing brand recognition and marketing efforts.

MACAU'S PHARMACEUTICAL MARKET

The Macau pharmaceutical market has reached HK$1,752.2 million in 2015 with a CAGR of 14.2% from 2011 to 2015, and is forecasted to grow to HK$3,051.7 million in 2020, representing a CAGR of 11.7% from 2015 to 2020. Generic drugs have the highest growth rate compared with OTC and patented categories due to population aging, improved access to healthcare, increased prevalence of chronic diseases and expiration of blockbuster drug patents. In addition, the Macau gastrointestinal proprietary Chinese medicines has also grown quickly from HK$14.8 million in 2011 to HK$23.6 million in 2015, representing a CAGR of 12.5%. Driven by the expanding patient pool and increasing acceptance for proprietary Chinese medicines treatment, the market will grow to HK$45.1 million in 2020, with a CAGR of 13.8%, faster than growth of total Macau pharmaceutical market. Li Chung Shing Tong's "Po Chai Pills" enjoyed high brand awareness and was recognized by 88.8% of respondents according to the Frost & Sullivan Survey in Macau.

OTHER PHARMACEUTICAL MARKETS IN THE ASIA PACIFIC REGION

The following table sets forth market size of other strategically selected pharmaceutical markets in the Asia Pacific region which we plan to expand into:

	Total Pharmaceutical Market					Generic Drug Market				
	2011	2015	2020E	CAGR 11-15	CAGR 15-20E	2011	2015	2020E	CAGR 11-15	CAGR 15-20E
	(US$ in millions)			(%)		(US$ in millions)			(%)	
Japan	127,571	97,380	121,245	-6.5	4.5	11,226	13,049	18,308	3.8	7.0
Australia	15,329	13,444	18,809	-3.2	6.1	2,683	2,864	4,251	1.6	8.2
New Zealand	1,431	1,513	2,007	1.4	5.8	315	378	554	4.7	7.9
Malaysia	1,665	1,846	2,847	2.6	9.1	513	812	1,321	12.2	10.2
Singapore	934	1,112	1,502	4.5	6.2	218	327	494	10.7	8.6

Generic drug market is an important component of a sustainable healthcare system. The shares of generic drugs in the total pharmaceutical markets for the above countries are expected to grow continuously primarily due to patent cliff for a number of patented blockbuster drugs and government financial incentives on generic substitution policies.

Japan spent 10.2% of its GDP on healthcare expenditure in 2014, ranking the third in the world in terms of national health expenditure in 2014. Japan has one of the highest proportions of elderly citizens. The percentage of population aged 65 or above reached 26.4% in 2015 and is forecasted to reach 28.6% in 2020. Japan has introduced a series of government policies to provide financial incentives to encourage physicians to prescribe and pharmacists to dispense generic drugs as substitution.

Australia spent 9.5% of its GDP on healthcare expenditure in 2014. Australia is also an aging society with 18.5% of its population aged 65 and above in 2015. Pharmaceutical consumption is also

highly government-reimbursed in Australia since the initiation of the pharmaceutical benefit scheme in 1948. The Australian government intends to contain the escalating drug expenditures in light of the aging population and rising prevalence of chronic diseases.

New Zealand spent 9.8% of its GDP on healthcare expenditure in 2014. It has a highly government-reimbursed healthcare system. The New Zealand government intends to improve cost control by switching off-patent drugs to lower-cost generic drugs and the application of an efficient tendering process.

Malaysia's healthcare expenditure as a percentage to GDP remained extremely low in the past a few years. Malaysia has adopted a government policy to increase its healthcare expenditure and improve access to healthcare. Also, the demand for generic drugs as well as pharmaceutical products in general will be boosted by Malaysia's growing population and increasing disease burden.

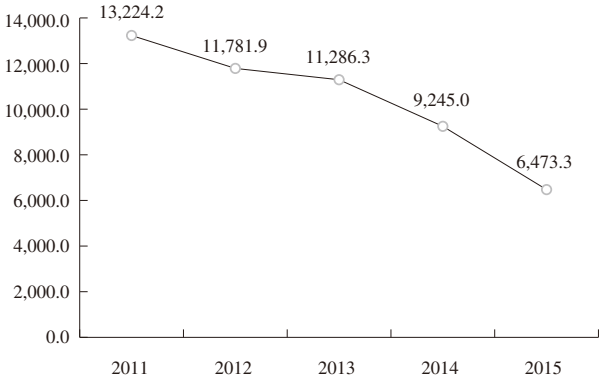
Singapore pharmaceutical market has kept growing steadily in the past a few years as a result of its well-managed healthcare system. Singapore generic drug market grew with a CAGR of 10.7% from 2011 to 2015, faster than the growth of total Singapore pharmaceutical market, and will continue to grow steadily over the coming years owing to rising prevalence of chronic diseases and elderly disorders.

MAJOR RAW MATERIALS AND FINAL PRICES

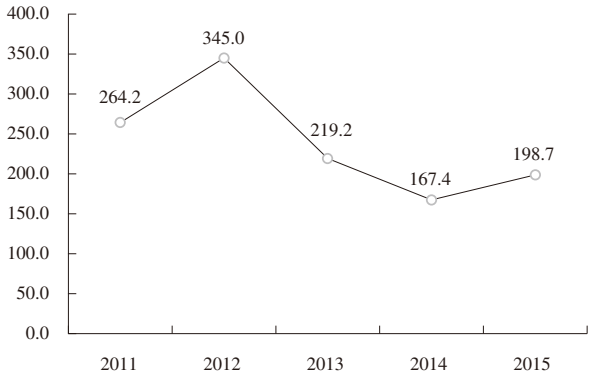
We manufacture our generic drugs and proprietary Chinese medicines with a wide variety of raw materials and packaging materials. In light of this, no individual raw material's price fluctuations had a material effect on our results of operations during the Track Record Period. Among these raw materials, polyethylene terephthalate and menthol were our relatively major raw materials in the Track Record Period.

The following charts illustrate the historical prices for menthol and polyethylene terephthalate from 2011 to 2015.

Historical Price of Polyethylene Terephthalate (RMB/1,000 kg)



Historical Price of Menthol (RMB/kg)



Source: Frost & Sullivan Report

The fluctuations in the average market price of polyethylene terephthalate from 2011 to 2015 were primarily due to the fluctuations in the exchange rate of Renminbi against U.S. dollars and a decrease in the price of crude oil, which is the major raw material of polyethylene terephthalate.

The fluctuations in the average market price of menthol from 2011 to 2015 were primarily due to increased supply and stable demand in the market as well as the fluctuations in the exchange rate of Renminbi against Indian rupees.

Our operations are subject to various laws, rules, regulations and policies in each of the jurisdictions in which we operate. This section sets forth a summary of the major laws, rules, regulations, government and industry policies and requirements, which are relevant to our operations and business in Hong Kong and China.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS OPERATIONS IN HONG KONG

Pharmacy and Poisons Ordinance and its sub-legislations

Pharmaceutical products and medicines

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) (the "**Pharmacy and Poisons Ordinance**") governs the manufacture, labeling, distribution, dispensing, supply, wholesale and retail sale, possession registration and the import and export of pharmaceutical products or medicines in Hong Kong. Pharmaceutical products or medicines are required to conform to the standards on safety, efficacy and quality before they can obtain registration. Further, pharmaceutical products or medicines have to be registered with the Pharmacy and Poisons Board before they can be offered for sale in Hong Kong.

Registration of pharmaceutical product

Under the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong) (the "**Pharmacy and Poisons Regulations**"), pharmaceutical products must be registered with the Pharmacy and Poisons Board before they can be sold, offered for sale, distributed or possessed for the purposes of sale, distribution or other use in Hong Kong. Any person who engages in the sale of unregistered pharmaceutical products commits an offense and is liable to a maximum fine of HK$100,000 and imprisonment for 2 years.

Under the Pharmacy and Poisons Ordinance, "pharmaceutica1 product" and "medicine" mean any substance or combination of substances:

- presented as having properties for treatment or preventing disease in human beings or animals; or
- that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical diagnosis.

In general, if the product contains a drug substance in its composition, or if it carries "medicinal" claims in its label, leaflet, brochure, wrapper, advertisements and other promotional materials, it will fall within the meaning of pharmaceutical product and registration is required. Products commonly referred to as cosmetics, toiletries and disinfectants which do not contain any drug ingredient in its composition and which are sold without any medicinal claims may be excluded.

Poisons

Ingredients that are classified as poisons are listed in the Poisons List under the sub-legislation of the Pharmacy and Poisons Ordinance, the Poisons List Regulations. According to their potency, toxicity and potential side effects, poisons are further classified into different parts under the Poisons List. The Poisons List divided poisons into Part I poisons and Part II poisons. The levels of control over the sale of the poison depend on its classification.

Part I poisons can only be sold by an authorized seller of poisons by a registered pharmacist or in his presence and under his supervision. Part II poisons can be sold by authorized sellers of poisons on premises duly registered under the Pharmacy and Poisons Ordinance or by listed sellers of poisons.

No person who is authorized to sell poisons included Part I or Part II of the Poisons List should sell any such poison unless the container of the poison is labeled and displays the name of the poison; its

ingredients and proportion, the word "poison" and the name and address of the seller of the poison. Exceptions are provided for the possession and selling of Part I and Part II poisons that for medicine which is supplied by a Registered Medical Practitioner for the purposes of medical treatment or by a Registered Dentist for the purposes of dental treatment.

Licensing of pharmaceutical products wholesaler

The Pharmacy and Poisons Regulations provides that no person other than an authorized 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 license issued in respect of those premises.

Labeling requirements

The Pharmacy and Poisons Regulations prescribes the particulars to be labeled on the containers of pharmaceutical products. It 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.

Antibiotics Ordinance

The Antibiotics Ordinance (Chapter 137 of the Laws of Hong Kong) controls the sale and supply of penicillin and such other anti-microbial organic substances produced by micro-organisms substances. Such controlled substances shall only be sold, supplied or administered by way of treatment by designated person including among others, a Registered Medical Practitioner or a registered veterinary surgeon ("**Registered Veterinary Surgeon**") registered under the Veterinary Surgeons Registration Ordinance (Chapter 529 of the Laws of Hong Kong) or a person acting in accordance with the directions of any such Registered Medical Practitioner or Registered Veterinary Surgeon.

As the business of our Group involves the sales and distribution of antibiotics products in Hong Kong, our Group is subject to the regulation of the Antibiotics Ordinance.

Dangerous Drugs Ordinance

The Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong) (the "**Dangerous Drugs Ordinance**") regulates the import, export, procuring, supply, dealing in or with, manufacture and possession of drugs or substances which are classified as dangerous drugs under the Dangerous Drugs Ordinance.

As the business of our Group involves the purchase of raw materials and manufacturing and supply of products which are classified as dangerous drugs in Hong Kong, our Group is subject to the regulation of the Dangerous Drugs Ordinance.

Dangerous drugs are not allowed to be supplied to any person except to a person authorized or licensed to be in possession of such drugs in accordance with the Dangerous Drugs Ordinance. Administration of a dangerous drug by or under the direct personal supervision of, and in the presence of, a Registered Medical Practitioner is exempted from the limitations in the Dangerous Drugs Ordinance. A Registered Medical Practitioner is also authorized by the Dangerous Drugs Ordinance, so far as may be necessary for the practice or exercise of his profession and in his capacity as such, to be in possession of and to supply a dangerous drug as well as to have in his possession equipment or apparatus fit and intended for the injection of a dangerous drug.

Furthermore, the Dangerous Drugs Regulations (Chapter 134A of the Laws of Hong Kong) regulates the prescriptions, labeling and record keeping of dangerous drugs and monitors the sale of such drugs. Any person who contravenes the provisions of the Dangerous Drugs Regulations shall be guilty of an offense and shall be liable on conviction to a fine of HK$450,000 and to imprisonment for 3 years.

Public Health and Municipal Services Ordinance and its sub-legislations

The legal framework for food and drugs 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 and drugs to ensure that their products are fit for human consumption and comply with the requirements in respect of food and drugs safety, standards and labeling.

As the business of our Group involves the sales and distribution of drugs, PCM and health food supplements, such as vitamins and minerals, in Hong Kong, our 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 offense 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 defenses 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 offense 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 offense. 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 offense 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 offense 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 Labeling) 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 labeling of food and drugs.

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 offense and is liable to a fine of HK$50,000 and to imprisonment for 6 months.

Chinese Medicine Ordinance and its sub-legislation

The Chinese Medicine Ordinance (Chapter. 549 of the Laws of Hong Kong) makes provisions for the registration of practitioners in Chinese medicine; the registration of proprietary Chinese medicine, as defined in the Chinese Medicine Ordinance (Chapter 549, the Laws of Hong Kong); the licensing of traders in Chinese medicines; and other related matters.

Registration of PCM

Section 119 of the Chinese Medicine Ordinance 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 Chinese Medicine Ordinance.

Any person who contravenes section 119 of the Chinese Medicine Ordinance commits an offense 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.

Licensing of traders in Chinese medicines

Under the Chinese Medicine Ordinance, traders in Chinese medicines shall obtain a license issued by the CMB. Section 131 of the Chinese Medicine Ordinance provides that no person shall manufacture any PCM, whether registered or not, without a manufacture license, or at any place other than the premises specified in such license.

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

Labeling requirements

Section 143 of the Chinese Medicine Ordinance 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 Chinese Medicine Ordinance 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.

Waste Disposal (Chemical Waste) (General) Regulation

Pursuant to regulation 6 of the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the "**Waste Disposal (Chemical Waste) Regulation**"), producers of chemical waste, which contains substances listed in Schedule 1 to the Waste Disposal (Chemical Waste) Regulation, shall be registered. Pursuant to regulations 8 and 21 of the Waste Disposal (Chemical Waste) Regulation, such chemical waste shall only be collected by licensed waste collectors. Any person who fails to comply with the requirement under regulation 6, 8 or 21 of the Waste Disposal (Chemical Waste) Regulation commits an offense and is liable on conviction to a maximum fine of HK$200,000 and imprisonment for six months.

Boilers and Pressure Vessels Ordinance

The Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong) (the "**Boilers and Pressure Vessels Ordinance**") controls the use and operation of boilers and pressure vessels, to provide for the holding of inquiries into accidents in or to boilers and pressure vessels and to provide for matters connected with the purposes aforesaid.

As our Group owns and operates boilers and pressure vessels for product manufacturing, our Group is subject to the regulation of the Boilers and Pressure Vessels Ordinance.

The Boilers and Pressure Vessels Ordinance provides that:

(i) no boiler or pressure vessel, other than a pressurized fuel container, shall be used or operated unless the boiler or pressure vessel and its auxiliary equipment has been duly examined and a certificate of fitness has been issued in respect thereof after that examination. The owner of the boiler or pressure vessel who contravenes the said provisions shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$30,000;

(ii) the owner of a boiler or pressure vessel shall keep the latest certificate of fitness issued in respect of the boiler or pressure vessel, or a copy thereof, at the premises or place at which the boiler or pressure vessel is installed. The owner of a boiler or pressure vessel who, without reasonable excuse, contravenes the said provisions shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$10,000; and

(iii) a boiler and a pressure vessel, other than a pressurized fuel container, shall be examined by an appointed examiner within 14 months and 26 months respectively after the date of any certificate of fitness issued in respect thereof.

Radiation Ordinance and its sub-legislation

The Radiation Ordinance (Chapter 303 of the Laws of Hong Kong) (the "**Radiation Ordinance**") controls the import, export, possession and use of radioactive substances and irradiating apparatus and the prospecting and mining for radioactive minerals and for purposes connected therewith.

As our Group owns and operates certain apparatuses which require usage of radioactive substance, our Group is required to obtain the relevant license in accordance with such ordinance.

The Radiation Ordinance provides that, no person shall, except under and in accordance with a license duly issued have in his possession or use, any radioactive substance or irradiating apparatus. Any person who contravenes the said provisions shall be guilty of an offense and shall be liable to a fine of HK$50,000 and to imprisonment for 2 years, and in the case of continuing offense, be liable to an additional fine of HK$2,500 for every day during the whole or any part of which such offense is knowingly and willfully continued.

Under the Radiation (Control of Irradiating Apparatus) Regulations (Chapter 303B of the Laws of Hong Kong) (the "**Radiation (Control of Irradiating Apparatus) Regulations**"), every licensee shall cause to be exhibited in a conspicuous place in any premises in which any irradiating apparatus is situated the license appertaining to such apparatus. Any licensee who fails to comply with the said provisions shall be guilty of an offense and be liable on conviction to a fine of HK$6,000.

The Radiation (Control of Irradiating Apparatus) Regulations provides that:

(i) no person other than a medical practitioner or a person acting under his personal supervision shall operate an irradiating apparatus for any purpose affecting the human body; and

(ii) notwithstanding the provisions of this regulation, (a) a registered dentist may operate an irradiating apparatus for the purpose of dental exposure involving the taking of plain radiograph of the skull including the teeth or jaws; and (b) a dental surgery assistant acting under the personal supervision of a registered dentist who is present on the premises in which

the examination is taking place at the time it takes place may operate an irradiating apparatus for the purpose of dental exposure involving the taking of plain radiograph of the teeth or jaws.

Any person who contravenes any of the provisions of the said regulation shall be guilty of an offense and be liable on conviction to a fine of HK$50,000.

Protection of Endangered Species of Animals and Plants Ordinance

Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586 of the Laws of Hong Kong) (the "**Protection of Endangered Species Ordinance**") provides that licenses shall be obtained for the import, re-export, export and possession of any product containing parts or derivatives of animals or plants of endangered species listed in Appendix I, II or III of Schedule 1 to the Protection of Endangered Species Ordinance.

Any person who fails to obtain the requisite licenses for such product and carries out the act (including possession or control of a specimen), whether by him or on his behalf, for commercial purposes, commits an offense and is liable to a maximum fine of HK$500,000 and imprisonment of one year.

As our Group imports artificially propagated saussurea costus (雲木香) which is listed in Schedule 1 to the Protection of Endangered Species Ordinance and uses it as an ingredient for manufacturing one of its PCM products, our Group is required to obtain the relevant license in accordance with such ordinance.

Import and Export Ordinance and its sub-legislation

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 license 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 license.

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 license 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 license.

Regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) sets out that every person who imports or exports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Every declaration shall be lodged within 14 days after the importation or exportation of the article to which it relates.

Any person who fails or neglects to do such declaration within 14 days after the importation or exportation of the article to which it relates without any reasonable excuse shall be liable to (1) a fine of HK$1,000 upon summary conviction; and (2) a fine of HK$100 in respect of everyday during his failure or neglect to lodge such declaration in that manner continues commencing from the day following the date of conviction. Regulations 4 and 5 also provide that any person knowingly or recklessly lodges any declaration with the Commissioner that is inaccurate in any material particular shall be liable to a fine of HK$10,000 upon summary conviction.

Regulation 7 of the Import and Export (Registration) Regulations sets out the charges payable on the late lodgment of import declarations, in addition to the penalty set out in the said Regulations 4 and 5, in respect of the total values of articles specified in an import or export declaration with different time period of lodging an import declaration.

Control of Chemicals Ordinance and its sub-legislation

The Control of Chemicals Ordinance (Chapter 145 of the Laws of Hong Kong) (the "**Control of Chemicals Ordinance**") controls chemicals related to the manufacture of narcotic drugs or psychotropic substances. The chemicals controlled by the Control of Chemicals Ordinance are set out in Schedules 1, 2 and 3 thereto. A license is required for the following:

(1) The import, export, supply, dealing in or with, manufacture, and possession of substance specified in Schedule 1;

(2) the import, export, and manufacture of substance specified in Schedule 2; and

(3) the export of substance specified in Schedule 3.

Under the Control of Chemicals Regulations (Chapter 145A of the Laws of Hong Kong) (the "**Control of Chemicals Regulations**"), the holder of a license or permit issued under the Control of Chemicals Ordinance in relation to the substances specified in Schedules 1 and 2 thereto shall record the receipt and manufacture of such substances and keep or store them in premises and containers in accordance with regulations 3 and 4 of the Control of Chemicals Regulations.

As our Group's business involves the import, export, supply, dealing in or with, and possession of substance specified in Schedule 1, the import, export, and manufacture of substance specified in Schedule 2, as well as the export of substance specified in Schedule 3, our Group is required to obtain the relevant licenses in accordance with such ordinance and regulations.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) (the "**UMAO**") aims to protect public health through prohibiting or restricting advertisements which may induce the seeking of improper management of certain health conditions.

Among other restrictions, according to the UMAO, no person shall publish, or cause to be published any advertisements likely to lead to the use of any medicine, surgical appliance or treatment for: (i) the purpose of treating human beings for, or preventing them from contracting any of the diseases or conditions specified in schedule 1 to the UMAO subject to certain exceptions; (ii) treating human beings for any purpose specified 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, gastrointestinal 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 or any other gynecological 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.

As defined in the UMAO, "advertisement" includes any notice, poster, circular, label, wrapper or document, and any announcement made orally or by means of producing or transmitting light or sound. These include advertisements published in newspapers and magazines, leaflets, on radio, television, and

internet, as well as on the label of a container or package containing any medicine, surgical appliance, treatment, or orally consumed product.

Any person (either (i) as a manufacturer or supplier of medicine or surgical appliances; or (ii) as being able to provide any treatment) who contravenes the provisions of the UMAO is guilty of an offense and is liable upon a first conviction to a fine of HK$50,000 and imprisonment for 6 months and upon a second or subsequent conviction to a fine of HK$100,000 and imprisonment for 1 year.

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 our 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 but not limited to, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognized 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 but not limited to, 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 offense.

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 offense.

A person who commits an offense 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.

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.

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 June 27, 1997. The Copyright Ordinance as reviewed and revised from time to time provides comprehensive protection for recognized 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, our 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.

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) 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.

Companies Ordinance

The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) consolidates the laws in relation to companies. Section 122 of the predecessor Companies Ordinance (then Chapter 32 of the Laws of Hong Kong, which was in force before March 3, 2014 and was repealed after the Companies Ordinance has become effective since March 3, 2014) and section 429 of the Companies Ordinance provide that directors must lay financial reporting statements for the financial year within the period specified in section 431 before the company in annual general meeting, or in any other general meeting directed by the Court. A director of a company who fails to take all reasonable steps to secure such compliance commits an offense and could be liable to a maximum fine of HK$300,000. Further, a director of a company who willfully fails to take all reasonable steps commits an offense and could be liable to a maximum fine of HK$300,000 and 12 months' imprisonment.

Competition Ordinance

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) is to prohibit conduct that prevents, restricts or distorts competition in Hong Kong, to prohibit mergers that substantially lessen competition in Hong Kong, and to provide for incidental and connected matters.

The Competition Ordinance includes the First Conduct Rule, which states that an undertaking must not make or give effect to an agreement, engage in a concerted practice, or as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong; however, the First Conduct Rule does not apply to conduct involving two or more entities if the relevant entities are part of the same undertaking under of the Competition Ordinance; the Second Conduct Rule, which states that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong; and the Merger Rule, which states that an undertaking must not, directly or indirectly, carry out a merger that has, or is likely to have, the effect of substantially lessening competition in Hong Kong and only applies to mergers of telecommunication carriers within the meaning of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). Upon breach, the Competition Tribunal may impose against offenders pecuniary penalty, director disqualifications and prohibition, damage and other orders. For pecuniary penalty, section 93 of the Competition Ordinance enables the Competition Tribunal to award a penalty up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs. The Competition Ordinance came into effect on December 14, 2015. There will be no retrospective application of the First Conduct Rule, Second Conduct Rule and Merger Rule.

Ms. Lam Rachel Y.K., a barrister-at-law in Hong Kong as a special counsel to our Company, has reviewed our Group's business, particularly on our Group's conduct in respect of our Hospital Authority sector and non-Hospital Authority sector in our generic drugs segment in Hong Kong, during the Track Record Period and up to the Latest Practicable Date with respect to compliance with the Competition Ordinance. Ms. Lam concluded that she did not identify any conduct of our Group in respect of our generic drugs business that would cause our Group to contravene the First Conduct Rule in Hong Kong, in particular:

(a) For our Hospital Authority sector:

  (i) in respect of the consignment arrangement where our relationship with the relevant consignee is deemed as principal-agent relationship as disclosed in the section headed "Business – Distribution and Logistics - Third Party Consignees and Distributions", Ms. Lam is satisfied that the relevant consignee would form part of the same undertaking with us under the Competition Ordinance and therefore the First Conduct Rule would not apply; and

  (ii) in respect of the tendering arrangement through an open tender system of the Hospital Authority as disclosed in the section headed "Business – Sales and Marketing – the Hospital Authority Procurement", she has considered various aspects of the arrangement, including but not limited to the exclusive consignment agreement and the necessity of having a fixed price to submit bids to the Hospital Authority's open tender system and she is satisfied that the tendering arrangement does not contravene or shall be exempted from the First Conduct Rule.

(b) For our non-Hospital Authority sector:

  (i) the relevant consignee does not involve in the price negotiation with us or our customers, and hence Ms. Lam does not consider the arrangement as having any object or effect of restricting price competition; and

  (ii) there is no restriction on relevant consignee on selling any product which is similar to or competes with any of the contract product and no further resale restrictions;

  as such, Ms. Lam is satisfied that the consignment arrangement does not contravene or shall be exempted from the First Conduct Rule.

Also, Ms. Lam concluded that she did not identify any conduct of our Group in respect of our generic drugs business that may constitute an abuse of our market power or cause our Group to contravene the

Second Conduct Rule in Hong Kong. Our Directors also confirm that we have not engaged and is not engaging in predatory pricing, anti-competitive tying and bundling, margin squeezing or refusal to deal, which are examples of conduct that may constitute an abuse of substantial market power that has as its object or effect the prevention, restriction or distortion of competition under the Competition Ordinance. Furthermore, based on Ms. Lam's review of our Group's business, she is not aware of any other conduct on the part of our Group that may contravene the Competition Ordinance. Based on Ms. Lam's legal opinion and to the best knowledge of our Directors, our Directors are of the view that our Group has been in compliance with all material aspects of the applicable provisions of the Competition Ordinance, including the First Conduct Rule and the Second Conduct Rule, since the Competition Ordinance came into effect on December 14, 2015 and up to the Latest Practicable Date. For measures taken by our Company to ensure on-going compliance with the Competition Ordinance, please refer to the section headed "Business — Internal Control and Risk Management" for further details.

PRINCIPAL REGULATORY AUTHORITIES

Department of Health

The Department of Health is the government agency responsible for the execution of healthcare policies and statutory functions. Two divisions under the Department of Health of Hong Kong conduct duties that are particularly relevant to our Group's business, namely the Drug Office and the Chinese Medicine Division.

The Drug Office is the law enforcement agency over the legislations concerning medicines. It also provides for the procurement and dispensing of medicines at the clinics of the Department of Health of Hong Kong. The Drug Office is responsible for the market surveillance of medicines, risk assessment, traders licensing and compliance, drug registration and import/export control and clinic service and business.

The Chinese Medicine Division is responsible for the enforcement of Chinese Medicine Ordinance (Cap. 549). It also serves public health functions which include providing professional input for investigation and response management of adverse events related to use of Chinese medicines, communicating and collaborating with stakeholders in Chinese medicine field for prevention and control of disease and providing public education on Chinese medicine.

Pharmacy and Poisons Board

The Pharmacy and Poisons Board of Hong Kong is established under section 3 of the Pharmacy and Poisons Ordinance. The Pharmacy and Poisons Board of Hong Kong is responsible for carrying out, among others, registration and discipline of pharmacists, licensing and regulatory control of wholesale dealers, importers, exporters and manufacturers of pharmaceutical products, regulatory control of the selling, purchasing, compounding and dispensing of pharmaceutical products, and the registration and classification of pharmaceutical products.

Chinese Medicine Council

The CMCHK is a statutory body established under the Chinese Medicine Ordinance to carry out the implementation of the regulatory measures for Chinese medicines. Pursuant to the provisions of the Chinese Medicine Ordinance, the Chinese Medicines Board was established to implement and oversee various control measures on Chinese medicines through a system of registration and licensing under the direction and supervision of the CMCHK.

LAWS AND REGULATIONS IN THE PRC

Catalogue of Industries for Guiding Foreign Investment

Foreign-invested enterprises in the PRC must comply with applicable laws, rules and regulations of the PRC, and shall not be engaged in any activities prejudicial to the public interests of the PRC.

According to the Guidance of Direction of Foreign Investment Provisions (《指導外商投資方向規定》) which was issued on February 11, 2002 and effected on April 1, 2002, the Foreign-invested industries are divided into four categories, namely, the encouraged catalog, the permitted catalog, the restricted catalog and the prohibited catalog.

Foreign investors and foreign-invested enterprises in the PRC are governed by the Catalogue of Industries for Guiding Foreign Investment (as amended in 2015) (《外商投資產業指導目錄(2015年修訂)》). The Catalogue of Industries for Guiding Foreign Investment classifies foreign invested enterprises into three categories, namely, the encouraged category, the restricted category and the prohibited category, and any industries which do not fall into the said categories are included in the permitted category. Encouraged foreign investments may enjoy certain governmental preferential treatment and encouraging policies (as may be amended from time to time); and permitted foreign investments are permitted without restrictions, but are not qualified to enjoy such preferential treatment and encouraging policies. Restricted foreign investments are permitted but subject to certain restrictions; and prohibited foreign investment are not allowed.

No pharmaceutical manufacturing interests of our Company in which we have invested in belong to industries of the restricted category or the prohibited category.

Laws and Regulations Relating to Manufacturing Pharmaceutical Products

In the PRC, a pharmaceutical manufacturer must obtain a number of permits, licenses and registrations before it may commence operation and production, which include the business license, the Drug Manufacturing Certificate, the Good Manufacturing Practice (GMP) Certificate, and the approval and registration documents, in each case, in relation to pharmaceuticals manufacturing.

In accordance with the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), promulgated on September 20, 1984 and amended on April 24, 2015, a pharmaceutical manufacturer must obtain a Drug Manufacturing Certificate from the CFDA at the provincial level before it starts to manufacture pharmaceutical products. Prior to granting such license, the relevant government authority will inspect the manufacturer's production facilities, and decide whether the sanitary conditions, quality assurance system, management structure and equipment within the facilities have met the required standards. A pharmaceutical production license is valid for five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

According to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) and its implementing regulations (《中華人民共和國藥品管理法實施條例》) which was effective on September 15, 2002 and amended on February 6, 2016, a pharmaceutical manufacturer of pharmaceutical products and pharmaceutical raw materials must obtain a GMP certificate before it may start to produce pharmaceutical products and pharmaceutical raw materials. Good Manufacturing Practices (《藥品生產質量管理規範》), effected on March 17, 1988 and amended on December 28, 1992, June 18, 1999 and January 17, 2011, provides detailed guidelines in respect of practices governing the production of pharmaceutical products. A GMP certificate certifies that a manufacturer's factory has met certain criteria in the administrative measures for production, which includes: institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, maintenance of sales records and manner of handling customer complaints and adverse reaction reports. According to the Certification Measures on GMP (《藥品生產質量管理規範認證管理辦法》), a pharmaceutical manufacturer shall reapply for the GMP certification six months prior to its expiration date.

Laws and Regulations Relating to the Registration of Pharmaceutical Products

New Drug Registration

In accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), effected on May 1, 2005 and amended on July 10, 2007, new drug registration application means

registration applications in respect of any drugs which have never been marketed in the PRC previously. Any application for any marketed drugs, relating to any changes in the dosage form, any change to the route of administration or any additional indication, shall be follow the registration procedures of a new drug application.

All new drugs must go through four stages before such drugs are to be sold: pre-clinical research, application for clinical test, clinical test and approval for production. After completing the pre-clinical research, the pharmaceutical manufacturer must obtain approval from the CFDA before new drug clinical trials may be conducted.

Clinical trials comprise of four phases: the phase I (preliminary pharmacology and human safety trials); phase II (preliminary assessment on the efficacy), phase III (confirmation of efficacy) and phase IV (research on applications after launching of new pharmaceuticals). The case number in every phase of clinical trial must satisfy the clinical trial target for each phase and the relevant statistical requirement.

After the clinical trials are completed, the applicant must submit new drug application for approval to manufacture and launch such new drugs. Upon approval, the applicant shall be granted a new drug certificate and a drug approval number. The applicant may then start to commercial-produce such new drug thereafter.

Generic Drug Registration

In accordance with the Measures for the Administration of Drug Registration, generic drug application means an application for the registration of the drugs which have been approved by the CFDA to be sold in the PRC and for which the existing state standards are available.

For the purpose of generic drug application, the applicant should submit relevant information prepared in accordance with the relevant national standards to the CFDA at the provincial level, which will then review the applicant's submission and conduct on-site inspection. After the preliminary review, the CFDA at the provincial level will then submit the relevant materials and inspection report to the CFDA, which will conduct an assessment of the application to consider whether an approval should be granted for marketing or clinical trial. For generic drugs which are oral solid formulation, including but not limited to capsules, granules and tablets, the applicant must conduct clinical trials, being bioequivalent studies. Afterwards, the applicant shall submit the clinical trial report to the CFDA for a final assessment of the drug application and the CFDA will consider whether a marketing approval should be granted. The applicant may then start to commercial-produce such generic drug after obtaining a drug approval number from the CFDA.

Supplementary Application

A supplementary application means a registration application for any change, modification or cancelation of the matters or contents of the original approval after a new drug, a biologic drug or a generic drug application has been approved. The CFDA at the provincial level will provide an examination opinion in respect of any supplementary applications with respect to any amendments to the approval drug specification, changes of the excipients with medicinal requirements the drug formulation, or changes in the production process which will have an effect on the drug quality. Then CFDA at the provincial level will submit such opinion to the CFDA for examination and approval.

Re-registration

A Re-registration means that the applicant shall apply to the CFDA at the provincial level for re-registration six months prior to the expiration date of the drug approval number, the Drug Import Registration Certificate or the Pharmaceutical Product Registration Certificate. The CFDA at the provincial level will review the application documents and approve the re-registration application if this application is in conformity with the regulations or report to the CFDA if this application fails to comply.

New Measures by the CFDA in 2015

Since July 2015, the CFDA has introduced certain measures to improve the standards of the approval of pharmaceutical research and development and the efficiency of the approval of drug applications. According to the CFDA Notice in Relation to Self-review of Clinical Trials Data (《國家食品藥品監督管理總局關於開展藥物臨床試驗數據自查核查工作的公告》) (the "**Notice No. 117**"), which was issued and effected on July 22, 2015, the CFDA requires the applicants to self-review the clinical trials data relating to the existing 1622 drugs' manufacturing or importation in the attached list. In addition, on November 11, 2015, the CFDA issued Certain Policies in Relation to Review and Approval of Drug applications (《國家食品藥品監督管理總局關於藥品註冊審評審批若干政策的公告》) (the "**Notice No. 230**"), which set out ten policies to be applied in the process of reviewing and approving the current drug applications, with an emphasis on the safety and effectiveness of the drug, the accuracy of clinical trials data, and the consistency between the original innovative version and the generic version of a product as demonstrated in comparability studies. The combination of Notice No. 117 and Notice No. 230 means that pharmaceutical companies will need to conduct self-review of their current drug applications to see if it meets the stringent standards of the CFDA, failing which, the CFDA would expect the relevant applicant to withdraw its drug application and to resubmit the relevant drug application when the requirements are met.

Furthermore, the CFDA also issued three papers in relation to bio-equivalence and comparability studies of generic drugs, namely, (i) the Notice about the Regulations in Relation to Registration of Bio-equivalence Studies for Generic Drugs) (《關於化學仿製藥生物等效性試驗備案管理規定的公告》) which stipulates that the bio-equivalence studies for generic drugs shall be subject to registration instead of approval since December 1, 2015 and sets out the procedure and criteria of registration in relation to the bio-equivalence studies for generic drugs; (ii) The Opinion of the General Office of the State Council on Evaluation of the Quality and Effectiveness of Generic Drugs) (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》), effected on February 6, 2016, which provides the principles and policies for evaluating the quality and effectiveness of generic drugs, in order to improve the quality of generic drugs in China; and (iii) the CFDA Opinion on Prioritizing the Review and Approval of the Congested Drug Applications) (《國家食品藥品監督管理總局關於解決藥品註冊申請積壓實行優先審評審批的意見》), effected on February 24, 2016, which sets forth the clear criteria, the scope, the working requirement and the procedure for the prioritized check-and-approval process for drug registration.

Prescription Medicines and Non-Prescription Medicines

According to the Measures on the Classification Management of Prescription Medicine and Non-Prescription Medicine (on a trial basis) (《處方藥與非處方藥分類管理辦法(試行)》), as issued on June 18, 1999 and effected on January 1, 2000, medicines are regulated in prescription and non-prescription medicines in the PRC, according to variety, specification, applicable disease, dosage and administration route. Prescription medicines are medicines which are prepared, purchased and used only on the basis of a prescription by a medical practitioner or an assistant medical practitioner, while non-prescription medicines are medicines which are purchased and used at one's own discretion without a prescription from a medical practitioner or an assistant medical practitioner.

The CFDA is responsible for the screening, examination and approval of relevant medicines and is also responsible for publishing and amending the national non-prescription medicine catalog. Non-prescription medicines are further divided into Class A and Class B, which are managed separately. A manufacturer of prescription and non-prescription medicines must obtain a drug product permit and the approval for the production of relevant drugs.

A wholesaler of prescription medicines and non-prescription medicines and a retailer of prescription medicines and Class A non-prescription medicines must obtain a Drug Trading Certificate. Other commercial enterprises, if approved by the CFDA at the provincial level or its authorized counterpart may retail Class B non-prescription medicines. If a retailer sells Class B non-prescription medicines, such retail selling must be made by the qualified personnel who have received professional training before entering in such retail business related to Class B non-prescription medicines.

Laws and Regulations Relating to Commercial Bribery With Respect to Pharmaceutical Industry

Medical production and operation enterprises involved in criminal, investigation or administrative procedure for commercial bribery shall be listed in the Adverse Records of Commercial Bribery by provincial health and family planning administrative department. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Bribery in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) enforced on March 1, 2014 by the NHFPC, if medical production and operation enterprises be listed into the Adverse Records of Commercial Briberies for the first time, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies in local province for two years since publication of the record, and public medical institution, and medical and health institutions receiving financial subsidies in other province shall lower their rating in bidding or purchasing process. If medical production and operation enterprises be listed into the Adverse Records of Commercial Bribery more than once in five years, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies nationwide for two years since publication of the record.

Pursuant to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**"), which was promulgated on September 2, 1993 and became effective on December 1, 1993, a business operator may not use bribery to buy or sell products. A business operator may offer discounts or commissions to other parties on explicit terms. Such discounts and commissions, if offered, must be accurately recorded by each party in their respective accounts. The Anti-Unfair Competition Law also requires that bidders in a tendering process shall not collude with each other to raise or reduce bids.

Pursuant to the Notice on Issuing the Working Plans of the Ministry of Health and the State Administration of Traditional Chinese Medicine on Establishing and Improving the Long-term Mechanism for the Prevention and Control of Commercial Bribery in Medical and Pharmaceutical Sales (關於印發《衛生部、國家中醫藥管理局關於建立健全防控醫藥購銷領域商業賄賂長效機制的工作方案》的通知), which was issued on December 7, 2006, government branches should formulate behavioral guidelines for medical and pharmaceutical sales representatives, and monitor and regulate the behaviors of these sales representatives.

Laws and Regulations Relating to the Export of Pharmaceutical Products

According to the Approval by CFDA on Certain Issues of Pharmaceutical Products Export (《國家食品藥品監督管理總局關於藥品出口有關問題的批覆》), promulgated and effective on September 20, 1999, whether the enterprise can obtain the right to operate import and export business and the qualification shall be approved by relevant foreign trade authority. The pharmaceutical products export shall mainly comply with the requirements of the importing country, so long as there are no special requirement by the importation country, the CFDA support the export in principal based on the national policy of encouraging exports. However, under the Pharmaceutical Administration Law, the export licenses issued by the relevant CFDA are required for the export of narcotics and psychotropic substances falling within the restricted scope prescribed by the State.

Laws and Regulations Relating to the Protection of Pharmaceutical Products

Intellectual Property

According to the Patent Law of the PRC (《中華人民共和國專利法》) effected on April 1, 1985 and amended on September 4, 1992, August 25, 2000 and December 27, 2008 and its Implementation Regulation (《中華人民共和國專利法實施細則》), effected on July, 1 2001 and amended on December 28, 2002 and January 9, 2010, there are three kinds of patent protection: Patent for an invention, patent for utility models and design patent. The patent term for a patent for an invention is 20 years as from the date when an patent application is submitted; the patent term for a patent for utility models or a design patent is 10 years as from the date when a patent application is filed and such patent becomes effective

after the State Intellectual Property Office makes an announcement of approval. If any persons or entities use such patent or do any other acts which infringe the patent rights without any authorization of such patent owners, such persons or entities will be liable to indemnify such patent owners and will be fined or be investigated for criminal responsibility (as appropriate) by any administrative authorities (depending upon the circumstances).

According to the Trademark Law of the PRC (《中華人民共和國商標法》) effected on March 1, 1983 and amended on February 22, 1993 October 27, 2001 and August 30, 2013 and its Implementation Regulation (《中華人民共和國商標法實施條例》), effected on September 15, 2002 and amended on April 29, 2014, the SAIC is responsible for the registration and administration of trademarks across the country. The term of a registered trademark is 10 years as from the date on which it is registered and may be extended thereafter, with each extension for 10 years. If any persons or entities use such registered trademarks or do any other acts which infringe the rights to such trademarks without any authorization of the holders of such registered trademarks, such persons or entities will be liable to indemnify such trademark holders and will be fined or be investigated for criminal responsibility (as appropriate) by any administrative authorities (depending upon the circumstances).

Product Liability and Consumer Protection

According to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》) effected on January 1, 1987 and amended on August 27, 2009, if any defective products sold cause any property losses or personal injuries to consumers, the producer and distributors should be liable for compensation. According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) effected on September 1, 1993 and amended on July 8, 2008, the earnings made by the producer and the distributors from sales of any defective products may be confiscated and the business license of such producer or distributors may be revoked; and if the case constitutes a crime, the offender will be investigated for criminal responsibility according to the law.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) effected on January 1, 1994 and amended on August 27, 2009 and October 25, 2013 and March 15, 2014, is designed to protect the legitimate rights and interests of consumers when such consumers purchase or use any goods or accept any services and all operators must comply with such law when they produce or sell any goods or provide any services to customers. A consumer has the right to safety of person and property guaranteed in the purchase or use of a commodity or receipt of a service and also has the right to the knowledge of the true facts concerning commodities purchased and used or services received. If any personal injuries or property losses are suffered as a result of any defective commodities, a consumer or other aggrieved parties may require the seller to compensate, but they may also require the producer to compensate. Where the responsibility lies with the producer, the seller, after settling the compensation, has the right to recover from the producer. Where the responsibility lies with the seller, the producer, after settling the compensation, has the right to recover such compensation from the seller.

According to the Tort Law of the PRC (《中華人民共和國侵權責任法》), a producer must be liable for any losses caused to others as a result of any defective products and the aggrieved parties may recover any indemnifications from the producer or the seller for any such losses. If any product defects originate from the negligence on the part of the producer or any other third party, the seller may recover the amount equivalent to the amount of compensation from such producer or third party after such compensation has been paid; if any product defects originate from the negligence on the part of the seller or any other third party, the producer may recover the amount equivalent to the amount of compensation from such seller or third party after such compensation has been paid. If a producer knows that the products are defective but continues to produce and sell, such that any death or severe damage to health is caused, the infringed has the right to claim appropriate punitive damages.

Labor Protection and Social Insurance

According to the Labor Law of the PRC (《中華人民共和國勞動法》) effected on January 1, 1995 and amended on August 27, 2009, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》)

effected on January 1, 2008 and amended on December 28, 2012 and the Regulations on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which were issued and became effective on September 18, 2008, an employer must enter into a written labor contract with any employees and the wage or salary must not be lower than the local minimum wage or salary. In addition, an employer must establish a system related to occupation health and safety, provide job training for employees to avoid occupational hazards and protect the rights of employees. When an employer recites any employees, such employer must inform the employees of the work content, work conditions, work place, occupational hazards, safety conditions and labor compensations.

According to the Law of the PRC on Safe Production (《中華人民共和國安全生產法》) effected on November 1, 2002 and amended on August 27, 2009 and August 31, 2014, a manufacturing enterprise must comply with the laws, rules and regulations related to safe production, strengthen the safety management, establish and improve the safety production responsibility system, improve the conditions for safe production and promote the work safety standardization so as to improve and ensure safe production. No production is allowed if such manufacturing enterprise has no such safe working conditions in place as provided by the laws, rules and regulations. The manufacturing enterprise must enter into a labor contract with its employees, which contract must contain all matters related to protection of labor safety for the employees and other matters with respect to work-injury insurance handled by the manufacturing enterprise according to the law. According to GMP, a drug manufacturer's production equipment and production processes must be established in accordance with relevant safe production and labor protection standards.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was issued on October 28, 2010 and effected on July 1, 2011, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》), which was issued and effected on January 22, 1999, the Provisional Measures on Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》),issued on December 14, 1994 and effected January 1, 1995, the Regulations on Unemployment Insurance (《失業保險條例》), which was issued and effective on January 22,1999, and the Regulations on Work Related Injuries (《工傷保險條例》), effected on January 1, 2004 and amended on December 20, 2010, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance. According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), effected on April 3, 1999 and amended on March 24,2002, an employer must open a housing fund account with the department responsible for the management of housing fund for its employees and make contributions to such housing fund.

Environment Protection

Pursuant to the Environmental Protection Law of the People's Republic of the PRC (《中華人民共和國環境保護法》) promulgated and effective on December 26, 1989 and amended on April 24, 2014 and effective on January 1, 2015, the environmental protection department of the State Council is in charge of promulgating national standards for environmental quality. The provincial governments and the local governments in autonomous regions and municipalities may also promulgate local standards for environmental quality on matters not specified under national standards and the local governments may promulgate local standards for environmental quality which is stricter than the national standards with respect to the matters already specified under national standards. The local governments must report such standards to the competent department of environmental protection administration under the State Council for record.

Pursuant to the Law on Environmental Impact Studies of the People's Republic of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002 and effected on September 1, 2003, manufacturers must prepare environmental impact study report setting forth the impacts the proposed construction project may have on the environment and measures to prevent or mitigate the impacts for approval by the government authority prior to commencement of construction of the relevant project.

Pursuant to Water Pollution Prevention Law of the People's Republic of the PRC (《中華人民共和國水污染防治法》) promulgated by the Standing Committee of the NPC on May 11, 1984 and effected on November 1, 1984 and amended on May 15, 1996 and February 28, 2008, the environment protection department under the State Council is in charge of promulgating laws and regulations governing national standards relating to discharge of waste water. Provincial governments may promulgate local waste discharge standards for matters not specified in national standards. Manufacturers must discharge of waste water in accordance with national and local standards. Manufacturers discharging waste water must pay waste water treatment fees. If the waste water discharged exceeds national or local standards, the manufacturer is required to pay higher waste water treatment fees. The environmental protection department has the right to order manufacturers which severely polluted water to correct their actions by reducing the amount of discharge during a stipulated period of time, suspend their operation or shutdown.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

Under the EIT Law and EIT Rules, the tax rate for both domestic-funded enterprises and foreign-invested enterprises is 25%.

Under the EIT Law and EIT Rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the EIT Law, a "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. Dividends from resident enterprises to their investors, which are treated as resident enterprises, are exempted from withholding tax.

The EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an established or place of business in the PRC, or which do not have an established or place of business in the PRC but have income sourced within the PRC. The EIT Rules provide that after January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-resident enterprise investors which do not have an establishment or place of business in the PRC, or which have such established or place of business but the relevant income is not effectively connected with the established or place of business, to the extent such dividends are derived from source within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and the jurisdiction in which the non-resident enterprise investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業税暫行條例》), which was promulgated by the Stated Council on December 13, 1993 and subsequently amended on November 10, 2008 and its Implementation Rules (《中華人民共和國營業税暫行條例實施細則》) which was promulgated by the MOF and SAT on December 18, 2008 and subsequently amended on October 28, 2011, all of which became effective on January 1, 2009, unless stated otherwise, the tax payers providing taxable services the PRC are required to pay a business tax at a normal tax rate of 5% of their revenues. Value-Added Tax Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council on December 13, 1993 and subsequently amended on November 10, 2008 and its implementation rules by the MOF on October 28, 2011, all of which became effective on January 1, 2009, unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing repairs and replaced services in the PRC shall be 17%.

Tax Treaties

According to the Arrangement between the Mainland the PRC and Hong Kong for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重征税和防止偷漏税

的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, such tax shall not exceed 10% of the gross amount of dividends payable, if a Hong Kong resident holds less than 25% equity interest in a PRC company; and in the case where a Hong Kong resident holds 25% equity interest or more in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Laws and Regulations Relating to Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the Company Law of the PRC (《中華人民共和國公司法》) promulgated by the National People's Congress Standing Committee in 1993 and amended in 1999, 2004, 2005 and 2013, the Foreign Investment Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated by the National People's Congress Standing Committee in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law (《外資企業法實施細則》) promulgated by the State Council in 1990 and amended in 2001.

Under the laws and regulations, foreign investment enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in the PRC, like our PRC subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

PRINCIPAL REGULATORY AUTHORITIES IN PRC

A pharmaceutical manufacturing company is regulated and supervised by a number of regulatory authorities in the PRC, including CFDA, the NHFPC, the NDRC, the MOHRSS and the MOFCOM.

CFDA is the principle authority of pharmaceutical industry. CFDA regulates and supervises research and development, production, distribution and usage of pharmaceutical products within the PRC. CFDA's provincial and local branches are responsible for the supervision and administration of pharmaceutical products within their respective administrative regions. Almost every step of our production and sale activities is subject to the CFDA and its branches' regulation.

The NHFPC performs multiple functions in relation to pharmaceutical administration, including but not limited to: enforcing the reform of healthcare system; establishing the national drugs policies and national essential drugs system; implementing the National List of Essential Drugs (《國家基本藥品目錄》); proposing an administration system for the purchase, distribution and use of the national essential drugs; proposing any encouraging and supporting policy in respect of production of drugs listed in the National List of Essential Drugs to relevant governmental departments; advising the price reform policy with respect to the national essential drugs; and playing a vital role in formulating the national pharmacopeia.

The NDRC is responsible for macro direction and administration in relation to development planning of pharmaceutical industry, establishing and enforcing the implementation of drugs pricing policy, administrating the overall prices of drugs.

The MOHRSS is responsible for the establishment of the rules and policies of the medical insurance as well as for the preparation of the National Medical Insurance Drugs Catalogue and the Medicines (《國家基本醫療保險和工傷保險藥品目錄》) for work-related injuries.

The MOFCOM regulates the drug wholesale activities in the PRC and establishes plans and policies for the development, restructuring and reform of the drug wholesale and distribution industry.

HISTORY AND DEVELOPMENT

General

Our Group was founded by Mr. Sum and Mr. Lau in 1998. Mr. Sum is our chairman, executive Director, chief executive officer and one of our Controlling Shareholders. He entered the pharmaceutical industry in 1980's and has since gained extensive and in-depth pharmaceutical related experience. For more information about Mr. Sum, please refer to the section headed "Directors and Senior Management — Directors — Executive Directors". Mr. Lau, one of our Controlling Shareholders, is a business executive who has served as a director in various public and private companies in Hong Kong.

Corporate History and Business Milestones

The history of our Group can be traced back to our acquisition of Jacobson Medical, formally known as Jacobson van den Berg (Medical) Limited, a company incorporated in Hong Kong in 1996, by an Independent Third Party. Jacobson Medical distributed pharmaceutical products primarily in Hong Kong. In 1998, through a series of investments with their own funds, Mr. Sum (through Kingshill), Mr. Lau (directly and through his investment holding companies) and Great Era Corporation, an Independent Third Party at the time of the transactions, acquired the entire share capital of Jacobson Medical as to 20%, 60% and 20%, respectively. Mr. Sum was appointed the company's managing director in the same year. Subsequently in 2000, with his own funds, Mr. Lau acquired the 20% shareholding owned by Great Era Corporation such that Jacobson Medical was owned as to 20% by Mr. Sum and 80% by Mr. Lau after such acquisition.

Leveraging on its experience in running Jacobson Medical's business, our Group pursued a series of carefully-orchestrated and market-driven strategic acquisitions since 2001. Please refer to the section headed "— Our Major Acquisitions and Disposal" for further details of our major acquisitions.

In the past 18 years, we have successfully developed to be the largest generic drug company in Hong Kong, having over 30% share of the total generic drug market for each year since 2012, and were larger than the next two providers combined in terms of revenue in 2015, according to Frost & Sullivan. We aspire to become the leading generic drug and proprietary Chinese medicine company in strategically selected markets in the Asia Pacific region. Set out below are the key milestones of our corporate and business development:

Year	Key milestones
1999	Officially appointed as an authorized party to market and sell a leading product from 3M namely, Littmann Stethoscope
2001	Made our debut entry into the generic drug industry by acquiring Vickmans
2005	Acquired APT Pharma from Merck (Germany) which helped expand our strategic presence in specialized formulations and products for chronic diseases
2006	Secured the distribution and marketing right from Merz (Germany) for Contractubex which put us in a leading position in the scar treatment category
2007	Acquired Jean-Marie, which expanded our footprint in the sterile product manufacturing that complements with our strategy of becoming a distinctive leader in generic drug industry
2008	Engaged a reputable distributor for the distribution of Flying Eagle Woodlok Oil commencing our strategic move to expand our presence in China
2010	Total annual revenue of our Group exceeded HK$500 million
2010	Acquired effective management control on the business of Po Chai Pills, thus embracing a milestone in the development of our proprietary Chinese medicine business

Year	Key milestones
2011	Acquired Universal, which put our Group in a leading position in the generic drug market
2011	Annual sales volume of Po Chai Pills exceeded 5,000,000 boxes
2012	Attained the position as the largest generic drugs supplier of the Hospital Authority
2013	Officially kick started the development and construction of a brand new production plant for generic drugs aiming for enhanced capacity and capability
2014	Established a new R&D laboratory with advanced equipment to enhance our R&D capability
2015	Commenced the operation of the new production plant for Po Chai Pills with enhanced capacity and GMP accreditation marked a significant milestone of our proprietary Chinese medicines business
2015	Established a central logistics hub for our Group's business providing a platform for customers' data management and enhancement of our competitiveness
2015	The "Po Chai Pills" brand received the accolade as Hong Kong Top Brand by Hong Kong Brand Development Council
2016	Attained PIC/S GMP qualification for all of our generic drug production facilities in Hong Kong
2016	Signed a Strategic Cooperation Agreement with Yunnan Baiyao aiming for a broadened market coverage of Puji Pills in China
2016	Signed an MOU with HKIB aiming to set up a joint R&D laboratory to develop new drug manufacturing technologies

OUR SUBSIDIARIES

Establishments of JPG (BVI)

JPG (BVI) (formally known as Europharm International Holdings (BVI) Limited) was incorporated in the BVI as a limited liability company on March 18, 2008 and is the intermediate holding company of our 54 subsidiaries as of the Latest Practicable Date. Upon its incorporation, it was owned as to 32% by Kingshill and 68% by Ultra Perfect Profit.

In 2010, Kingshill acquired from Ultra Perfect Profit 19% of the issued share capital of JPG (BVI) at a consideration of approximately HK$34.0 million, which was determined after arm-length negotiation and has been fully settled by Kingshill's own funds.

In 2012, Queenshill acquired from Ultra Perfect Profit 37% of the issued share capital of JPG (BVI) at a consideration of approximately HK$103.3 million, which was determined after arm-length negotiation and has been fully settled by Queenshill's own funds. Also, Longjin acquired from Ultra Perfect Profit 12% of the issued share capital of JPG (BVI) at nominal consideration.

After the above share transfers and immediately prior to our Reorganization, JPG (BVI) was owned by Kingshill, Queenshill and Longjin as to 51%, 37% and 12%, respectively.

Major Subsidiaries

As of the Latest Practicable Date, we had established our 24 major subsidiaries by either incorporations or acqusitions. For our major acquisitions, please refer to the section headed "— Our Major Acquisitions and Disposal". For our offshore subsidiaries which principal activities are investment holding, please refer to the charts in the section headed "— Our Corporate and Shareholding Structure". The following chart sets out the details of the major subsidiaries of our Group:

Name	Date of Incorporation	Place of Incorporation	Registered/Issued Share Capital	Principal Business Activities
A-Pharm Medical Limited[2]	January 3, 2003	Hong Kong	HK$160,000	Trading of pharmaceutical products
APT China[2]	October 13, 1995	PRC	HK$108,600,000	Manufacturing and sale of pharmaceutical products
APT Pharma[2]	December 21, 1990	Hong Kong	HK$8,750,000	Manufacturing and sale of pharmaceutical products
Charmaine[2]	November 26, 1985	Hong Kong	HK$1,100,000	Holding of pharmaceutical product licenses
Europharm[2]	February 28, 1986	Hong Kong	HK$25,292,982	Manufacturing and sale of pharmaceutical products
Frankin[2]	January 8, 1980	Hong Kong	HK$11,000,000	Holding of pharmaceutical product licenses
Jacobson Group Management Limited[1]	June 25, 2008	Hong Kong	HK$10,000	Provision of management services to our group members
Jacobson Group Treasury Limited[1]	March 20, 2014	Hong Kong	HK$10,000	Provision of treasury services to our group members
Jacobson Medical[2]	October 15, 1996	Hong Kong	HK$26,628,000	Trading of medical supplies and pharmaceutical products
Janker[2]	July 2, 1991	Hong Kong	HK$10,000	Trading of Chinese medicine
Jean-Marie[2]	February 21, 1978	Hong Kong	HK$56,978,199	Manufacturing and sale of pharmaceutical products
Jetstar[2]	October 8, 1991	Hong Kong	HK$10,000	Manufacturing and sale of Chinese medicine
LCST (Holdings)[2]	January 8, 1988	Hong Kong	HK$5,000,000	Manufacturing and sale of Chinese medicine
Li Chung Shing Tong (S) Pte Limited[2]	April 5, 2001	Singapore	S$50,000	Trading of Chinese medicine
Li Chung Shing Tong (Trading) Limited[1]	August 21, 2013	Hong Kong	HK$100,000	Trading of Chinese medicine

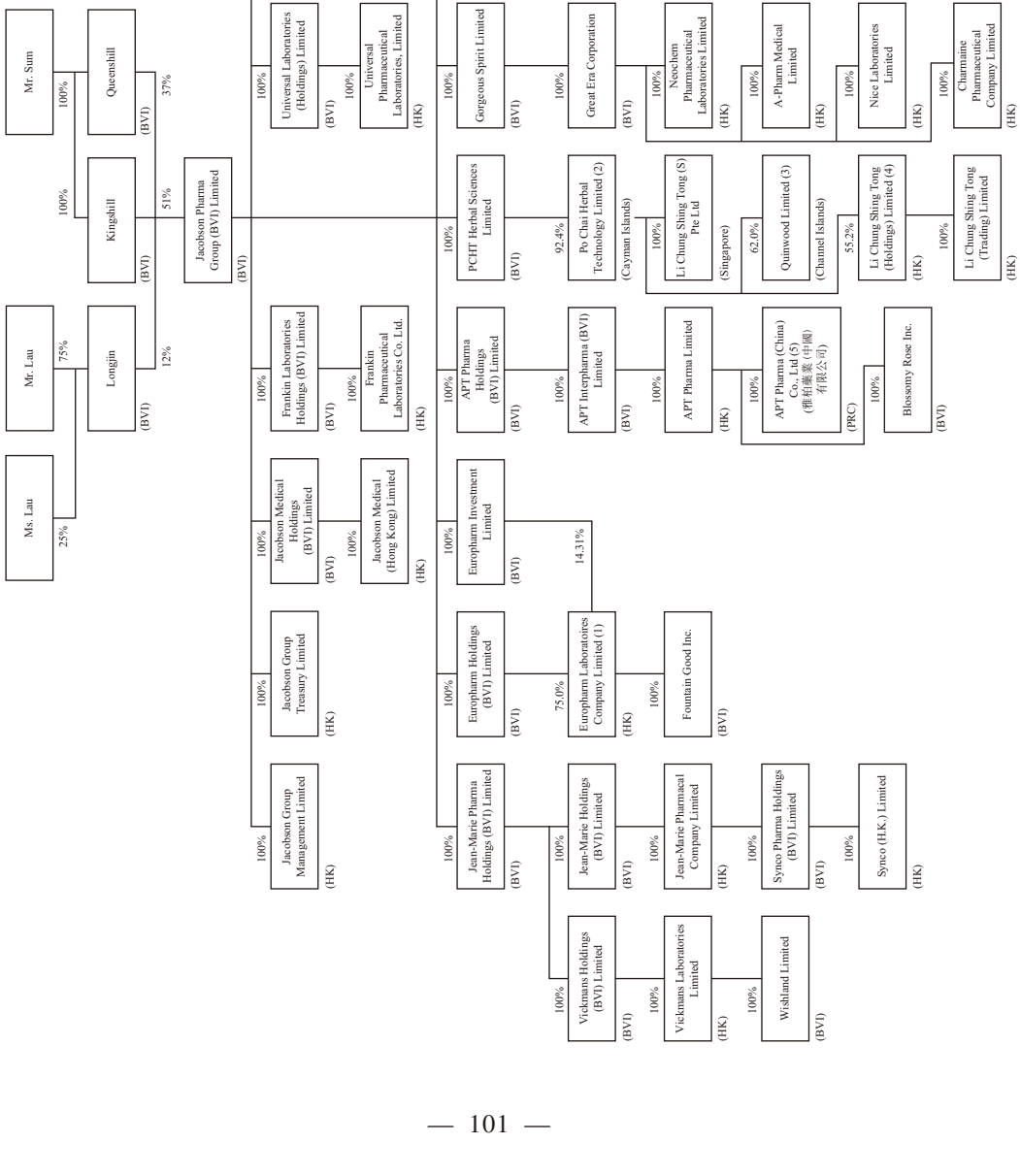
Name	Date of Incorporation	Place of Incorporation	Registered/Issued Share Capital	Principal Business Activities
Marching[2]	May 1, 1981	Hong Kong	HK$10,000,000	Manufacturing and sale of pharmaceutical products
Marching Trading[2]	September 28, 1998	Hong Kong	HK$10,000	Trading of pharmaceutical products
Neochem[2]	August 6, 1975	Hong Kong	HK$3,000,000	Manufacturing and sale of pharmaceutical products
Nice[2]	June 11, 1982	Hong Kong	HK$1,000,000	Holding of pharmaceutical product licenses
Pharmason[1]	March 11, 2015	Hong Kong	HK$10,000	Trading of pharmaceutical products
Singmalay[2]	July 29, 1998	Hong Kong	HK$10,000	Manufacturing and sale of Chinese medicine
Synco[2]	October 9, 1968	Hong Kong	HK$4,680,000	Manufacturing and sale of pharmaceutical products
Universal[2]	June 19, 1940	Hong Kong	HK$500,000	Manufacturing and sale of pharmaceutical products
Vickmans[2]	May 9, 1975	Hong Kong	HK$66,165,000	Manufacturing and sale of pharmaceutical products

(1) *became part of our Group by incorporation*

(2) *became part of our Group by acquisition*

REORGANIZATION

The corporate and shareholding structure of our Group immediately prior to the Reorganization is illustrated in the following chart.



Notes:

(1) Please refer to note (4) to the corporate charts in the section headed "— Our Corporate and Shareholding Structure".

(2) Immediately prior to the Reorganization, the remaining shareholding of Po Chai Herbal Technology Limited was held by Mrs. Karen Lee (directly and through her investment holding company), who is an Independent Third Party save as being a Shareholder of our Company and a non-controlling shareholder and/or director of certain subsidiaries of PCHT after our Reorganization.

(3) Please refer to note (5) the corporate charts in the section headed "— Our Corporate and Shareholding Structure".

(4) Please refer to note (6) the corporate charts in the section headed "— Our Corporate and Shareholding Structure".

(5) For identification purpose only.

As part of our Reorganization in preparation for the Global Offering, our Group underwent the Reorganization and the major steps are summaries below.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 16, 2016. At the time of incorporation, our Company had an authorized share capital of HK$50,000,000 divided into 5,000,000,000 Shares and was owned as to 51%, 37% and 12% by Kingshill, Queenshill and Longjin, respectively.

Share Swap of JPG (BVI)

Pursuant to a share swap agreement dated March 18, 2016, Kingshill, Queenshill and Longjin transferred 51%, 37% and 12% of their respective shareholdings in JPG (BVI) to our Company and in exchange, our Company further issued and allotted 667,410,000 Shares, 484,198,000 Shares and 157,038,000 Shares to Kingshill, Queenshill and Longjin, respectively, on March 18, 2016.

Acquisition of the Remaining 7.6% of Shareholdings in Po Chai Herbal Technology Limited ("PCHT")

Pursuant to a share transfer agreement dated March 16, 2016, we acquired the remaining 7.6% shareholding of PCHT from Mrs. Karen Lee (directly and through her investment holding company), an Independent Third Party save as being a Shareholder of our Company and a non-controlling shareholder and/or director of certain subsidiaries of PCHT after our Reorganization. In consideration, our Company allotted 3,754,000 Shares to Mrs. Karen Lee. Please refer to the section headed "— Our Major Acquisitions and Disposal" for further details.

Establishment of The Kingshill Trust

On May 16, 2016, The Kingshill Trust, a discretionary trust founded by Mr. Sum as the settlor, was established as a family trust with Mr. Sum and his family members as discretionary beneficiaries. In anticipation of this trust arrangement, on March 18, 2016, Queenshill transferred approximately 14% of shareholdings in our Company to Kingshill. On May 19, 2016, Mr. Sum, as the settlor of The Kingshill Trust, completed the transfer of the entire share capital of Kingshill as the trust asset to The Kingshill Trust.

Establishment of The Jacobson Pharma (PTC) Limited

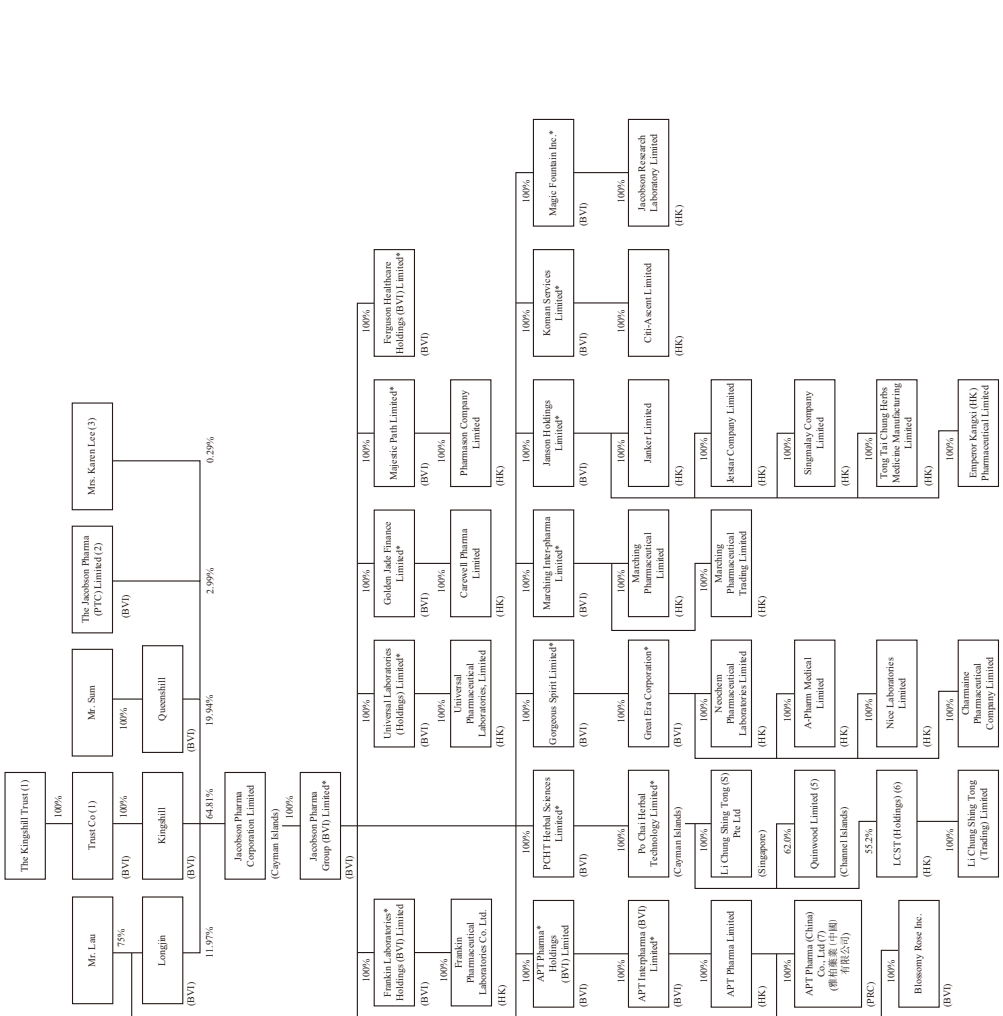
On March 16, 2016, The Jacobson Pharma (PTC) Limited, incorporated as a private trust company in the BVI, was established for the purpose of the Share Incentive Scheme to be adopted by our Company before the Listing for the benefit of our employees and others contributing to our success for the purpose of incentivizing and rewarding them after the Listing. In anticipation of this trust arrangement, on March 18, 2016, Queenshill transferred approximately 2.99% of shareholdings in our Company to The Jacobson Pharma (PTC) Limited. Such Shares are intended to be the initial trust assets for the Share Incentive Scheme. For further details relating to the Share Incentive Scheme, please refer to the section headed "Appendix V — Statutory and General Information — D. Other Information — 2. Share Incentive Scheme".

Deed of Acting in Concert

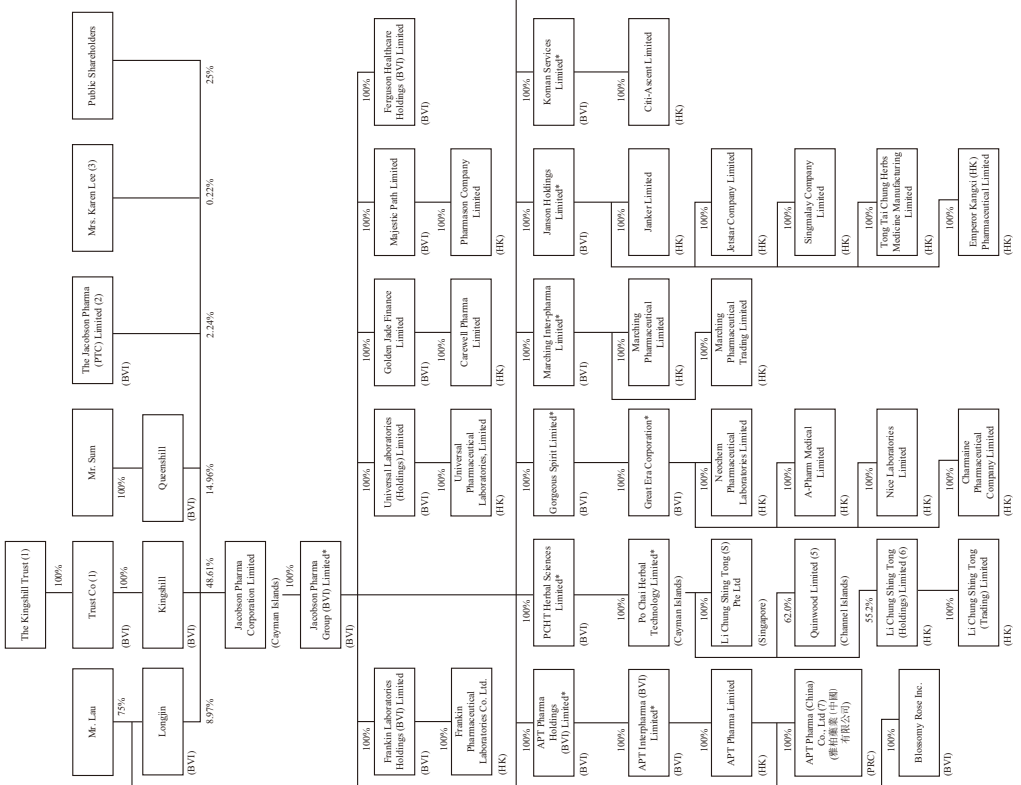
Pursuant to the Deed of Acting in Concert dated January 8, 2016, Kingshill and Longjin agreed, and Mr. Lau as the majority shareholder of Longjin agreed to procure Longjin, to act in concert with each other and adopt a consensus building approach to reach decisions on a unanimous basis in exercising their voting rights in respect of any resolution required to be passed by the shareholders of our Company commencing from the date of incorporation of our Company and maintaining such acting-in-concert arrangement until the Deed of Acting in Concert is terminated. They have also confirmed that prior to the commencement of the Deed of Acting in Concert, they were acting in concert with each other in exercising their voting right in JPG (BVI) during the Track Record Period. Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details.

OUR CORPORATE AND SHAREHOLDING STRUCTURE

Our corporate and shareholding structure after the Reorganization and prior to completion of the Global Offering is illustrated as follows:



Our corporate and shareholding structure after completion of the Global Offering (assuming the Over-allotment Option is not exercised) is illustrated as follows:



Notes to both charts above:

* *The principal activities of these companies are investment holding. Please refer to the section headed "— Major Subsidiaries" for details of the principal activities of our major subsidiaries.*

** *We disposed of Wishland Limited, a property holding subsidiary of our Company, to an Independent Third Party on April 5, 2016 for a consideration of approximately HK$3.5 million.*

(1) *The sole shareholder of Kingshill is Trust Co. The sole shareholder of Trust Co is UBS Nominees Limited which holds the shares in Trust Co as nominee for UBS Trustees (B.V.I.) Limited, trustee of The Kingshill Trust. The Kingshill Trust is a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries.*

(2) *The Jacobson Pharma (PTC) Limited, a private trust company incorporated in the BVI, was established for the purpose of the Share Incentive Scheme to be adopted by our Company before the Listing.*

(3) *Mrs. Karen Lee is also a non-controlling shareholder and director of LCST (Holdings) and a non-controlling shareholder of Quinwood Limited. Please see note (5) and (6) below.*

(4) *The remaining shareholding of Europharm is held by Mr. Lee Hon Kwong, Ms. Chik Siu Lee and Mr. Tsui Chi Sheung, who are Independent Third Parties save for Mr. Tsui Chi Sheung who is a director of Europharm.*

(5) *The remaining shareholding of Quinwood Limited is held by, Mrs. Karen Lee, Mr. Lee Kui Nang, Solomon, Mr. Lee Leung Nang, Stewart, Mr. Lee Cheung Nang, Alfred and Mr. Li Tai Sang, Albert, who are Independent Third Parties save as being non-controlling shareholders and/or director of certain subsidiaries of PCHT.*

(6) *The remaining shareholding of LCST (Holdings) is held by Mrs. Karen Lee, Mr. Leung Chi Kin, Mr. Lee Cheung Nang, Alfred, Mr. Lee Kui Nang, Solomon, Mr. Lee Leung Nang, Stewart and Mr. Li Tai Sang, Albert, who are Independent Third Parties save as being non-controlling shareholders and/or director of certain subsidiaries of PCHT.*

(7) *For identification purpose only.*

OUR MAJOR ACQUISITIONS AND DISPOSAL

Our Group has experienced significant growth through a number of acquisitions since 2001 and expects to continue to grow through acquisitions. The acquisitions and disposal are as follows:

(a) the acquisition of Vickmans, which is now a wholly-owned subsidiary of our Company, in 2001 from Independent Third Parties for a consideration of approximately HK$29.7 million, which was determined based on arm's length negotiation and the financial and operational results of Vickmans and has been properly and legally completed and settled before the Track Record Period. The purpose of the acquisition was for our Group to make a formidable entry into a rapid growing generic drug market paving way for subsequent strategic development;

(b) the acquisition of Frankin, which is now a wholly-owned subsidiary of our Company, in 2001 from Independent Third Parties for a consideration of approximately HK$11.8 million, which was determined based on arm's length negotiation and the financial and operational results of Frankin and has been properly and legally completed and settled before the Track Record Period. The purpose of the acquisition was to expand our Group's portfolio of generic drugs;

(c) the acquisition of Europharm, which is now a subsidiary of our Group, as to 52% shareholding in 2003, additional 23% shareholding in 2004, additional 13.76% shareholding in 2014 and 0.55% shareholding in 2015 from Independent Third Parties for an aggregate amount of consideration of approximately HK$74.3 million, which was determined based on arm's length negotiation and the financial and operational results of Europharm and has been properly and legally completed and settled before the Track Record Period. The purpose of the acquisition was to expand our Group's manufacturing capabilities and products portfolio with the aim to leverage the broad and diversified product mix of Europharm to establish a leadership position, particularly in registered pharmacies and doctors in private practice, where Europharm was enjoying a high market acceptance;

(d) the acquisition of APT Pharma and APT China (collectively, "**APT**"), which are now wholly-owned subsidiaries of our Company, as to 75% of their respective equity interests in 2005 and the remaining 25% of their respective equity interest in 2009 from Independent Third

Parties for an aggregate amount of consideration of approximately HK$44.0 million, which was determined based on arm's length negotiation and the financial and operational results of APT and has been properly and legally completed and settled before the Track Record Period. Our PRC legal advisers has advised that the acquisition was not subject to any approvals from the PRC government authorities. The purpose of the acquisition was to expand our Group's manufacturing capabilities in both Hong Kong and China and APT's portfolio on specialized formulations and products for chronic diseases. This acquisition favorably expanded our Group's presence in the Hospital Authority tender business sector;

(e) the acquisition of Synco, which is now a wholly-owned subsidiary of our Company, in 2006 from an Independent Third Party for a consideration of approximately HK$40.0 million, which was determined based on arm's length negotiation and the financial and operational results of Synco and has been properly and legally completed and settled before the Track Record Period. Synco owns a broad portfolio of generic drugs being supplied to Hospital Authority and doctors in private practice that complement our Group's strategy of becoming a leader in the local generic drug market;

(f) the acquisition of Jean-Marie, which is now a wholly-owned subsidiary of our Company, in 2007 from an Independent Third Party for a consideration of approximately HK$59.0 million, which was determined based on arm's length negotiation and the financial and operational results of Jean-Marie and has been property and legally completed and settled before the Track Record Period. The purpose of the acquisition is to expand our footprint in the sterile injectables and eye-drop market with the portfolio of sterile products and an array of well-accepted products in retail pharmacies sector owned by Jean-Marie. This acquisition complements to our Group's strategies and strengthens our market share in private sector too;

(g) the acquisition of 66.8% of Gobitech Limited and its subsidiary (collectively "**Gobitech**") in 2007 from an Independent Third Party for an aggregate amount of consideration of approximately HK$24.0 million, which was determined based on arm's length negotiation and the financial and operational results of Gobitech and has been properly and legally completed and settled in 2007. Subsequent to the acquisition, the remained 33.2% shareholding in Gobitech was held by the same Independent Third Party. Gobitech was primarily engaged in the manufacturing of healthcare product and we acquired Gobitech with a view to explore the healthcare product market in China.

We disposed of all of our shareholding in Gobitech in 2011 to the same Independent Third Party for an aggregate amount of consideration of approximately HK$16.2 million, which was determined based on arm's length negotiation and the financial and operational results of Gobitech and has been properly and legally completed and settled in early 2014. The disposal reinforced our then strategy of focusing on our development and strengthening our leadership position in the Hong Kong generic drugs market. The disposal was insignificant to our Group's operational or financial positions.

(h) the acquisition of PCHT, which is now a subsidiary of our Company, as to 45.6% shareholding in 2008 and additional 46.8% shareholding in 2010 from Mrs. Karen Lee for an aggregate amount of consideration of approximately HK$125.0 million, which was determined based on arm's length negotiation and the financial and operational results of PCHT and has been fully settled before the Track Record Period. Mrs. Karen Lee was an Independent Third Party at the time of the acquisition and is a Shareholder of our Company and a minority shareholder and/or director of certain subsidiaries of PCHT after our Reorganization. Please refer to footnotes (3), (5) and (6) to the charts in the section headed "— Our Corporate and Shareholding Structure" for further details. The purpose of the acquisition was to expand our Group's product portfolio on proprietary Chinese medicines and it represented a strategically-significant milestone for our Group to expand its footprint in Chinese medicine market globally. Pursuant to a share transfer agreement dated March 16, 2016, we acquired the remaining 7.6% shareholding of PCHT from Mrs. Karen Lee (directly and through her investment holding company). In

consideration, our Company allotted and issued 3,754,000 Shares to Mrs. Karen Lee, which was determined based on arm's length negotiation and the net asset value of PCHT. The aforesaid share transfer agreement and allotment and issuance of Shares have been fully settled and legally completed on March 18, 2016.

(i) the acquisition of Great Era Corporation, which is now a wholly-owned subsidiary of our Company, in 2009 from an Independent Third Party for a consideration of approximately HK$160.0 million, which was determined based on arm's length negotiation and the financial and operational results of Great Era Corporation and has been properly and legally completed and settled before the Track Record Period. The purpose of the acquisition was to expand our Group's manufacturing capabilities and portfolio of generic drugs;

(j) the acquisition of Universal, which is now a wholly-owned subsidiary of our Company, in 2011 from an Independent Third Party for a consideration of approximately HK$83.8 million, which was determined based on arm's length negotiation and the financial and operational results of Universal and has been properly and legally completed and settled before the Track Record Period. The purpose of the acquisition was to expand our Group's manufacturing capabilities and portfolio of generic drugs, particularly for respiratory products, where Universal enjoys a high market share in registered pharmacies and doctors in private practice. This acquisition further elevated our Group's leadership position in the generic drug market thanks to the reputable name of Universal in the industry;

(k) the acquisition of Marching and Marching Trading (collectively, "**Marching Companies**"), which are now wholly-owned subsidiaries of our Company, in 2012 from an Independent Third Party for an aggregate amount of consideration of approximately HK$67.9 million, which was determined based on arm's length negotiation and the financial and operational results of Marching Companies and has been properly and legally completed and settled in 2013. The purpose of the acquisition was to expand our Group's manufacturing capabilities and portfolio of generic drugs. The broad portfolio of Marching Companies' respiratory products complemented our Group's product lines well; and

(l) the acquisition of Tong Tai Chung Group, which is now wholly-owned subsidiaries of our Company, in 2014 from Independent Third Parties for an aggregate amount of consideration of approximately HK$38.6 million, which was determined based on arm's length negotiation and the financial and operational results of Tong Tai Chung Group and has been properly and legally completed and settled in 2014. The purpose of the acquisition was to expand our Group's product portfolio on proprietary Chinese medicines, which complemented with our Group's strategy of becoming a leading player in the Chinese medicine market.

OVERVIEW

We are the largest generic drug company in Hong Kong, having over 30% share of the total generic drug market in Hong Kong for each year since 2012, and we were larger than the next two providers combined in terms of revenue in 2015, according to Frost & Sullivan. For each year since 2012, we have been (i) the largest provider of generic drugs to the Hospital Authority, the statutory body managing all public hospitals and a number of public institutions and clinics in Hong Kong, and accounted for over 70% of the Hospital Authority's annual purchase of generic drugs for each respective year, and (ii) the largest provider of generic drugs in Hong Kong in the non-Hospital Authority sector, with over 20% share, according to Frost & Sullivan. We achieved our pre-eminent market position as a result of our leadership in a number of therapeutic categories, as well as in distribution, product development and drug manufacturing.

We are the leader in a number of large and fast-growing therapeutic categories in the Hong Kong pharmaceutical market. For sales to the Hospital Authority, we were the leader in five main therapeutic categories, cardiovascular, central nervous system, gastrointestinal, oral anti-diabetics and respiratory, with 68.8%, 50.1%, 52.1%, 65.0% and 29.9% of the total procurement of generic drugs by Hospital Authority in each respective category in 2015, according to Frost & Sullivan. Contractubex was one of the best-selling scar treatment products in Hong Kong in 2015, with a 36.0% market share in the Hong Kong scar treatment market in terms of revenue, according to Frost & Sullivan. Our proprietary Chinese medicines are also highly recognized and widely carried. For example, Po Chai Pills is the most recognized gastrointestinal proprietary Chinese medicines in Hong Kong and our "Po Chai Pills" (or "Puji Pills" in China) was recognized by 97.0% of respondents in Hong Kong, 26.6% in Guangdong, 88.8% in Macau, 96.3% in Singapore, 85.0% in Kuala Lumpur and 85.0% in Jakarta, according to the Frost & Sullivan Survey.

The following table shows details of our ranking in selected key therapeutics categories, according to Frost & Sullivan, The following table also shows the number of New Product Formulae developed by us during the Track Record Period and the range of Estimated Remaining Useful Life of generic drug products in selected key therapeutic categories:

Therapeutic Categories	Hospital Authority Ranking	Our Market Share in 2015 in Hong Kong	2015 Overall Market Size in Hong Kong (HK$ in millions)	Overall Market's Expected CAGR in Hong Kong from 2015 to 2020	Number of New Product Formulae Developed by us during the Track Record Period	Range of Estimated Remaining Useful Life (years)
Respiratory	1	78.4%	441.2	8.4%	15	15 to 30
Cardiovascular	1	17.9%	590.9	12.2%	9	17 to 30
Central nervous system	1	12.9%	488.0	11.4%	14	15 to 30
Gastrointestinal	1	16.8%	361.6	9.2%	10	15 to 30
Scar treatment	*	36.0%	87.7	10.6%	—	20
Oral anti-diabetics	1	12.2%	196.4	12.0%	1	17 to 28

Note:

* *We did not sell scar treatment products to the Hospital Authority during the Track Record Period.*

We have extensive market penetration, covering substantially all of the hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong as of December 31, 2015. In light of our significant market share in the generic drug market and our deep industry knowledge as well as our extensive sales and brand management capabilities, we have been a distributor for pharmaceutical and biotech products from reputable multi-national companies, thus further enhancing the breadth of our product portfolio. As a result of our close interactions with market participants, we have gathered significant feedback, relevant market intelligence and data on industry trends to allow us to further strengthen our product development strategies and identify business opportunities.

We are the leading pharmaceutical research and development company in Hong Kong among generic drug manufacturers in terms of number of new drugs registered during the Track Record Period, according to Frost & Sullivan, and our in-house research and development team developed 49.4%, 56.6% and 30.9% of the new drugs registered by drug manufacturers in Hong Kong in 2013, 2014 and 2015, respectively. Through acquisitions and in-house development, we own approximately 3,000 product licenses in Hong Kong, which represented 68.1% of all product licenses granted to Hong Kong manufacturers as of December 31, 2015, according to Frost & Sullivan. We focus on specialized formulations and are the only generic drug supplier with active and on-going production activities in a number of pharmaceutical dosage forms in Hong Kong, including suppositories, enemas, sterile eye drops and injectables, according to Frost & Sullivan. In March 2016, we entered into a memorandum of understanding with a research and academic institution, HKIB, with the aim to establish a new joint research and development center for developing new drug manufacturing technologies. We had 89 New Product Formulae under development in various stages, and expect to launch 35 of these within the next 24 months, as of the Latest Practicable Date.

We have the largest number of licensed production facilities for Western medicines in Hong Kong as of December 31, 2015, according to Frost & Sullivan, which provides us with significant production capacity to take on new opportunities in local and overseas markets. Our production facilities are equipped with machinery and equipment that cater to high volume production. As a demonstration of our manufacturing standards and capabilities, we have secured a contract for manufacturing a line of specialized products for the Department of Health in July 2015.

Pharmaceutical products that have been approved in Hong Kong have reduced regulatory hurdles in certain strategically-important export markets like China and Macau. For example, they are pre-qualified for sales and distribution in Macau. In addition, generic drugs that are manufactured and approved in Hong Kong would be deemed as eligible for filing submissions for new drug applications with other regulatory authorities that are members of PIC/S, including Singapore, Malaysia, Australia, New Zealand, Japan, the United Kingdom and the United States, increasing our access to these new markets in the Asia Pacific region and globally.

We aspire to become the leading generic drug and proprietary Chinese medicine company in strategically selected markets in the Asia Pacific region. Our experienced and technically seasoned management team has a long proven track record of driving organic business growth and unleashing synergies through strategic acquisitions. Mr. Sum, our founder, Chairman and CEO, has over 28 years of experience in the pharmaceutical industry. We have a sound track record of successfully integrating acquired businesses and unlocking their value by rejuvenating their sales revenue, broadening their product portfolio as well as strengthening their manufacturing capabilities. Please refer to the section headed "History, Reorganization and Corporate Structure — Our Major Acquisitions and Disposal" for details of our major acquisitions. We expect to capture an increasing share of Hong Kong's total generic drug market, which totaled HK$2.9 billion in 2015, representing about 23.2% of total pharmaceutical sales in Hong Kong, according to Frost & Sullivan. We also aim to capture a larger share of Macau and China's pharmaceutical market. As Chinese end-users are becoming more discerning, we anticipate that they will increasingly appreciate the quality of products that we deliver as Hong Kong's leading drug manufacturer.

We achieved a robust increase in our revenue during the Track Record Period primarily through increases in sales of our generic drugs to both the Hospital Authority and non-Hospital Authority sectors and sales of proprietary Chinese medicines. Our revenue grew from HK$926.2 million for the year ended March 31, 2014 to HK$1,083.9 million for the year ended March 31, 2016.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been the foundation of our growth, and expect that they will continue to (i) support our pre-eminent position in the rapidly growing generic drug and proprietary Chinese medicine markets in Hong Kong and (ii) enhance our growth momentum in strategically selected markets in the Asia Pacific region.

Leadership in a diverse range of generic drugs and the overall generic drug market in Hong Kong

We are the largest generic drug company in Hong Kong, having over 30% share of the total generic drug market for each year since 2012, and we sold more generic drugs in Hong Kong than the next two largest providers combined in terms of revenue in 2015, according to Frost & Sullivan. For each year since 2012, we have also been (i) the largest provider of generic drugs to the Hospital Authority and accounted for over 70% of the Hospital Authority's annual purchase of generic drugs, and (ii) the largest provider of generic drugs in Hong Kong with over 20% share in terms of revenue, according to Frost & Sullivan.

Leveraging our pre-eminent platform in Hong Kong, we have cemented our position as the leader in a number of large and fast-growing therapeutic categories in the Hong Kong pharmaceutical market. Over a long and successful track record, we have built a comprehensive product portfolio, including respiratory, cardiovascular, central nervous system, gastrointestinal, scar treatment and oral anti-diabeties. We are highly competitive in therapeutic categories where a trusted brand is generally preferred by end-users for its substantial reassurances. We owned approximately 3,000 product licenses in Hong Kong, which represented 68.1% of all product licenses granted to Hong Kong drug manufacturers as of December 31, 2015, according to Frost & Sullivan. For sales to the Hospital Authority, we were the leader in five major therapeutic categories in Hong Kong, including cardiovascular, central nervous system, gastrointestinal, oral anti-diabetics and respiratory, with 68.8%, 50.1%, 52.1%, 65.0% and 29.9% of the total procurement of generic drugs by Hospital Authority in each respective category in 2015, according to Frost & Sullivan. Contractubex was one of the best-selling scar treatment products in Hong Kong in 2015, with a 36.0% market share in the Hong Kong scar treatment market in terms of revenue, according to Frost & Sullivan.

We expect to capture an increasing share of Hong Kong's total generic drug market, which totaled HK$2.9 billion in 2015, representing about 23.2% of total pharmaceutical market in Hong Kong, and the growth of the generic drug market will outpace the growth of the patented drug market, according to Frost & Sullivan. In Hong Kong and abroad, many government-run hospitals have adopted a generic substitution policy to more cost-efficiently address growing medical needs, especially for chronic conditions, such as diabetes and cardiovascular disease. Those hospitals are choosing generic drugs when possible. In addition, a large number of blockbuster drugs will be coming off patent from 2015 to 2020, including monoclonal antibodies and some blockbuster chemical drugs. According to Frost & Sullivan, the total Hong Kong generic drug market is expected to grow at a CAGR of 9.9% from 2015 to 2020 to reach HK$4.7 billion and account for 26.8% of total drug sales.

Cross-border qualifications that facilitate our Macau, China and overseas expansion

Pharmaceutical products that have been approved in Hong Kong have reduced regulatory hurdles in certain strategically-important export markets like China and Macau, which will shorten our time and reduce our costs for entering these markets. Based on current product import requirements in Macau, our pharmaceutical product portfolio in Hong Kong is eligible for registration filing with the local regulatory authority and subsequent selling in Macau. In addition, since Hong Kong is a member of PIC/S, generic drugs that are manufactured and approved in Hong Kong would be deemed as eligible for filing submissions for new drug applications with other regulatory authorities that are members of PIC/S, including Singapore, Malaysia, Australia, New Zealand and Japan, allowing us to penetrate these new markets in Asia Pacific region.

We began to gear up our efforts to grow our Macau business in 2013 and achieved sales of generic drugs and proprietary Chinese medicines with an aggregate amount of HK$19.9 million and HK$27.7 million, respectively, in the years ended March 31, 2015 and 2016. We aim to capture a larger share of Macau's pharmaceutical market, particularly for the government tender sector. The Macau pharmaceutical market has almost doubled from HK$1,029.3 million in 2011 to HK$1,752.2 million in 2015 with a CAGR of 14.2% and is expected to continue to grow at a CAGR of 11.7% until 2020. We had approximately 700 products filed with the Macau Health Bureau as of the Latest Practicable Date.

The qualification of our products in Hong Kong also assists with the registration filing process in China. As Chinese end-users are becoming more discerning, we anticipate that they will increasingly appreciate the quality of products that we deliver as Hong Kong's leading drug manufacturer.

Highly recognized and widely carried proprietary Chinese medicines in Hong Kong, Macau, China and other overseas markets

We own, manufacture and distribute a portfolio of leading proprietary Chinese medicines. Based on our deep familiarity with the market, strong technical support and disciplined brand management, we have been able to grow revenues, enhance manufacturing capabilities and increase market coverage for the proprietary Chinese medicine brands we have acquired. For instance, we have exercised management control over Po Chai Pills since 2010, and by revitalizing its brand positioning and marketing strategies, we have made Po Chai Pills the most recognized gastrointestinal proprietary Chinese medicine in Hong Kong, according to Frost & Sullivan. We grew its sales from HK$36.1 million for the year ended March 31, 2011 to HK$102.0 million for the year ended March 31, 2016. For Flying Eagle Woodlok Oil, we engaged a local distributor in China to help rejuvenate its brand positioning and aggressively expanded its market penetration in the Guangdong province in 2008. In 2015, Flying Eagle Woodlok Oil had a 50.4% market share in the anti-rheumatic proprietary Chinese medicated oil and balm market in Guangdong, according to Frost & Sullivan. We believe our brand leadership allows our products to gain recognition through word of mouth among the closely knit Chinese community in the Greater China region.

Our Po Chai Pills is one of the most recognized proprietary Chinese medicine brands in Hong Kong, according to Frost & Sullivan. Po Chai Pills were originally introduced to Foshan, Guangdong in 1896 by Li Shiu Kei as a remedy for the relief of indigestion, vomiting, diarrhea and bloating. Our "Po Chai Pills" (or "Puji Pills" in China) was recognized by 97.0% of respondents in Hong Kong, 26.6% in Guangdong, 88.8% in Macau, 96.3% in Singapore, 85.0% in Kuala Lumpur and 85.0% in Jakarta, according to the Frost & Sullivan Survey. The pre-eminent brand awareness of Po Chai Pills was recognized with a number of awards during the Track Record Period, including the 2013 Superbrands — Hong Kong's Choice award (香港超級品牌), the 2014 Top 10 Hong Kong Consumer Product Brands — Recommended Brands for Individual Visits by China Post (《中國郵政》十大香港消費名牌 — 自由行推介品牌), the 2015 Premium Chinese Medicine Enterprise Chinese medicine Promotion award by Hong Kong Chinese Medicine Industry Association (《香港中藥業協會》優質中藥企業弘揚中藥獎) and the 2015 Customer's Most Favorable Hong Kong Brands (《香港名牌選舉》香港名牌). Our brand recognition and established relationships with our key customers offer us a strong foundation to become the leading proprietary Chinese medicine company in Hong Kong and abroad.

We aim to take advantage of the growing global acceptance of proprietary Chinese medicine to fuel our development. For example, from 2011 to 2015, the Hong Kong gastrointestinal proprietary Chinese medicine segment has grown at a CAGR of 8.0% from HK$125.3 million to HK$170.8 million, and is forecasted to continue growing at a CAGR of 9.1% until 2020, according to Frost & Sullivan.

Leading research and development capabilities that can develop premium generic drugs to fulfill unmet demands

We are the leading pharmaceutical research and development company in Hong Kong among generic drug manufacturers in terms of number of new drugs registered during the Track Record Period, according to Frost & Sullivan, and our in-house research and development team developed 49.4%, 56.6% and 30.9% of the new drugs registered by drug manufacturers in Hong Kong in 2013, 2014 and 2015, respectively. We have been able to identify products with good potential based on our strong relationships with customers and deep market insight. We obtained approximately 1,950 product licenses in Hong Kong through acquisitions and registered approximately 1,000 product licenses through in-house development, which together represented 68.1% of all product licenses granted to Hong Kong drug manufacturers as of December 31, 2015, according to Frost & Sullivan. For our drug formulation studies, we are proactively migrating to the "Quality by Design" methodology, which has been recommended by the United States Food and Drug Administration for research and development of new formulations.

We focus on technically complex therapeutic categories with high and growing demand, as well as specialized formulations. We are the only generic drug supplier with active and on-going production activities in a number of pharmaceutical dosage forms in Hong Kong, including suppositories, enemas, sterile eye drops and injectables, according to Frost & Sullivan. We possess a host of generic drug registrations with unique formulae, which had an aggregate market size of approximately HK$46.6 million in 2015, according to Frost & Sullivan, which allows us to command a significantly higher profit margin. Our specialized formulae allow us to command a pricing premium in certain selected segments of the market. We had 89 New Product Formulae under development in various stages, and expect to launch 35 of these within the next 24 months as of the Latest Practicable Date. Benefitting from our strong research and development capabilities, we obtained 36, 69 and 44 new product licenses for the three years ended March 31, 2014, 2015 and 2016, respectively. We have also acquired specific manufacturing skills and know-how for certain difficult-to-make products, such as controlled-release formulations, sterile products, suppositories and enemas. Developing complex formulation requires careful adjustment and management of the appropriate instrument parameters settings, process flow designs and quality controls.

Our research and development team cooperates closely with a panel of formulation scientists and research institutions both locally and abroad. Our connections with research institutions and university hospitals enhance our capabilities in product research and execution of clinical trial. In March 2016, we entered into a memorandum of understanding with a research and academic institution, HKIB, with the aim to establish a new joint research and development center for developing new drug manufacturing technologies.

Proven track record of unlocking value through careful acquisitions

Our cautious and measured approach to strategic acquisitions of businesses and products has enabled us to successfully increase the value of the entities we acquired and strengthen our market leadership. We believe that our experience and know-how in identifying attractive target companies and products, navigating regulatory obstacles during the pre- and post-acquisition phases, integrating the staff, operations and culture of acquired companies and realizing economies of scale have been and will continue to be strong advantages. Please refer to the section headed "History, Reorganization and Corporate Structure — Our Major Acquisitions and Disposal" for details of our major acquisitions.

We acquired APT Pharma from Merck (Germany) in 2005 and expanded its product portfolio with carefully selected products that offer high, sustainable sales revenues and brand recognition amongst key customers, including the Hospital Authority and the non-Hospital Authority sectors. During the year ended March 31, 2015, we supplied an average of over 50 products and 60 million tablets monthly to the Hospital Authority through APT Pharma's facilities.

We have successfully acquired a number of reputable proprietary Chinese medicine brands, rejuvenated their brands and market position and grown their businesses substantially. We bring extensive and diverse expertise and experience to the acquired businesses, along with our management insights and operational culture. For example, we began to exercise management control over Po Chai Pills in 2010. Since then, we introduced a new sales management team to improve the sales channel management of Po Chai Pills in Hong Kong and overseas markets. In addition, we invested in new advertising campaigns to rejuvenate Po Chai Pills brand image and foster customer loyalty. We grew its sales from HK$36.1 million for the year ended March 31, 2011 to HK$102.0 million for the year ended March 31, 2016. Our technological know-how and manufacturing skills have strengthened the productivity and quality control of the acquired brands. For example, we began to produce Po Chai Pills at a new GMP-accredited production facility in 2015 to enhance the quality control and production capacity of Po Chai Pills. We also deployed sophisticated near-infra red technology to enhance the cost-efficiency of certain of Po Chai Pills' critical quality control procedures. In addition, our established overseas sales network for Po Chai Pills in overseas markets offers good growth potential for other proprietary Chinese medicines we acquire and to further enhance our brand recognition globally.

Well-established sales and distribution network covering substantially all of Hong Kong's private and public hospitals and registered pharmacies

We have established a well-recognized brand and significant goodwill in both the Hospital Authority and non-Hospital Authority sectors, building strong customer relationships over the years as Hong Kong's leading generic drug company. As of December 31, 2015, we had the largest distribution network of generic drugs in Hong Kong, according to Frost & Sullivan, with extensive market penetration, covering substantially all of the hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, and over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong. Our sales and marketing team maintains strong control over our distribution network by directly connecting with customers, ensuring that we are aware of the latest market developments. In light of our significant market share in the generic drug market and our deep industry knowledge as well as our extensive sales and brand management capabilities, we leverage our strength and competence in these areas to distribute pharmaceutical and biotech products from reputable multi-national companies, thus further enhancing the breadth of our product portfolio.

We have a deep understanding of our customers as a result of our centralized customer relationship management platform and close interactions with market participants. Our SAP-powered logistics center tracks customer preferences and historical purchase records, connecting and sharing business intelligence with all of our facilities and departments. Through distribution of both our own products and products of multi-national companies, we have been able to gather significant feedback, relevant market intelligence and data on industry trends, which allow us to further strengthen our product development strategies and identify business opportunities. In addition, through a series of carefully orchestrated acquisitions, we have been able to establish and integrate a large range of manufacturing capabilities that strategically fit our core vision. These manufacturing subsidiaries have been providing products and services to doctors in private practice and registered pharmacies in Hong Kong and many of them have been established for over 30 years, which give them a significant track record in the market, inspiring confidence in both customers and regulators.

State-of-the-art equipment crucial for manufacturing a wide range of complex drugs

We have the largest number of licensed production facilities for Western medicines in Hong Kong as of December 31, 2015, according to Frost & Sullivan. Our significant economies of scale and advanced facilities can cost-effectively manufacture a wide range of products. We established a long track record of reliability and high quality, as evidenced by PIC/S GMP-accredited generic drug production facilities in Hong Kong. In March 2001, we were one of the first drug manufacturers to comply with GMP standards in Hong Kong, according to Frost & Sullivan. Our facilities are equipped with machinery and equipment that meets international standards. We intend to leverage our PIC/S-accredited facilities to export our strategically-selected generic drugs to countries that are members of PIC/S GMP regime such as Singapore, Malaysia, Australia, New Zealand, Japan, the United Kingdom and the United States.

We have ear-marked sufficient production capacity to take on new opportunities in local and overseas markets. As of March 31, 2016, we had eight PIC/S-accredited facilities for generic drugs in Hong Kong, one GMP-accredited facility for generic drugs in China and two GMP-accredited facilities for proprietary Chinese medicines in Hong Kong. As of March 31, 2016, we also had two brand new production facilities under construction equipped with advanced equipment and machinery catering for larger output batch size to achieve high-volume production and specialized sterile formulation production of generic drugs mainly for solid and liquid dosage forms. For example, we have roller compactors for dry granulation and restricted access barrier systems ("RABS") for filling sterile products. One of the new production facilities successfully obtained its manufacturing license and commenced production in August 2016, and we expect to complete the construction, commissioning and testing of the other new production facility and commence production by the end of 2016. Together, they will increase our production capacity for solid and liquid dosage forms by approximately 3,456 million capsules or tablets and approximately 2.2 million liters, respectively. We expect to incur additional capital expenditures of HK$23.5 million for these production facilities, which will be funded by internal resources and net proceeds from the Global Offering. We believe increasing our production capacity will cater to future growth in Hong Kong and abroad. We are also the only generic drug supplier with active and on-going production activities in a number of pharmaceutical dosage forms in Hong Kong, including enemas, suppositories, sterile eye drops and injectables, according to Frost & Sullivan. Our optimized production allows us to benefit from economies of scale, capitalize on a wide range of opportunities and increase our production capabilities.

Seasoned management team comprised of pioneers in the Hong Kong pharmaceutical industry

We have an experienced and technically seasoned management team with a proven track record of achieving organic business growth and unleashing synergies through strategic acquisitions. Mr. Sum, our founder, Chairman and CEO, has around 28 years of experience in the pharmaceutical industry. He had held various senior management positions with multi-national companies prior to establishing our Group as an entrepreneur. He is a pioneer in the Hong Kong pharmaceutical industry, building our company into a technology and brand leader. In March 2001, we were one of the first drug manufacturers to comply with GMP standards in Hong Kong, according to Frost & Sullivan. We believe he has the foresight and expertise to continue our successful expansion to other markets. Other members of our senior management team have an average of over 10 years' experience in the pharmaceutical industry in Hong Kong.

We are closely connected to the pharmaceutical community in Hong Kong in terms of research, education and sales. We collaborate with Hong Kong's clinical and research institution. Our management team has established strong relationships with local and multinational pharmaceutical players. Our sales and marketing team has close interactions with hospitals, clinics and registered pharmacies in both public and private spheres. Based on our management's vision and close regular contact with customers, we have established a strong foundation for identifying attractive products and acquisition opportunities.

Our management continues to cultivate a corporate culture that is agile, adaptive and responsive with a strong sense of ownership. We abide by a high standard of corporate governance and internal controls and we believe that transparency, accountability and consistency will allow us to continue to operate with excellence. We believe that our proactive yet cautious management culture will allow us to continue to take advantage of new and attractive opportunities.

OUR BUSINESS STRATEGIES

We aspire to become the leading generic drug and proprietary Chinese medicine company in strategically selected markets in the Asia Pacific region. To achieve this goal, we have the following strategies:

Deepen our penetration in Macau, China and other strategically selected Asia Pacific markets

We have established ourselves as a leader in the Hong Kong generic drug market. We intend to leverage our comprehensive product portfolio to penetrate new markets. We will take advantage of favorable regimes and form strategic partnerships with local players. We believe our strong existing reputation will help build our presence in markets with similar demographics, such as Macau, China and other strategically selected Asia Pacific markets. We also aim to leverage our pre-qualifications to deliver pharmaceutical products with direct regulatory approval in markets like Macau and to leverage our PIC/S accreditations to deliver generic drugs in markets such as Singapore, Malaysia, Australia, New Zealand and Japan.

In Macau, we will leverage our extensive sales and marketing experience and deliver our broad product offerings to further enhance our on-the-ground presence to sell both our generic drugs and proprietary Chinese medicines. As of the Latest Practicable Date, we have approximately 700 products filed with the Macau Health Bureau and we intend to expand our product portfolio and revenue in Macau

significantly by introducing more products and expanding our market coverage. We plan to establish a new office in Macau by around the end of 2016 to address and manage the registration, sales and marketing activities of generic drugs and proprietary Chinese medicines in Macau market. Please see "— Expansion into Macau and China's Market" for more details. We aim to become the leading company in generic drugs as well as proprietary Chinese medicines in Macau. We plan to significantly increase our generic drugs sales in Macau over the coming five years.

In China, we will expand our generic drug and proprietary Chinese medicine portfolio and build strategic alliances with local distributors to maximize our market penetration in targeted provinces with high growth potential, including Guangdong, Yunnan, Zhejiang and Fujian provinces. With a view to establishing Puji Pills as the leading gastrointestinal proprietary Chinese medicine in China, in March 2016, we entered into a strategic cooperation framework agreement with Yunnan Baiyao Group Co., Ltd., or Yunnan Baiyao, whereby Yunnan Baiyao will sell and distribute Puji Pills in China, while we sell and distribute selected proprietary Chinese medicines and consumer products of Yunnan Baiyao in Hong Kong and Macau. For generic drugs, we plan to expand our product portfolio in China by registering our strategically selected premium generic drug products, with a focus on gastrointestinal and central nervous system categories, and enter into distribution arrangement with existing or new distributors to sell and distribute these products in targeted provinces in China.

We also aim to broaden the geographic coverage for our generic drugs and proprietary Chinese medicines by expanding into strategically selected markets in the Asia Pacific region. We will leverage the increased access to new markets accredited by PIC/S and launch carefully-selected products, including cardiovascular, gastrointestinal, central nervous system and oral anti-diabetic drugs, into those market. We will also take advantage of the strong brand recognition and extensive sales network of Po Chai Pills and expand our market presence in China, Singapore, Malaysia, the United States and Canada to become a leading proprietary Chinese medicine brand.

Engage in strategic acquisitions and alliances

We will continue to acquire products, technologies and businesses that have strategic fit with our existing products and businesses. In the near term, we will focus on specific products or registration dossiers that would complement our core therapeutic categories, including anti-psychotics, anti-depressants, cardiovascular and gastrointestinal. We will also develop complex products, such as orodispersible tablets, controlled-release tablets and enteric-coated tablets.

We will also actively explore businesses that would enhance our existing product portfolio and market penetration in Hong Kong and export markets, including China and Macau, as well as Singapore, Malaysia, Australia, New Zealand and Japan.

We will also carefully explore strategic alliances with local companies in other key markets to efficiently evaluate the local market demand for our products and business. In the medium term, we will explore acquisitions of products, businesses and companies in carefully-selected emerging markets, where our generic drugs and proprietary Chinese medicines have been well-received.

Enhance our product development capabilities and further enrich our portfolio with premium generic drugs and proprietary Chinese medicines

We are continuously strengthening our product development capabilities. We aim to take advantage of our deep customer knowledge and strong relationships with consumers, clinical and research institutions and other industry players to further enhance our product development leadership.

We will further develop and diversify our portfolio of generic drugs with a focus on specialized formulations that offer value-added attributes that allow us to capture pricing premiums. In particular, we will build on our existing leading positions and continue to expand our product portfolio in key therapeutic categories, including cardiovascular, central nervous system, gastrointestinal, oral anti-diabetics and respiratory. For example, we plan to develop more advanced pharmaceutical

technologies for pellet coating and optimized granulation. We also aim to become one of the major providers of certain high value-added specialized formulations with platform technologies, such as orodispersible and controlled-release. According to Frost & Sullivan, the orodispersible tablet market grew from HK$44.9 million in 2011 to HK$75.3 million in 2015, for a CAGR of 13.8%, and is expected to grow to HK$128.2 million in 2020, with a CAGR of 11.2% in Hong Kong generic drug market. Also, controlled-release formulations, growing from HK$10.8 million to HK$19.6 million from 2011 to 2015, outpaced the growth of total generic drug market, and is forecasted to grow to HK$37.4 million in 2020, at a CAGR of 13.8% from 2015 to 2020.

Our business development team works closely with our product development team to regularly and carefully monitor opportunities presented by drugs going off patent. We will leverage our accumulated product development know-how, market insights and production scale to cater to new and evolving demands in this market. As of the Latest Practicable Date, we have identified over 30 products to be developed and registered in Hong Kong which we can sell after the originator drugs are off patent.

In March 2016, we entered into a memorandum of understanding with a research and academic institution, HKIB, with the aim to establish a new joint research and development center for developing new manufacturing and pharmaceutical technologies that can be used to develop specialized formulations, including fluid-bed coating (for granules and pellets), powder coating (for tablets and granules), hot-melt extrusion (for products with low solubility) and particle technology (for improving the crystal forms and particle science on various purposes). We plan to apply these platform technologies to develop a portfolio of specialized products that would offer tremendous opportunities for revenues growth as well as geographical expansion.

For our proprietary Chinese medicines, we will also continue to develop products that can strategically fit our current portfolio and create value to enhance our current businesses, including, for example, additional gastrointestinal proprietary Chinese medicines to further extend the business and market presence established by our Po Chai Pills brand. We also aim to develop taste-masking formulations for proprietary Chinese medicines.

Consolidate, streamline and improve our manufacturing capabilities

We intend to consolidate and streamline our production facilities and rationalize operational expenses. Generic drug businesses continue to depend on high turnover volume, which makes scale and operational efficiency key factors for continued competitiveness. We aim to enhance and leverage our large, cost-effective operation to continue to increase our economies of scale and pricing advantage, as well as further improving our distribution and logistics capabilities through vertical integration. Within this strategic framework, we aim to consolidate the production of sterile eye drops and high volume solid and liquid dosage forms under our newly-built production facilities, thus achieving high economies of scale and operational efficiency. We also aim to consolidate our procurement process to strengthen our bargaining position to reduce our cost of materials, as well as automating repackaging to improve operational efficiency. We expect improvements in our cost structure as we increase our economies of scale.

OUR BUSINESS MODEL

We are a leading Hong Kong-based company engaged in the development, production, marketing and sale of generic drugs and proprietary Chinese medicines.

We are a vertically integrated manufacturer of generic drugs and proprietary Chinese medicines. The following flow chart shows our business model from early stage research and development to product commercialization as of the Latest Practicable Date.

- ***Product development*** — We have dedicated product research and testing laboratories in Hong Kong and China focused on developing specialized products, enhancing our product portfolio and increasing our production know-how. We aim to develop 89 New Product Formulae within the next 24 months.
- ***Production*** — We had nine production facilities for generic drugs as of March 31, 2016. Eight of these facilities are located in Hong Kong and are PIC/S-accredited, and one is located in China and is GMP-accredited. Our facilities can manufacture a wide range of pharmaceutical dosage forms including solid, semi-solid, liquid, enemas, suppositories, sterile eye drops and injectables. We also have two GMP-accredited production facilities for proprietary Chinese medicines located in Hong Kong.
- ***Quality management*** — Within our quality management team, we had 16 registered pharmacists, 3 employees with Ph.D.s and 49 with master's degrees as of March 31, 2016. We enforce stringent quality management and control covering over a wide range of activities, including sourcing, receiving materials, manufacturing, releasing finished products, stability studies, validation and qualification of equipment and facilities.
- ***Sales and marketing*** — We sell and market our pharmaceutical products to substantially all of the hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong as of December 31, 2015.
- ***Distribution and logistics*** — We have our own vertically integrated logistic operations to distribute our own products as well as third-party products. We distribute our generic drugs primarily to public and private hospitals, doctors in private practice, registered pharmacies, retail outlets and trading companies in Hong Kong. We have consignment agreements with our third-party consignees primarily for the distribution of our generic drugs to the Hospital Authority and certain other customers in Hong Kong. We also distribute our generic drugs through third-party distributors in China and the Philippines. For our proprietary Chinese medicines, we primarily distribute directly in Hong Kong and work with third-party distributors in Macau, China and overseas markets.

Our SAP-powered logistics center tracks customer preferences and historical purchase records, connecting and sharing business intelligence with all of our facilities and departments.

We also market and distribute pharmaceutical and biotech products from reputable multi-national companies, which enhance the breadth of our product portfolio and grow our operational capabilities. We normally enter into distribution agreements with such multi-national companies generally on an exclusive basis, pursuant to which we purchase products from these companies and earn a margin from re-selling and distributing these products at the higher resale prices set by these companies to our customers in the designated distribution areas and business sectors. For the years ended March 31, 2014, 2015 and 2016, we recorded revenue of HK$55.6 million, HK$65.8 million and HK$69.0 million, respectively, from distribution of such pharmaceutical and biotech products. During the Track Record Period, we imported and distributed pharmaceutical products in therapeutic categories including scar treatment, Parkinson's disease treatment, hepatitis B treatment and renal stone treatment and biotech products for breast, colon and prostate cancer assays.

For the years ended March 31, 2014, 2015 and 2016, purchases from our five largest suppliers collectively accounted for approximately 17.8%, 19.6% and 19.5% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for approximately 4.0%, 5.0% and 4.2% of our total purchases, respectively. We have had relationships with our five largest suppliers during the Track Record Period for 7 to 18 years as of the Latest Practicable Date. Our five largest suppliers during the Track Record Period comprised our suppliers for active ingredients or packaging materials and multi-national companies from which we market and distribute pharmaceutical products.

For purchases of raw materials from our five largest suppliers, we are generally granted credit terms of 7 to 90 days for invoice settlement. As of the Latest Practicable Date, our five largest suppliers were all Independent Third Parties.

For the years ended March 31, 2014, 2015 and 2016, sales to our five largest customers collectively accounted for approximately 39.3%, 37.0% and 35.1% of our total revenue during the same periods, respectively, and sales to our single largest customer, the Hospital Authority, accounted for approximately 31.5%, 29.7% and 28.0% of our total revenue, respectively. We have had relationships with our five largest customers during the Track Record Period for 6 to 18 years as of the Latest Practicable Date. Other than the Hospital Authority, our other four largest customers during the Track Record Period included distributors of our generic drugs or proprietary Chinese medicines, registered pharmacies, retail outlets and trading companies. We extended credit terms of up to 108 days to our five largest customers during the Track Record Period, who primarily pay us via bank transfer, check or telegraphic transfer. As of the Latest Practicable Date, our five largest customers were all Independent Third Parties.

The following table shows the key categories of customers that we have delivered drugs to during the Track Record Period and our percentage of coverage as of April 11, 2016:

Customer	Our Number of Customers Covered	Percentage of Coverage
Private Hospitals	11	100%
Hospital Authority Hospitals and Institutions	37	>90%
Hospital Authority Specialist Out-patient Clinics	45	>95%
Hospital Authority General Out-patient Clinics	66	>90%
Department of Health Clinics and Health Centers	141	>90%
Registered pharmacies	597	>95%

In addition to the above, we have also delivered drugs to over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong mainly through our in-house logistic arm.

Our products are broadly divided into generic drugs and proprietary Chinese medicines. During the Track Record Period, overall sales in generic drugs and proprietary Chinese medicines were fairly balanced throughout the year and we do not consider that seasonality in either category was material.

The table below sets forth the sales volume and price ranges of our top 10 products under our generic drug business in terms of revenue contribution for the year ended March 31, 2016:

Product and Dosage Form	Therapeutic Category	Sales Volume for the Years Ended March 31,			Price Range for the Years Ended March 31,[1]		
		2014	2015	2016	2014	2015	2016
		(in thousand sales packs)			(HK$ per sales pack)		
Marsedyl Elixir 120 ml[2]	Respiratory	660.4	738.0	1,081.8	28.8–45.6	28.8–47.0	28.8–51.0
P.E.C. Syrup 120 ml[2]	Respiratory	431.2	509.5	643.4	38.0–49.0	38.0–50.0	39.0–52.0
Contractubex 20g	Scar treatment	123.8	170.8	168.2	76.4–135.0	75.3–135.0	78.2–135.3
Fendil Syrup 120ml	Respiratory	293.5	319.2	333.7	44.0–45.0	45.0–46.0	46.0–50.0
Bisacodyl Suppository 10mg 100's	Gastrointestinal	36.6	40.2	43.4	250.0–263.0	263.0–295.0	295.0–329.0
Avastinee Tablets 10mg 500's[3]	Cardiovascular	0.4	174.7	204.2	125.0–750.0	69.5–880.0	50.0–880.0
Suphenin Syrup 120ml[2]	Respiratory	188.9	222.6	284.4	45.0–46.0	46.0–46.5	46.0–48.0
Glupozide Tablets 80mg 500's[4]	Oral anti-diabetics	219.6	228.5	164.1	53.6–760.0	81.5–800.0	70.0–880.0
Lostear Eye Drops 0.3% 10ml	Sterile eye drop	2,160.0	2,204.0	2,419.4	3.9–21.0	4.5–24.0	3.9–26.0
Fendyl Syrup 120ml	Respiratory	178.0	178.0	208.3	44.0–45.0	45.0–46.0	46.0–48.0

Notes:

(1) Some of our products vary significantly in price as we sold the products to a wide range of customers, and as such, adopted a wide range of different pricing policies during the Track Record Period. Please see the section headed "— Generic Drugs — Customers — Terms and Pricing" of this prospectus.

(2) *The increases in the sales volumes of marsedyl elixir, P.E.C. syrup and suphenin syrup during the Track Record Period were primarily due to the organic growth of the market demand in Hong Kong.*

(3) *The increase in the sales volume of avastinee tablets during the Track Record Period was primarily due to a two-year Hospital Authority tender awarded in January 2014 with a contract value of approximately HK$15.3 million.*

(4) *The decrease in the sales volume of glupozide tablets from the year ended March 31, 2015 to the year ended March 31, 2016 was primarily due to a decrease in tender volume of the Hospital Authority in the year ended March 31, 2016.*

The table below sets forth the sales volume of the key products under our proprietary Chinese medicines during the Track Record Period:

Product and Dosage Form	Sales Volume for the Years Ended March 31,		
	2014	2015	2016
	(in thousand sales packs)		
Po Chai Pills	5,908.3	5,794.8	6,428.3
Flying Eagle Woodlok Oil	2,186.2	534.7	2,245.5
Tong Tai Chung Woodlok Oil	—	79.2	87.8

Please see the section headed "— Proprietary Chinese Medicines — Customers — Terms and Pricing" of this prospectus for price ranges of our proprietary Chinese medicines during the Track Record Period.

GENERIC DRUGS

Our Products

We own a large number of registered generic drug licenses, which enable us to manufacture and distribute a diversified product portfolio to provide a one-stop solution for customer needs. Key therapeutic categories include respiratory, cardiovascular central nervous system, gastrointestinal, scar treatment and oral anti-diabetics. As of the Latest Practicable Date, we owned approximately 3,000 product licenses in Hong Kong, approximately 700 products filed with the Macau Health Bureau and 13 product licenses in China. Our generic drugs exist in a wide range of dosage forms, with each dosage form requiring different manufacturing processes.

The following table shows details of our ranking in selected key therapeutic categories, according to Frost & Sullivan:

Therapeutic Categories	Hospital Authority Ranking	Our Market Share in 2015 in Hong Kong	2015 Overall Market Size in Hong Kong (HK$ in millions)	Overall Market's Expected CAGR in Hong Kong from 2015 to 2020
Respiratory	1	78.4%	441.2	8.4%
Cardiovascular	1	17.9%	590.9	12.2%
Central nervous system	1	12.9%	488.0	11.4%
Gastrointestinal	1	16.8%	361.6	9.2%
Scar treatment	*	36.0%	87.7	10.6%
Oral anti-diabetics	1	12.2%	196.4	12.0%

Note:

* *We did not sell scar treatment products to the Hospital Authority during the Track Record Period.*

The following table shows our key therapeutic categories:

Therapeutic Category	Description	Illustrative Photo
Respiratory	Drugs for treating asthma, common cold, flu or other conditions that affect the respiratory system, such as nasal decongestants, antihistamines, bronchodilators, mucolytics, antitussives and cough expectorants	
Cardiovascular	Drugs for treating conditions relating to the heart and vascular system, including anti-arrhythmics, lipid-lowering agents, antihypertensives, diuretics, beta-blockers, calcium channel blockers, ACE inhibitors and angiotensin II receptor antagonists	
Central nervous system .	Drugs for treating conditions relating to the brain, spinal cord and other aspects of the central nervous system, including analgesics, conventional and atypical antipsychotics, anxiolytics, antidepressants and hypnotics	
Gastrointestinal	Drugs for treating conditions relating to the gastrointestinal tract, which include the organs from mouth to anus, along the alimentary canal, including antacids, antiflatulents, antiulcerants, antispamodics, antiemetics, antidiarrheals and laxatives	
Oral anti-diabetics	Drugs for treating diabetes, including sulphonylureas and biguanides	
Scar treatment	Contractubex, a proprietary brand and one of the best-selling scar treatment products in Hong Kong in 2015, representing a 36.0% market share in the Hong Kong scar treatment market by revenue, according to Frost & Sullivan	

We also have other generic drugs including from various therapeutic areas including dermatologicals, anti-infectives, eye drops, vitamins and minerals.

In addition, we are also the owner and sole provider of certain drugs and dosages in Hong Kong. We are the only generic drug supplier with active and on-going production activities in a number of pharmaceutical dosage forms in Hong Kong including suppositories, enemas, sterile eye drops and injectables, according to Frost & Sullivan. We also possess formulations with specific dissolution profiles as to the timing of release of the active ingredient.

Our generic drugs generally have a shelf-life of two to four years.

Customers

Our generic drugs have extensive market penetration, covering substantially all of the hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong as of December 31, 2015.

The Hospital Authority is a statutory body charged with the mandate to manage all of Hong Kong's public hospitals and specialist out-patient clinics. It is governed by its board and monitored by the Secretary for Food and Health of the Hong Kong Government. It primarily procures drugs through an open tender system which stipulates a whole spectrum of tendering requirements and performance specifications for tenderers to make reference to and comply with. To become an eligible tenderer of the Hospital Authority, the tenderer is required to have valid registrations with PPBHK as well as licenses and certificates issued by PPBHK, including the License for Manufacturer, the Certificate for Manufacturer (GMP Certificate), the Wholesale Dealer's License to Supply Dangerous Drugs and the Wholesale Dealer License. Eligible tenderers must also submit detailed information on technical and product specifications, production and quality control facilities and the relevant personnel to the Hospital Authority, which may further request a tenderer to provide confirmation from a patent attorney that the products to be supplied have not been subject to any infringement claim and the supply and use of the products in Hong Kong will not infringe any granted patent or fall within the claims of any pending patent application. The Hospital Authority hospitals and clinics include Queen Mary Hospital, Prince of Wales Hospitals, Kwong Wah Hospital, Tuen Mun Hospital, Queen Elizabeth Hospital, Princess Margaret Hospital, Tseung Kwan O Hospital and their respective General Out-Patient Clinics and Specialist Out-Patient Clinics.

We have been qualified as a supplier to the Department of Health since 2004. We have secured a contract for manufacturing a line of specialized products for the Department of Health, which requires stringent production, storage and logistics requirements due to its classification as a "dangerous drug" since May 2014. We are also supplying a wide range of products including cough and cold preparations, emulsifying ointment and aqueous cream to Department of Health. The Department of Health also procures some drugs through an open tender system similar to that of the Hospital Authority. The requirements for tenders to the Department of Health are generally the same as those to the Hospital Authority, except that the Department of Health typically does not require confirmation from a patent attorney. Our tender success rates with the Department of Health were approximately 66.7%, 75.0% and 83.3% for the years ended March 31, 2014, 2015 and 2016, respectively. As of the Latest Practicable Date, we had 21 outstanding contracts with the Department of Health with a total contract value of approximately HK$11.9 million. A portion of the total contract value under these outstanding contracts was recorded as revenue during the Track Record Period, and we expect to generate an additional approximately HK$9.8 million of revenue for the three years ending March 31, 2019.

Private hospitals include Hong Kong Adventist Hospital, Hong Kong Sanatorium Hospital, St. Paul's Hospital, St. Teresa Hospital and Hong Kong Baptist Hospital.

Terms and Pricing

We set the prices of our generic drugs based on a number of factors, including product costs (including raw material and packaging materials), overheads (including production, quality control and

quality assurance costs), the relative pricing of competing products, production capacity and our bargaining power. We may offer volume discounts to certain customers on a case-by-case basis.

For Hospital Authority, sales are primarily through tenders. For more information on terms and pricing, see "— Generic Drugs — Sales and Marketing — The Hospital Authority Procurement".

For non-Hospital Authority purchases, terms and pricing are mostly determined with regards to our annual price list, market demand and customer profile.

We generally grant credit terms of 30 days to public and private hospitals, doctors in private practice and Department of Health clinics and 60 to 90 days to registered pharmacies, retail outlets and trading companies, which is in line with market practice.

Our drug products vary significantly in price. Selling prices of our generic drugs remained relatively stable during the Track Record Period. The following table shows the price ranges of our generic drugs during the Track Record Period. Drugs with significantly different effective dosage amounts, for different therapeutic categories and that otherwise differ significantly have been grouped together for illustrative purposes only in the following table.

	For the year ended March 31,		
	2014	2015	2016
Solid (HK$ per sales pack)	12.0 to 1,580.0	12.4 to 1,735.0	12.4 to 1,735.0
Semi-solid (HK$ per sales pack)	15.2 to 294.0	16.0 to 297.0	16.0 to 297.0
Liquid (HK$ per sales pack)	23.2 to 1,195.0	23.8 to 1,250.0	23.8 to 1,250.0

Sales and Marketing

We sell directly to customers including hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong. In addition, the Hospital Authority primarily purchases our drugs through our consignees.

Direct Sales

We had 76 sales staff as of March 31, 2016, divided into six sales teams covering our customers, including public and private hospitals, doctors in private practice, registered pharmacies, retail outlets (including drug stores, chain stores and convenience stores) and trading companies. On average, our sales staff have over five years of experience in pharmaceutical sales.

We undertake a wide variety of activities to establish our brand as Hong Kong's leading supplier of high-quality generic drugs. Based on our extensive experience, we have developed cost-efficient and highly effective ways to enhance our market presence. Our sales teams visit our customers to gather market intelligence, analyze market demand and satisfy their changing needs. We have developed a deep familiarity with and accumulated relevant data about the decision-making landscape of doctors, pharmacists and other key decision makers. This allows us to identify new business opportunities.

The Hospital Authority Procurement

The Hospital Authority primarily procures generic drugs through an open tender system in which a whole spectrum of tendering requirements and performance specifications for tenderers to make reference to and comply with. Tenders are awarded based on a number of factors, including the price competitiveness and compliance with technical and product specifications, suppliers' track record and financial strength as well as clinical substantiation. Other requirements include quality and service standards as well as evidence of compliance with licensing requirements. Once a tender is awarded to one or more tenderers, the relevant tenderers gain the exclusive rights to supply the relevant products to the

public hospitals and institutions for a period of time and in accordance with other conditions specified in the tender document. The contractual period of each tender is usually two years.

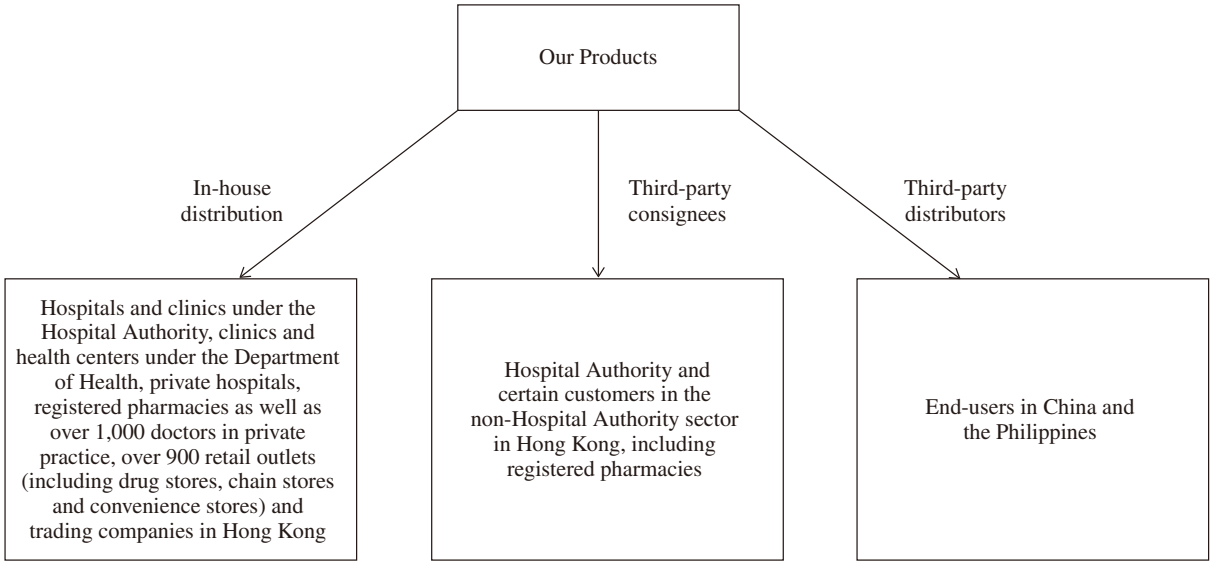
During the Track Record Period, we secured over 100 contracts with the Hospital Authority with a total contract value of approximately HK$698.2 million and tender success rates of approximately 79.4%, 93.0% and 90.0% for the years ended March 31, 2014, 2015 and 2016, respectively. Sales to the Hospital Authority contributed approximately 31.5%, 29.7% and 28.0% of our total revenue for the years ended March 31, 2014, 2015 and 2016, respectively. These sales covered mainly five therapeutic categories, cardiovascular, gastrointestinal, central nervous system, oral anti-diabetics and respiratory. The average contract value is approximately HK$5.8 million. As of the Latest Practicable Date, we had 104 outstanding contracts with the Hospital Authority with a total contract value of approximately HK$610.5 million. A portion of the total contract value under these outstanding contracts was recorded as revenue during the Track Record Period, and we expect to generate an additional approximately HK$412.9 million of revenue for the three years ending March 31, 2019.

To initiate the competitive bidding process, the Hospital Authority will invite eligible tenderers and send tender information or post the information on its website. Internal discussions will be held to review the technical requirements, production capacity and costs before we determine whether we should submit our bid or not. If we win the tender, the Hospital Authority will send a memorandum of acceptance to us and the awarded tender price will be input into its system. Our production team will prepare for the production of buffer stocks in accordance with the supply plan as stipulated in the tender document while our finance team will handle the contract deposit and product liability insurance matter.

Distribution and Logistics

Our direct customers for generic drugs primarily include hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and convenience stores) and trading companies in Hong Kong. We have consignment agreements with our consignees primarily for the distribution of our generic drugs to the Hospital Authority.

The diagram below illustrates the structure of our channel strategy for our generic drugs segment.



In-house Distribution

We distribute our products to hospitals and clinics under the Hospital Authority, clinics and health centers under the Department of Health, private hospitals and registered pharmacies, as well as over 1,000 doctors in private practice, over 900 retail outlets (including drug stores, chain stores and

convenience stores) and trading companies in Hong Kong, primarily through our in-house logistic arms, Pharmason and Jacobson Medical. They are equipped with an efficient stock picking and inventory management system under the roof of a temperature and humidity-controlled logistic facility with gross floor area of approximately 50,000 sq. ft. Cold room facilities are installed to enhance our ability to handle products required to be stored within certain prescribed temperature range. It owns a fleet of delivery trucks and vans which enables physical delivery drops to customers on a day-to-day basis.

Pharmason handles the warehousing, storage, invoicing, delivery, receivables collection and sales reporting of our products to customers in the non-Hospital Authority sector encompassing, private hospitals, doctors in private practice, registered pharmacies, retail outlets (including drug stores, chain stores and convenience stores) and trading companies. Jacobson Medical performs the same function for third-party products and our products in both the Hospital Authority and non-Hospital Authority sectors.

Jacobson Medical operates with GSDP and ISO9001 accreditation. Both Jacobson Medical and Pharmason operate with a Wholesaler Dealer License holder approved by PPBHK and are authorized to handle dangerous drugs.

Both Pharmason and Jacobson Medical are supported with a SAP-powered system to handle sales and accounts data management, which facilitates real-time ordering and inventory updates. The SAP platform also enables direct interfacing with the Hospital Authority's EDI procurement system.

Third-Party Consignees and Distributors

Hong Kong

We utilize third-party consignees to fulfill part of our sales to the Hospital Authority and certain customers in the non-Hospital Authority sector in Hong Kong, including registered pharmacies, to take advantage of the consignee's extensive transportation and logistic network and capabilities to complement our in-house distribution. From the beginning of the Track Record Period and up to November 2015, we maintained stable business relationship with two consignees, Consignee A and Consignee B, both of which are major logistic service providers in Hong Kong. Consignee A has provided services to healthcare and pharmaceutical companies for more than 90 years and currently operates in 13 countries in Asia. It provides tailored distribution services in the healthcare industry, such as pharmaceuticals, medical devices and diagnostics, consumer health, clinical reach, pharma bio-logistics, and specialized solutions segments. Consignee B has served the healthcare and pharmaceutical industries for more than 40 years. Its network covers public and private hospitals, medical clinics, chain and independent dispensaries and nursing homes in Asia. We terminated Consignee B to better utilize our in-house distribution capacity in November 2015, after which and as of March 31, 2016, we continued to work with Consignee A as our sole consignee. As of the Latest Practicable Date, we had over 10 years of cooperation with Consignee A. These consignees provide (in the case of Consignee B, provided) tender process management, processing, customer servicing, warehousing, transportation and account receivable collection services to us in relation to our consignment products.

For the years ended March 31, 2014, 2015 and 2016, the aggregate sales through our consignees accounted for approximately HK$207.1 million, HK$306.4 million and HK$308.4 million, or approximately 22.4%, 32.3% and 28.5% of our revenue respectively and the commission fee paid to our consignees was HK$18.1 million, HK$11.0 million and HK$10.3 million, respectively. During the Track Record Period, we entered into consignment agreements with our consignees which specify a variety of terms including the designated geographic areas, pricing policies, commission fees and inventory levels. The key terms of these agreements include:

- *Duration:* Ranges from two to four years and is renewable with advance written notice.
- *Designated Geographic Area:* Hong Kong.
- *Exclusivity:* Consignees are granted the exclusive consignment of certain specified types of consignment products in their designated geographic area.

- *Sales Target and Minimum Purchase Requirement:* None.
- *Pricing Policy:* We set the selling prices of the consignment products.
- *Commission Fee:* We pay to our consignees (i) service fees calculated as a fixed percentage of the relevant transaction amounts of the products they invoice to our customers and (ii) fees for ancillary services calculated based on rates stipulated in the consignment agreements.
- *Inventory Level:* Ranges from 75 days to 4 months of sales and we need to pay our consignees for storage in excess of the maximum inventory level determined in accordance with the consignment agreements.
- *Arrangement for Obsolete, Returned or Recalled Products:* We are generally responsible for all damaged, expired, returned and recalled products.
- *Sales and Inventory Information:* Consignees are required to provide us with sales and inventory reports on a monthly basis or access to such information through their information technology system.
- *Credit Terms:* Ranges from 30 days after invoice date to 25 days after end of the month during which consignment products were sold.
- *Confidentiality:* Consignees undertake not to disclose any of our trade secrets or other business information to any third party.
- *Termination:* The consignment agreements can be terminated in the event of, among other reasons, a material breach by either party that is not remedied within a prescribed time-period or in case of winding up, liquidation, bankruptcy, insolvency of either party.

Under the consignment agreements which was agreed based on arm's length negotiation, our consignees do not have the right to set the selling prices of the consignment products and do not bear any inventory risks associated with the consignment products sold or to be sold. Our consignees bear the risks as a result of default in customer payment, which, our Directors believe, is accepted by them in view of the relatively low credit risk level of our customers purchasing the consignment products. Also, our revenue is recognized only when the consignment goods are delivered to these customers and is reported on a gross basis. Having considered all of the relevant indicators as set out under Hong Kong Accounting Standard 18, *Revenue* ("**HKAS 18**") on a holistic basis, it is determined that our Group would still bear the significant risks and rewards associated with the sale of our consignment products. As such, our relationship with our consignees is deemed as a principal-agent relationship. Accordingly, the relevant transactions through our consignees are accounted for as sales to our customers rather than sales to our consignees. For further details on the assessment of the accounting treatment under HKAS 18 in relation to the consignee arrangement, please refer to the section headed "Financial Information — Principal Statement of Profit or Loss and Other Comprehensive Income Items — Revenue — By Distribution Channels" of this prospectus.

While we have largely relied on a limited number of consignees in terms of tender process management, processing, customer servicing, warehousing, transportation and account receivable collection services in respect of the sale of our consignment products in Hong Kong during the Track Record Period and up to the Latest Practicable Date, we believe that there are alternative service providers in the market at comparable rates readily available should we or our consignees decided to terminate the consignment agreements.

China and the Philippines

We sell our generic drugs through third-party distributors in China and the Philippines, who on-sell our products to their customers, which do not have any contractual relationships with us and are not imposed with any of our control or oversights. We have maintained long-term business relationship with our distributors and as of the Latest Practicable Date, most of them have more than eight years of cooperation

with us. We leverage our distributors' established access to their local markets to reach to our customers and consistently expand the breadth and depth of our market presence in the above jurisdictions.

During the Track Record Period, we entered into distribution agreements with our distributors which specify a variety of terms including the designated geographic areas, sales targets and minimum purchase requirements, and product return policies. The key terms of these agreements include:

- *Duration:* Ranges from 18 months to 10 years and is renewable with advance written notice.
- *Designated Distribution Area:* Distributors are not allowed to sell or distribute our products outside of their designated distribution areas.
- *Exclusivity:* Distributors are granted the exclusive distributorship of specified certain types of products in their designated geographic area.
- *Sales Target and Minimum Purchase Requirement:* Majority of the distributors usually undertake a minimum annual purchase requirements based on their capabilities. In the event that the distributors fail to meet their annual minimum purchase requirements, we are entitled to terminate the distribution agreements with them. We provide certain distributors with cash bonuses or discounts if their annual sales meet certain sale targets.
- *Resale Price Management:* We generally do not control the prices at which our distributors resell our products to their customers.
- *Inventory Level:* We generally do not require our distributors to maintain a minimum inventory level.
- *Return of Products:* We generally do not allow product returns except for defective products. We generally do not accept return of non-defective unsold or expired products, except that we allow one distributor to return not more than 2% of non-defective products within three months per delivery.
- *Access to Information:* A number of distributors are required to provide monthly sales and/or inventory reports to us.
- *Credit Terms:* Decided on a case-by-case basis depending on the product type and credit worthiness of the distributors, such as a credit term of 90 days after delivery and payment of deposit before delivery with a credit term of 60 days after delivery.
- *Non-Competition:* We generally do not allow our distributors to sell or distribute any product which is similar to or competes with our products within their designated geographic areas.
- *Confidentiality:* Distributors undertake not to disclose any of our trade secrets or other business information to any third party.
- *Termination:* The distribution agreements can be terminated in the event of, among other reasons, a material breach by either party that is not remedied within a prescribed time-period or in case of winding up, liquidation, bankruptcy and insolvency of either party or either party becoming unable to perform its obligations under the agreements due to force majeure events.

Under the distribution agreements, we have a seller-buyer relationship with our distributors. We retain no ownership over the products that we sell to them, and all significant risks and rewards associated with these products are transferred to them upon delivery to and acceptance by them. Our distributors on-sell our products to their customers, which do not have any contractual relationships with us and are not imposed with any of our control or oversights.

Selection of Consignees and Distributors

We select our consignees and distributors based on their distribution network, market position, customer service, reputation and fees. Our development and maintenance of a stable consignment and

distribution is supported by various factors, such as (i) working with a limited number of reputable and reliable consignees and distributors in each region, which helps to avoid cannibalization among them, (ii) our diversified generic drugs offering, (iii) our comprehensive support, and (iv) in respect of our distributors, a competitive pricing strategy.

Consignee and Distributor Management

We closely monitor the performance of our consignees and distributors by communicating with them on a regular basis and/or reviewing their sales and inventory reports and their sale targets as applicable. We evaluate their performance, based primarily on the following factors:

- maintenance of creditworthiness;
- quality of internal management;
- development and expansion of distribution network;
- improvement in warehousing facilities and delivery capabilities;
- improvement in operating and business management capabilities; and
- improvement in overall sales performance.

By working with a limited number of reputable and reliable consignees and distributors, we are able to effectively manage our consignees and distributors through the above measures to ensure that they comply with the terms and conditions of the relevant consignment or distribution agreements. As such, in case we discover any non-compliance or performance issues, we can timely inform the relevant consignees or distributors to cease the non-compliant activities or improve their performance. We can terminate the relevant consignment or distribution agreement in case of material breach by them that is not remedied within a prescribed time-period. The above procedures, combined with our policies that we generally do not accept product returns unless the products are defective, help ensure that our sales to distributors reflect genuine market demand and mitigate the risk of inventory accumulation in the distribution channels. We are not aware of any material accumulation of stock by our distributors during the Track Record Period.

The following table sets forth the changes in the number of our consignees and distributors as of the dates indicated:

	Year ended March 31,		
Number of third-party consignees and distributors	**2014**	**2015**	**2016**
At the beginning of the period	7	7	7
Additions of new third-party consignees and distributors	–	–	–
(Termination of existing third-party consignees and distributors)	–	–	(3)
As of the end of the period	7	7	4

During the Track Record Period, we terminated our agreement with Consignee B to better utilize our in-house distribution capacity and terminated the distributors at the end of the contract.

To the best knowledge of our Directors, (i) the consignment model and the distribution model are also adopted by some of the peers in the generic drug industry, (ii) all of our consignees and distributors were Independent Third Parties, and none of them was wholly-owned or majority controlled by our current or ex-employees during the Track Record Period and (iii) our consignees and distributors are primarily engaged in the business of distributing pharmaceutical products in the relevant jurisdictions.

During the Track Record Period, we did not provide financing to any of our consignees or distributors except for credit terms we granted to them under the relevant consignment agreements or

distribution agreements. During the Track Record Period, there were no material product returns from our consignees or distributors. Please see "— Product Returns, Recalls and Warranties" for more information.

Suppliers

During the Track Record Period, the raw materials for our generic drugs were primarily APIs, excipients and packaging materials, and we did not experience any shortage or delay in the supply of raw materials. We are generally able to pass on fluctuations of increases in raw material prices to our customers.

Vendor approval process is required for our major suppliers of key raw materials for generic drugs, comprising an on-site audit or audit by questionnaire and regular monitoring and review, including qualification assessment and sample testing. Our raw material manufacturers were primarily located in China, Switzerland, the United Kingdom, Spain, South Korea, India and Taiwan.

A majority of our raw materials and packaging materials are produced by GMP-accredited or ISO-certified manufacturers. We require that raw materials are specified and compliant with relevant standards.

For most of the raw materials, we can choose from a number of suppliers. During the Track Record Period, we sourced our raw materials for our generic drugs from over 350 suppliers. We routinely monitor our suppliers for any incidents or regulatory warnings.

We generally place purchase orders and do not have any agreements with our suppliers lasting longer than one year. Although we do not enter into long-term supply contract with many of our suppliers, we are able to maintain long-term business relationships with our suppliers. Our business relationships with our five largest raw material suppliers range from 7 to 18 years. Our economic of scale would allow us to negotiate and secure favorable pricing terms, including discounts. Local suppliers generally provide 30 to 90 days' credit. Payment in advance before shipment or cash on delivery is generally required for orders from China, India and overseas. The lead time varies from the availability of the stock by the supplier, types of the materials, and production cycle of the materials.

We manage our inventory carefully to ensure not more than six months stock are kept for items with one to two months lead time and maintain higher stock level for high consumption materials or items with longer lead times.

Production

Our production process begins with the purchase of raw materials and packaging materials. We perform quality control tests of all received materials and only use qualified materials in the manufacturing process. Then, we manufacture and package the products according to pre-set and standardized procedures. We perform quality control tests on the full specifications for every batch of finished products. After confirming compliance with product specifications, our authorized person releases the products for sale.

Facilities

As of March 31, 2016, we had nine production facilities for generic drugs. Eight of these facilities are located in Hong Kong and are PIC/S-accredited, and one is located in China and is GMP-accredited. We own all of our production facilities, with respect to which we have obtained all necessary license, permits and approvals. We obtain our production equipment mainly from suppliers in Germany, Japan, Taiwan and China. We have a team of over 300 production and engineering personnel, who have an average of over five years of experience working in the industry. Our major assets and equipment for generic drugs aged from one year to three years. Periodic maintenance for the production facilities and equipment are carried out primarily by our internal production and engineering team to ensure their

performance are at optimal levels. We replace or upgrade production equipment and machinery when necessary to enhance productivity or functionality. We did not experience any material interruptions to our production process due to facilities or equipment failure during the Track Record Period.

As of March 31, 2016, we also had two new automated production facilities under construction equipped with advanced equipment and machinery catering for larger output batch size to achieve high-volume production and specialized sterile formulation production of generic drugs mainly for solid and liquid dosage forms. Please see the section headed "— Our Competitive Strengths — State-of-the-art equipment crucial for manufacturing a wide range of complex drugs" of this prospectus for more details.

The following table describes our major assets and equipment in our generic drug production facilities:

Name of the Equipment	Purpose of the Equipment	Special Features	Country of Brand
Capsule Filling Machine	Capsule Filling	The fastest tamping pin system with minimal product loss with a capacity of over 150,000 capsules per hour and a maximum machine cycle of 140 cycles per minute	Germany
Blister Machine	Blister Packing	Highly flexible, with a capacity of 500 blisters per minute.	Germany
Roller Compactor	Dry granulation process	Precision real-time roll gap control which improves product quality and increases processing efficiency with capacities ranging from 50 grams to 30 kilograms per hour	USA
Double-Sided Rotary Press	Tablet Compression	Double sided rotary press Exchangeable turret of, single- and double-layer tablets	Germany
Plastic/Glass Bottle Liquid Filling Line	Liquid Filling	An integrated system of washing glass bottles and air-rinsing plastic bottles, and filling syrup/suspension with high-accuracy volumetric filling. With capacities ranging from 30 to 80 bottle per minute	Italy
High-Shear Mixing, Cone Milling, Fluid-Bed/Oven Drying System	Wet Granulation	With capacities of up to 210 kilograms	Taiwan

The following table shows the production capacities of our nine production facilities for generic drugs during the Track Record Period:

Category	Operational Information	For the year ended March 31, 2014	2015	2016
Solid	Designed production capacity (in millions of capsules or tablets)[1][3]	2,446	2,446	2,292
	Output (in millions of capsules or tablets)	1,898	1,913	2,166
	Utilization rate (%)[2]	78	78	95[4]
Semi-solid	Designed production capacity (in kilograms)[1]	352,500	307,500	352,500
	Output (in kilograms)	159,162	169,897	162,559
	Utilization rate (%)[2]	45	55	46[5]
Liquid	Designed production capacity (in liters)[1]	3,311,100	3,311,100	3,538,800
	Output (in liters)	2,130,488	2,113,935	2,164,550
	Utilization rate (%)[2]	64	64	61[5]

[1] *Designed production capacity is calculated assuming 300 days per year, 6 days of operation per week and 12 hours of operation per day at maximum output batch size.*

[2] *Utilization rate is calculated by dividing actual output by designed production capacity.*

[3] *Average weight of each capsule and tablet is estimated to be 250 mg.*

[4] *The increasing utilization rate reflects the increase in production volume. The construction of a new production facility was completed in August 2016, which will expand our production capacity for solid dosage forms by approximately 3,456 million capsules or tablets. As the utilization rate reached 95% for the year ended March 31, 2016, we need additional capacity to increase our market share in the non-Hospital Authority sector or bid for additional tenders of the Hospital Authority.*

[5] *The spare production capacity for semi-solid and liquid dosage forms is reserved for future expansion into Macau, China and other strategically selected markets in the Asia Pacific region. Please see the section headed "— Our Business Strategies — Deepen our penetration in Macau, China and other strategically selected Asia Pacific markets" of this prospectus for more details. In consideration of the lead time for building each new production facility, it would take at least three to five years to work on the layout design, site construction, installation and validation of machinery and equipment as well as obtaining approval from the Department of Health. Therefore, in anticipation of our expansion plan, it is more economical to design and build production facilities with reserved capacity readily available to capture future growth opportunity in a timely manner.*

Manufacturing

Our manufacturing processes vary between each product, and the process of manufacturing varies significantly depending on whether the product is solid. The time for each step in the manufacturing process varies depending on the specific requirements of the product. The following diagrams show the key steps for manufacturing each of our dosage forms for our generic drugs.

Solid Product

All starting materials are tested for their physical characteristic and quality. Upon completion of the quality tests on the starting raw materials, they are dispensed for blending. In many cases, a granulation process which can be done in a dry or wet basis is employed to improve the flowability and compactibility of powder mix prior to tablet production or encapsulation. For tablet products, coating (e.g. film, sugar orenteric) is often required for tablet protection and/or functional purposes. The coated tablets and capsules are subsequently filled into blister packs or bottles, and are subject to the required quality tests before being released to the market. The whole manufacturing process can normally be completed in 18 to 24 hours.

Semi Solid Product

All starting materials are tested for their physical characteristic and quality. Upon completion of the quality tests on the starting raw materials, they are dispensed and fed into a tank for compounding or emulsifying. The mixture is then homogenized for improving content uniformity as well as stability. The resulting product is filled automatically into proper packaging materials. After packaging, the finished products are subject to the required quality tests before being released to the market. The whole manufacturing process can normally be completed in 5 to 13 hours.

Liquid Product

All starting materials are tested for their physical characteristic and quality. Upon completion of the quality tests on the starting raw materials, they are dispensed and dispersed in liquid vehicle, normally water or syrup. Upon homogenization, the solution is filtered and filled into a plastic or glass bottle. The finished products are subject to the required quality tests before being released to the market. The whole manufacturing process can normally be completed in 6 to 18 hours.

Quality Management

As a pharmaceutical manufacturer, our key focus is to ensure that our products are safe, effective and of high quality. Specifically, pharmaceutical manufacturers are required to comply with GMP, a quality standard adopted in the drug manufacturing industry worldwide to ensure that products are produced and controlled according to quality standards appropriate for their intended use and as required under the relevant regulations. Our generic drug manufacturing in Hong Kong is fully implementing GMP in accordance with the PIC/S GMP Guide set forth by the Pharmacy and Poisons Board of Hong Kong and our generic drug manufacturing in China is fully implementing the GMP Guide set forth by the CFDA.

We had a team of over 250 quality management personnel, comprised of over 150 quality control personnel and over 100 quality assurance personnel as of March 31, 2016. Within our quality management team, we had 16 registered pharmacists, 2 employees with Ph.D.s and 46 with master's degrees as of March 31, 2016. The quality assurance department ensures GMP compliance, whereas our quality control department carries out all necessary and relevant tests on raw materials, intermediate products and finished products. Most of our quality assurance personnel are graduates of science or a related discipline with relevant working experience in GMP pharmaceutical manufacturing/quality control as of March 31, 2016.

Pursuant to the requirements under the PIC/S GMP regime, we must have an authorized person (responsible for releasing the products to the market), a production manager (responsible for managing production) and a quality control manager (responsible for quality control activities) that have been approved by P&P (Manufacturing Licensing) Committee.

Both the quality control department and the quality assurance department are headed by a registered authorized person. Under Regulation 30C of the Hong Kong Pharmacy and Poisons Regulations, an authorized person must be a registered pharmacist with the P&P Board of Hong Kong or hold a

qualification awarded on completion of an appropriately recognized course, and have at least three years of relevant working experience in GMP pharmaceutical manufacturing or quality control at the managerial or supervisory level. The authorized person must be registered and listed in the list of Registered Authorized Person to carry out the duties in relation to the Western medicines manufactured under the Pharmacy and Poisons Regulations (Chapter 138A, Laws of Hong Kong) and is approved by the P&P (Manufacturing Licensing) Committee. The authorized person's registration is required to be renewed every year. As of March 31, 2016, we had a team of 27 individuals who had been approved by P&P (Manufacturing Licensing) Committee as authorized person, production manager and/or quality control manager, which comprised Mr. Chui Tak Chuen, one of our vice presidents, and other personnel which are graduates of science related discipline and with more than three years of working experiences in GMP-accredited pharmaceutical companies carrying out related duties. We have more employees qualified and approved by the P&P (Manufacturing Licensing) Committee to be authorized persons, production managers and quality control managers than are required to avoid over-dependence on any single individual or few individuals. We also engage recruitment agencies for placing candidates for these positions where needed.

Quality Assurance

The quality assurance department is responsible for maintaining adequate systems to ensure the quality, efficacy and safety of the generic drugs manufactured and to ensure GMP compliance. Generic drugs must be manufactured under conditions and practices required by the GMP guides to assure that quality is built into the design and manufacturing process at every step. GMP covers all aspects of production from the starting materials, premises and equipment to the training and personal hygiene of staff. Detailed and written procedures are essential for each process that could affect the quality of the finished product.

Our quality assurance department ensures that correct procedures are consistently followed at each step in the manufacturing process with documented proof that (i) the facilities and equipment are in good condition, properly maintained and calibrated, (ii) staff are qualified and fully trained, and (iii) processes are reliable and reproducible. Qualification and validation are carried out to generate sufficient data to provide assurance and documented evidence that the facility, equipment, process or an analytical method operating within specified parameters consistently produce results within predetermined specifications. It establishes standards and specifications, maintains and monitors document control and review, manages material suppliers, maintains environmental and facility controls and monitoring, manages change controls, manages corrective actions and preventive actions, manages product deviations, manages risks, monitors GMP compliance, oversees training, and manages audit activities. For example, it maintains an approved vendors list from which our procurement department can source raw materials. New raw material suppliers are subject to the review and approval of the quality assurance department using vendor management system, and their GMP certificates or suitable standard certificates must be available for review and verified. New vendors of high risk materials are subject to an on-site audit by our quality assurance personnel or their representatives. Any changes need to be reported to the quality assurance department for evaluation and approval. Our quality control department tests samples of new APIs from different suppliers, evaluates the APIs based on sample testing results against in-house and manufacturer's specification of APIs, and any relevant certificates or documents to decide if the material is appropriate for use in production. The authorized person shall approve the new manufacturer as an approved vendor for the raw material.

Quality Control

The quality control department is responsible for the preparation of analytical procedures, establishing raw materials and product specifications and carrying out sampling and analysis. Analytical activities include chemical and physical analysis of raw materials, intermediate products and finished products, setting up stability program and carrying out stability studies to determine storage condition and product shelf life. Since 2009 and after the grave event relating to Purinol tablets set out below,

microbiological testing and measures have also been adopted and conducted on site as recommended, updated and reviewed by the Department of Health to prevent biological hazards in drug manufacturing.

The quality control department ensures that the necessary and relevant tests are actually carried out and that materials are not released for use, nor products released for sale or supply, until their quality has been judged to be satisfactory by the department. The quality control department is also responsible for verification of manufacturing processes, environmental and water monitoring, method and process validation and equipment calibration.

When we receive APIs, the API manufacturers must include a certificate of analysis confirming that the materials comply with the prescribed specifications. Each lot of raw materials, packaging materials, intermediate products (where appropriate) and finished products are quarantined until they have been sampled, tested and released for use by the quality control department. Final release of products from quarantine area is carried out only when all documents pertaining to the production have been reviewed by the heads of the related departments and approved by the authorized person.

Key steps for quality control include:

- ***Starting materials*** — Each lot of incoming raw materials received by the warehouse assigned with a unique receiving lot number. A quarantine label affixed on each container. Sampling, identification and any prescribed tests and assay (for APIs) are conducted by quality control department according to standard operating procedures. The released label is affixed on each container after the quality control department releases the material.

- ***Packaging materials*** — Each lot of incoming packaging materials is sampled and verified against the packaging material specification by the quality control department. The released label is affixed on each container after the quality control department releases the packaging material.

  Packaging materials are stored at our warehouse and distributed to packaging section at the time of production. The quantity issued for packaging use is based on the amount specified in the batch packaging record. The identity and quantity of packaging material is checked by quality assurance personnel before production. Reconciliation is carried out for printed packaging materials at the end of the packing process.

- ***Intermediate product*** — Intermediate products are subjected to sampling and testing by the quality control department. They are released for production of the next stage by the quality control department. In-process control testing is performed by production personnel at regular intervals during production to ensure that the process is under control.

- ***Finished products*** — All finished batches are sampled for quality control testing according to finished product specifications after final packaging and become quarantined. Quarantined finished products are stored in designated quarantine area of the warehouse. The head of the quality control department verifies the analytical data in the product analysis record against specifications. The head of production team reviews and counterchecks the production batch records, packaging records and other related documents. The authorized person is responsible for the final approval of the release for sale. The approved finished product are affixed with released label.

Grave Event relating to Purinol Tablets

In early 2009, there was a grave event of intestinal infection by a species of fungus in immunosuppressed patients with hematological malignancies or bone marrow transplantation in certain hospitals in Hong Kong, including Queen Mary Hospital, Tuen Mun Hospital and United Christian Hospital, which source was identified upon investigation by an expert in microbiology commissioned by the Department of Health in collaboration with the Hospital Authority to be traced to the cornstarch used by Europharm as an excipient in producing a drug named Purinol tablets. The expert found that it was

largely a result of a lack of microbiological testing against micro-organisms in the cornstarch used in the manufacturing process of Purinol tablets where the granules were processed in certain conditions, including the relative humidity, temperature and prolonged storage time, nutritionally favorable to and thermally tolerable by the species of fungus to survive and proliferate to a high level within the cornstarch. Microbial examination of granules and finished products was not a requirement under the GMP guidelines in force at the material time.

Europharm voluntarily suspended its production operations in March 2009 to facilitate the Department of Health's investigation and recalled upon the Department of Health's request a total of approximately 530,000 implicated Purinol tablets and then settled a fine of HK$200,000 upon summon and conviction on its own plea for 4 counts of "selling a drug which is unfit for human consumption" under s.54(1) of the Public Health and Municipal Services Ordinance. The investigation identified 22 patients with intestinal infection during the course of the event, out of whom, 8 deceased patients with intake of Purinol tablets were inquired by the Coroner's Court of Hong Kong and to the best knowledge of our Company, 14 patients (7 of whom had intake of Purinol tablets and our Company has no knowledge of whether the remaining 7 had intake of Purinol tablets before their infection) were treated without serious sequelae or casualties. The Coroner concluded in 3 of the 8 cases that fungal infection was not a contributing cause. Further, the fungal infection by the identified fungal species could not be confirmed as a contributing cause in 2 of the 8 cases. Lastly, fungal infection by the identified fungal species was found to be a contributing cause in 3 of the 8 cases. Save as to the aforesaid 22 cases, our Company has no knowledge of the existence of other similar cases in the event.

In connection with this, our Company had fully settled all related claims, including those from the Hospital Authority. Shortly thereafter, Europharm adopted a set of microbiological testing and measures as recommended by the Coroner's Court and the Department of Health's expert with a view to preventing similar incidents in the future. Such adopted testing and measures include (i) removal of starch as an excipient in the manufacturing process to the extent appropriate; (ii) strict control on the holding time of in-process granules from the end of drying to the commencement of tablet compression to less than 48 hours; (iii) replacement of water with isopropyl alcohol in the manufacturing process to the extent appropriate; and (iv) performance of microbiological testing on every batch of finished products of all dosage forms including solid, liquid, topicals and eye-drops to reject non-compliant batches.

After receiving the Department of Health's opinion that its hardware and software for the production and quality control of drugs were satisfactory and compliant with the relevant GMP standards, Europharm resumed its production operations in April 2009 but decided to cease any production of Purinol tablets, which sales accounted for less than 0.5% of the total revenue of our Group for the year ended March 31, 2009, after the event. In view of adopted microbiological testing and measures, that the revenue contribution of Purinol tablets had been insignificant to our Group before the event and that this event occurred back in 2009 and all related claims had been fully settled, our Company confirms that this pre-Track Record Period event does not have and is not expected to have in the future any material financial or operational adverse impact on our Group or any criminal liability on our Group, Directors or senior management.

PROPRIETARY CHINESE MEDICINES

Our Products

Our proprietary Chinese medicine business primarily manufactures and sells three proprietary products — Po Chai Pills, Flying Eagle Woodlok Oil and Tong Tai Chung Woodlok Oil. We also sell pei pa koa (枇杷膏), expectorants (枇杷露) and balms. We acquired the brands of Flying Eagle Woodlok Oil, Po Chai Pills and Tong Tai Chung Woodlok Oil through acquisitions in 2003, 2010 and 2014, respectively.

The following table shows our proprietary Chinese medicines:

Product	Description	Illustrative Photo
Po Chai Pills (保濟丸) (known as "Puji Pills" or "普濟丸" in China)	a proprietary Chinese medicine made with natural Chinese herbs for the relief of indigestion, vomiting, diarrhea and bloating, which is also indicated for relieving hangovers from alcohol	
Flying Eagle Woodlok Oil (飛鷹活絡油)	an anti-rheumatic proprietary Chinese medicated oil composed of natural Chinese herbs and essential oils indicated for the relief of muscle aches, pains, bruises and swellings associated with fatigue or physical exercise	
Tong Tai Chung Woodlok Oil (唐太宗活絡油)	an anti-rheumatic proprietary Chinese medicated oil composed of a balanced combination of methyl salicylate and menthol indicated for the relief of muscle aches, pains, bruises and swellings associated with fatigue or physical exercise	

In May 2016, the CFDA reclassified our Puji Pills into the OTC category. OTC medicines in China can be (i) displayed in open shelves in drug stores, (ii) sold to customers without a doctor's prescription, (iii) advertised through mass media, such as television, print, outdoor billboards and retail outlets, and (iv) directly promoted to end users.

Our proprietary Chinese medicines generally have a shelf-life of two to four years.

Customers

As of March 31, 2016, our proprietary Chinese medicines were mainly sold to registered pharmacies, retail outlets (including drug stores, chain stores and convenience stores) and trading companies. Our primary customers for Po Chai Pills and Tong Tai Chung Woodlok Oil are registered pharmacies, drug stores and chain stores in Hong Kong. Po Chai Pills is also sold to third-party overseas distributors. For Flying Eagle Woodlok Oil, we have been working along with a local distributor to increase its market penetration in China.

Terms and Pricing

We sell our proprietary Chinese medicines at prices determined based on factors such as product costs, overhead, the relative pricing of competing products and our bargaining power. We may offer volume discounts and performance rebates to certain customers on a case-by-case basis. We generally require payment of deposit before delivery or grant credit terms ranging from approximately 60 to 90 days upon delivery depending on the product type and credit worthiness of the customers.

Selling prices of our proprietary Chinese medicines remained relatively stable during the Track Record Period. The following table shows the price ranges of our proprietary Chinese medicines during the Track Record Period:

	For the year ended March 31,		
	2014	2015	2016
Proprietary Chinese medicines (HK$ per gram)	0.34 to 0.95	0.05 to 1.50	0.04 to 2.50

The increase in the higher end of the price range was mainly due to the acquisition in 2014 of Tong Tai Chung Group which products are with higher selling price per gram.

Sales, Marketing and Distribution

We primarily engage in direct sales in Hong Kong and utilize well-established third-party overseas distributors in China, Macau, Singapore, Malaysia, Indonesia and United States.

Direct Sales in Hong Kong

We grow our proprietary Chinese medicine business through disciplined brand management, integrated marketing and sales-driven distribution channel management. We use a mix of mass media such as television, print (including newspaper and magazines), radio, online and social media platforms (such as brand websites, Facebook, Weibo), outdoor billboards (such as posters in the MTR) and point-of-sale channels (in-store posters or light-box displays in registered pharmacies and retail outlets. In 2015, we launched a television commercial campaign for Po Chai Pills, which has been well received by our target consumer segments as indicated by pre-and-post campaign research findings according to the 2014 and 2015 Consumer Research by Acorn Marketing & Research Consultants (Int'l) Ltd.

Our sales team assumes an active role, communicating, serving and cultivating relationships with our customers, as well as monitoring and regulating our product pricing system. We regularly visit our customers to collect and assimilate market information regarding competitors' pricing and promotion activities and provide tactical support for on-going sales and marketing programs.

Third-Party Distributors

We sell Po Chai Pills through third-party distributors in China, Macau, Singapore, Malaysia, Indonesia and the United States. We sell Flying Eagle Woodlok Oil through third-party distributors in China. Our third-party distributors on-sell our proprietary Chinese medicines to their customers, which do not have any contractual relationships with us and are not imposed with any of our control or oversight. We have maintained long-term business relationship with our distributors and as of the Latest Practicable Date, most of them have more than five years of cooperation with us. We leverage our distributors' established access to their local markets and consistently expand the breadth and depth of our market presence in the above jurisdictions.

With a view to further expanding our market penetration in China, on March 12, 2016, we entered into a strategic cooperation framework agreement with Yunnan Baiyao. Yunnan Baiyao is a Shenzhen Stock Exchange listed company primarily engaged in manufacture and sale of pharmaceutical products and consumer goods in China. Pursuant to this framework agreement, we agreed to appoint Yunnan Baiyao as the authorized distributor of our Po Chai Pills in China under the trade name of Puji Pills, while we will act as an authorized joint distributor of certain types of pharmaceutical products and consumer goods manufactured by Yunnan Baiyao in Hong Kong and Macau. Both parties will further negotiate and enter into a formal agreement setting out detailed terms and conditions for implementation of the framework agreement by September 2016.

During the Track Record Period, we entered into distribution agreements with our distributors which specify a variety of terms including the designated geographic areas, sales targets and minimum purchase requirements, and product return policies. The key terms of these agreements include:

- *Duration:* Ranges from two to six years and is renewable with advance written notice.
- *Designated Distribution Area:* Distributors are not allowed to sell or distribute our products outside of their designated distribution areas.
- *Exclusivity:* Majority of the distributors are granted the exclusive distributorship of specified certain types of products in their designated geographic area.
- *Sales Target and Minimum Purchase Requirement:* Majority of the distributors usually undertake a minimum annual purchase requirements based on their capabilities. In the event

that the distributors fail to meet their annual minimum purchase requirements, we are entitled to terminate the distribution agreements with them. We provide certain distributors with discounts if they reach a specified purchase quantity.

- *Resale Price Management:* We generally do not control the prices at which our distributors resell our products to their customers, except for our Singapore distributors.
- *Inventory Level:* We generally do not require our distributors to maintain a minimum inventory level, except for a number of our distributors.
- *Return of Products:* We generally do not allow product returns except for defective products. We generally do not accept return of non-defective unsold or expired products.
- *Access to Information:* Majority of distributors are required to provide monthly sales and/or inventory reports to us.
- *Credit Terms:* We generally require payment of deposit before delivery and require cash on delivery or grant credit terms ranging from 7 to 108 days upon delivery depending on the product type and credit worthiness of the distributors.
- *Non-Competition:* We generally do not allow our distributors to sell or distribute any product which is similar to or competes with our products within their designated geographic areas.
- *Confidentiality:* Distributors undertake not to disclose any of our trade secrets or other business information to any third party.
- *Termination:* The distribution agreements can be terminated in the event of, among other reasons, a material breach by either party that is not remedied within a prescribed time-period or in case of winding up, liquidation, bankruptcy and insolvency of either party or either party becoming unable to perform its obligations under the agreements due to force majeure events.

Under the distribution agreements, we have a seller-buyer relationship with our distributors. We retain no ownership over the products that we sell to them, and all significant risks and rewards associated with these products are transferred to them upon delivery to and acceptance by them. Our distributors on-sell our products to their customers, which do not have any contractual relationships with us and are not imposed with any of our control or oversights.

Selection of Distributors

We select our distributors based on a number of factors, including their sales network, market position, customer service and reputation. Our development and maintenance of a stable distribution is supported by various factors, such as (i) working with a limited number of reputable and reliable distributors in each region, which helps to avoid cannibalization among them, (ii) our well-recognized brands, in particular, the brand of Po Chai Pills, (iii) our comprehensive support, and (iv) a competitive pricing strategy.

Distributor Management

Our management of distributors of our proprietary Chinese medicines is largely similar to our management of distributors of our generic drugs. Please refer to the section headed "— Generic Drugs — Distribution and Logistics — Third Party Consignees and Distributors — Consignee and Distributor Management" in this prospectus for further details.

The following table sets forth the changes in the number of our distributors as of the dates indicated:

	Year ended March 31,		
Number of third-party distributors	**2014**	**2015**	**2016**
At the beginning of the period	7	9	9
Additions of new third-party distributors	2	–	–
(Termination of existing third-party distributors)	–	–	(1)
As of the end of the period	9	9	8

During the Track Record Period, our addition of new distributors primarily reflects our expanding sales and further penetration of the market in Singapore.

To the best knowledge of our Directors, (i) the distribution model is also adopted by some of the peers in the proprietary Chinese medicine industry, (ii) all of our distributors were Independent Third Parties, and none of them was wholly-owned or majority controlled by our current or ex-employees during the Track Record Period, (iii) our distributors are primarily engaged in the business of distributing proprietary Chinese medicines in the relevant jurisdictions and (iv) we did not provide financing to any of our distributors except for credit terms we granted to them under the relevant distribution agreements. During the Track Record Period, there were no material product returns from our distributors. Please refer to the section headed "— Product Returns, Recalls and Warranties" for more information.

Suppliers

During the Track Record Period, raw materials for our proprietary Chinese medicines comprised approximately 20 to 30% of the average cost of sales and were primarily active substances, excipients and packaging materials, and we have not experienced any serious shortage or delay in the supply of raw materials. We are generally able to pass on increases in raw material prices to our customers.

All the suppliers of our GMP-accredited production facilities of proprietary Chinese medicines must undergo our vendor approval process, comprising an on-site audit or audit by questionnaire and regular monitoring and review, including qualification assessment and sample testing. Our raw material manufacturers are primarily located in China and Hong Kong.

Most of the active substances used in our GMP-accredited production facilities are produced by GMP-certified manufacturers. We require that raw materials are specified and compliant with pharmaceutical standards.

For most of the raw materials, we can choose from a number of suppliers. During the Track Record Period, we sourced our raw materials for our proprietary Chinese medicines from a number of suppliers. We routinely monitor our suppliers for any incidents or regulatory warnings.

We generally place purchase orders and do not have any agreements with our suppliers lasting longer than one year. Local suppliers generally provide 30 days' credit. Payment in advance before shipment is required for most orders from China and overseas. The lead time varies from the availability of the stock by the supplier, types of the materials, and production cycle of the materials.

Production

Facilities

We have two GMP-accredited production facilities for proprietary Chinese medicines. We own all of our production facilities, with respect to which we have obtained all necessary license, permits and approvals. Periodic maintenance for the production facilities and equipment are carried out primarily by our internal production and engineering team to ensure their performance at optimal levels. We replace or upgrade production equipment and machinery when necessary to enhance productivity or functionality. We did not experience any material interruptions to our production process during the Track Record Period.

Our major assets and equipment in our proprietary Chinese medicine production facilities include herb grinding machine, pills production line and high-speed packaging machine, all of which are owned by our Group and their ages range from 1 to 3 years.

The following table shows our production capacity for proprietary Chinese medicine facilities during the Track Record Period:

	For the year ended March 31,		
Operational Information	**2014**	**2015**	**2016**
Designed production capacity (in kilogram)[1][3]	222,206	240,365	494,748
Output (in kilogram)	143,245	139,155	191,500
Utilization rate (%)[2]	64	58	39[4]

(1) *Designed production capacity is calculated assuming 52 weeks of operation a year, 6 days of operation per week and 12 hours of operation per day at maximum output batch size.*

(2) *Utilization rate is calculated by dividing actual output by designed production capacity.*

(3) *The designed production capacity was increased primarily due to the acquisition of Tong Tai Chung Group in June 2014 and commencement of the operation of the new production plant for Po Chai Pills in June 2015.*

(4) *The decreasing utilization rate was primarily due to the commencement of the operation of the new production plant for Po Chai Pills.*

Manufacturing

The following diagram shows the key steps for manufacturing our proprietary Chinese medicines. The time for each step in the manufacturing process varies depending on the specific requirements of the product.

Po Chai Pills

All starting materials are tested for their physical characteristic and quality. Upon completion of the quality tests on the starting raw materials, they are dispensed for grinding and mixing. Purified water is then added to the mixed herbal powder that is subsequently made into pills form. The pills are then coated with colorant and dried. The dried pills are then packed into bottles and boxes with outer packaging. The finished products are subject to the required quality tests before being released to the market. The whole manufacturing process can normally be completed in 60 to 70 hours.

Woodlok Oil

All starting materials are tested for their physical characteristic and quality. Upon completion of the quality tests on the starting materials, they are dispensed and mixed, together with the herbal extract if any, to be homogenous. The resulting preparation is filtered, filled into a glass bottle and finally packed with outer packaging. The finished products are subject to the required quality tests before being released to the market. The whole manufacturing process can normally be completed in 40 to 60 hours.

Quality Management

We have implemented stringent quality control systems effectively in every aspect of our manufacturing process in our GMP accredited facilities, including materials procurement, production and

product release. Before we release each batch of our finished products in these facilities, we perform a series of tests in our or other HOKLAS-accredited laboratories and review the overall quality, ensuring that the reliability, quality and safety of our products are in good order.

We also utilize the latest technologies to augment our production process. We deploy sophisticated near-infra red quality control technology jointly developed with the HKIB in the critical steps of the Po Chai Pills production process. We have developed a fingerprint database for all of the active substances of Po Chai Pills that ultimately controls the batch-to-batch variation. We warrant that every batch of Po Chai Pills is made with the desired quality and efficacy.

PRODUCT RETURNS, RECALLS AND WARRANTIES

Generally we do not accept product returns unless the products are defective. For defective products, we are fully responsible for the cost of return and replacement of these products and will properly dispose of the returned products. In respect of the return policy with our third-party consignees and distributors, please refer to the key terms of the consignment and distribution agreements in the section headed "— Generic Drugs — Distribution and Logistics — Third-Party Consignees and Distributors" and "— Proprietary Chinese Medicine — Sales, Marketing and Distribution — Third-Party Distributors".

We did not provide any warranties on our products and did not have any provisions for warranty claims during the Track Record Period. During the Track Record Period, the amounts of our product returns were insignificant.

During the Track Record Period, we had seven incidents of product recall and they were not material to our Group's business and operation. Two of the recalls related to the discrepancies between registered particulars and labels affixed to our pharmaceutical products (the "**Label Change Recall**"). One of the Label Change Recalls occurred because the label affixed to the bottles of the products was not exactly in an accordance with registered particulars and the other Label Change Recall was due to the absence of additional warning label on less than 20 boxes of the products. The pharmaceutical products involved in the Label Change Recall were deemed to be unregistered under r.36(1B) of P&P Regulations. The Label Change Recall incidents were primarily due to the oversight of our junior staff in failing to notice the incorrect labels for our pharmaceutical products. The maximum penalty for each Label Change Recall incident is a fine of HK$100,000 and imprisonment for 2 years.

There was one incident of product recall, which was due to discrepancy from a new specification being added to the registered particulars as an upgraded quality assurance measure of the products (the "**Specification Change Recall**"). The Specification Change Recall incident was primarily due to the oversight of our junior staff in failing to notice the incorrect testing standard for our pharmaceutical products. The maximum penalty for the Specification Change Recall incident is a fine of HK$100,000 and imprisonment for 2 years.

There were two incidents of voluntary product recall, which were related to excipients being added to the formulation of certain products (the "**Excipient Change Recall**"), however, such changes in the formulation at that time had not been approved by the Department of Health and thus rendered the products unregistered under r.36(1B) of P&P Regulations. The Excipient Change Recall incident was primarily due to the miscommunication of our junior staff with the Department of Health in updating our products formulation.

There were two incidents of product recall which were related to the discrepancies in the assay content of certain ingredients specified on the label (the "**Ingredients Discrepancy Recall**"). The Ingredients Discrepancy Recall incident may be due to the mixing process in specific environmental condition for specific dosage which resulted in inconsistent homogeneity of the pharmaceutical products. Moreover, the improper storage condition affecting the ingredients of our pharmaceutical products at the retail shops after the pharmaceutical products were sold, cannot be ruled out as a possible cause of these incidents. The maximum penalty for each Ingredients Discrepancy Recall incident is a fine of HK$10,000 and imprisonment for three months.

Revenue attributable to the batches of the recalled pharmaceutical products was reversed in the statement of profit or loss and other comprehensive income. Therefore, the impact of the product recalls has already been reflected in the statement of profit or loss and other comprehensive income of the Track Record Period.

For the three years ended March 31, 2014, 2015 and 2016, the revenue contributed by all batches of our Group's recalled pharmaceutical products were HK$4.3 million, HK$3.6 million and HK$2.3 million respectively. The pharmaceutical products recalled during the Track Record Period relate to 13 product licenses, representing less than 0.5% of the total number of product licenses owned by our Group.

In order to prevent similar incidents in the future, we have taken the following measures since December 2015:

- assigned specific personnel, who is a regulatory affair manager with more than three years relevant experience, in our quality assurance team, who reports to an authorized person, liaises with the Department of Health and checks the status of formal approval from the Department of Health in respect of any changes to our drugs' formulation from time to time;
- further reviewed and improved our quality assurance system for managing the change control system, including introducing more training for employees in charge of quality assurance and control testing;
- added on-going assessments of our Company's quality assurance system to improve the production process, critical process parameter and ensure that the homogeneity of the mixing is consistently achieved; and
- strengthened our customer education, including providing guidelines and training to our sales force to remind our customers to observe the storage requirements to mitigate the risk of improper after-sales storage conditions for the products.

The Label Change Recall, the Specification Change Recall and the Ingredients Discrepancy Recall had led to regulatory proceedings, and as a result, a fine in the aggregated amount of HK$157,000 was imposed to our Group during the Track Record Period. The above incidents individually or in the aggregate have not had or would not have in the future, any material financial or operational adverse impact on our Group or any material adverse impact on our Directors. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any product recall or product return that has materially adversely affected our business and results of operations or any complaint, product liability or other claim in connection with our product quality, which if determined adversely against us, would have materially adversely affected our business and results of operations.

Our sales team regularly visits our customers to collect their feedback and notifies relevant department about the feedback. We will carry out remedial measures as necessary, including product replacement and service improvement. Our sales management team is responsible for following up customer complaints to ensure that they have been dealt with.

We have also established relevant product recall procedures with reference to relevant requirements, including GMP. A recall procedure pursuant to the recall guidelines issued by the Department of Health will be initiated on products which are known or suspected to be harmful to users due to defective quality, safety, efficacy or regulatory status in the market. A pharmaceutical product problem report form (including details of products and nature of problem) will be submitted to the Department of Health as notification. Once the recall is approved by the Department of Health, a recall letter and a recall reply form will be sent to all affected parties (which may include wholesalers, retailers or consumers depending on the level of recall) according to our distribution records requesting the return of unused stock. Wholesalers are required to arrange recall from its retailers systematically and then return all unused stock to us. All recalled products will be returned to us and a final report form of recall shall be prepared and submitted to Department of Health. The report shall record the reconciliation between the delivered and recovered quantities of the product. For regulatory recalls not due to quality issues,

regulatory recall procedures shall be initiated internally. Similar procedures will be followed, except filling and submission of pharmaceutical product problem report form and final report form of recall to the Department of Health are not necessary.

During the Track Record Period and up to the Latest Practicable Date, there have been no material product recalls or product returns from our direct customers, consignees or distributors and we had not experienced any material complaint or product liability or other legal claims from our customers due to problems with the quality of our products.

INVENTORY CONTROL

Raw materials and Packaging materials

All of our manufacturing sites are equipped with warehouses. Our warehouses have a total area of over 50,000 sq. feet, for storage of raw materials and packaging materials. To cope with the market demand and production schedule, we manage our inventory levels carefully to have not more than six months inventory for items with one to two months lead time and maintain higher inventory level for high consumption materials or items with longer lead times.

Finished products

Our finished products are stored and distributed mainly by Pharmason, Jacobson Medical, and distributors. We generally aim to maintain inventory levels that is sufficient for fulfilling the forecasted demand and less than six month's of inventory. In Hong Kong, we generally keep at least one-month stock of Po Chai Pills and three to six months stock of Tong Tai Chung Woodlok Oil and have more stock prior to promotion periods. For Po Chai Pills, we manufacture stock as needed for export markets. We generally do not keep stock of Flying Eagle Woodlok Oil in our warehouse and it is produced in accordance with the annual production plan mutually agreed by the local distributor and us. Our sales team will meet with our production team to provide market information to production and procurement team on production schedules and material purchase plans.

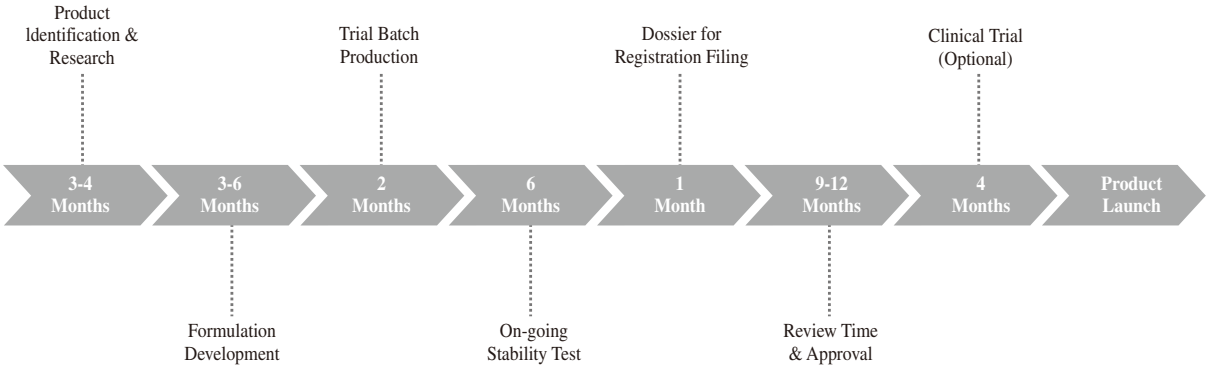
The inventory of raw materials, packaging materials and finished products are under the monitoring of the responsible staff with the help of ERP systems.

PRODUCT DEVELOPMENT

Our product development aims to (i) develop new high value-added products and upgrade existing products and (ii) explore and develop new manufacturing technology to widen our manufacturing capabilities and capacities. We develop products primarily through acquisitions and through research and development.

For the years ended March 31, 2014, 2015 and 2016, we recorded research and development expenses (other than amortization cost of capitalized development costs) of HK$3.5 million, HK$5.7 million and HK$5.6 million, respectively, representing mainly the staff costs of our product development personnel and bioequivalence study fee incurred. For the years ended March 31, 2014, 2015 and 2016, nil, nil and HK$5.5 million of product development expenses has been capitalized as intangible assets, respectively. We begin monitoring patented products for new product opportunities two to three years prior to the expiration of the patent. We leverage our market intelligence to identify attractive products for development.

The following diagram outlines our process for identifying and developing both our generic drugs and proprietary Chinese medicines. We can usually launch a product two to three years after identifying it.



- ***Product identification & research*** — We identify potential products that meet customer needs and boost business growth by analyzing the market potential, market size, product requirements, project budget, development timeline and manpower resources.

- ***Formulation development*** — A product development officer will be assigned as the project controller, who sources the required APIs, active substances, excipients and reagents and sets standards for formulation and testing.

  For our generic drugs, a project controller will start the formulation research according to the Common Technical Documents, a set of specifications in an agreed format for the registration of medicines. After passing the comparative tests with the original patented drug, all research records and summary will be submitted to head of research and development for approval. The comparative tests would mostly include dissolution profiles comparison, contents of APIs under stressed test, impurity increase under stressed test, physical characteristics and hardness.

- ***Trial batch production*** — After the master formula and manufacturing process are approved by our head of research and development, we begin to prepare samples for trial production in our production facility or research and development facility.

  For our generic drugs, the trial batch will be around 5,000 tablets for solid dosage form or 5 liters for semi-solid and liquid dosage forms.

- ***On-going stability test*** — An accelerated and real-time stability study of the newly developed formulation and manufacturing process is required as part of the registration dossier for submission of product registration applications to the regulatory authority.

  An accelerated stability study will take six months and a real-time stability study will be conducted to support the actual claimed shelf life.

- ***Dossier for registration filing*** — We prepare a set of technical documents based on quality, manufacturing and regulatory standards for registration filing as required by the regulatory authority, including a stability study report, product specification, product formulation, test method, product indications and dosing design.
- ***Review time and approval*** — The regulatory authority will review and decide whether to approve a new product registration.
- ***Clinical trial*** — For certain of our generic drugs, we perform clinical trials mostly in the form of bioequivalence studies in a clinical center recognized by the regulatory authority. Clinical trial protocols need to be approved by the ethics committee of the clinical center before starting any studies.

We have a laboratory in Hong Kong that is well-equipped with suitable facilities for product and manufacturing process development. We believe that our personnel are well-trained and qualified to complete the study within reasonable time frames. All of the product development staff are holding a bachelor degree or above, with an average of five years of working experience in pharmaceutical industry. As of the Latest Practicable Date, 89 New Product Formulae were currently under development, 10 of them were under reviewed by the Department of Health for approval, 17 of them were under stability study for registration, 21 of them were under preparation of stability study for registration. The rest of these products are under different phases of development process. Among these 89 New Product Formulae, 46 are required to perform bioequivalence study, for which we plan to incur an aggregate amount of approximately HK$59 million. Based on our past experience, the average development cycle (from formulation development to approval of registration for market launch) for a new product will take around 18 to 24 months. We are continuously improving our product development and plan to develop more advanced coating technology. We also intend to develop high value-added products, like controlled released granules/pellets, orodispersible tablets and modifications on the taste of proprietary Chinese medicines.

We established a scientific advisory committee in April 2016. The scientific advisory committee consists of six members, namely Mr. Sum, Prof. Wong Chi Kei, Ian, Prof. Chow Hee Lum, Albert, Prof. Lee Wai Yip, Thomas, Dr. Chow Kwok Yiu and Prof. Tong Hoi Yee, Henry. The chairman of the scientific advisory committee is Mr. Sum. Other members of the scientific advisory committee are either reputable professors from renowned universities in Hong Kong, Macau and United Kingdom or formulation scientist with extensive industry experience, and they all have extensive research experience in academic and/or pharmaceutical industry. The primary function of the scientific advisory committee is to make recommendations to our Board on technical feasibilities of our research projects and advise the Board on the overall strategic directions for new product development of our various research plans. In particular, the scientific advisory committee provides advices on the technical and scientific aspects of our research and platform technologies projects for specialized formulations and dosage forms. Members are expected to meet regularly to review our project progress and provide technical advice to our product development team. No remuneration is paid to the members of the scientific advisory committee for their services to the committee.

The table below shows certain information in respect of members of the scientific advisory committee.

Member's name[1]	Date of Appointment[2]	Title, Education and Qualifications
Mr. Sum[3]	April 10, 2016	Please see "Directors and Senior Management — Directors" for details.
Prof. Chow Hee Lum, Albert	April 11, 2016	Please see "Directors and Senior Management — Directors" for details.
Dr. Chow Kwok Yiu .	April 11, 2016	• Currently the president of Powder Pharma Coating Inc., responsible for R&D powder coating and pharmaceutical development
Prof. Lee, Wai Yip Thomas	April 11, 2016	• Currently an assistant professor of the School of Pharmacy of The Chinese University of Hong Kong
Prof. Tong, Hoi Yee, Henry	April 11, 2016	• Currently a professor and the program coordinator of science in biomedical technology at the School of Health Sciences of Macao Polytechnic Institute
Prof. Wong, Chi Kei Ian	April 10, 2016	• Currently a professor of the School of Pharmacy of University College London in the United Kingdom and the head of the Research Department of Practice and Policy of University College London

Notes:

(1) In alphabetical order

(2) Appointed for a term of two years commencing from May 1, 2016

(3) Mr. Sum is the Chairman of the Committee

We work with a number of major research institutions to improve our products and manufacturing capabilities. During the Track Record Period, we worked with three external research institutions, the clinical center of the faculty of medicine of The Chinese University of Hong Kong, Macau University and Guangdong Pharmaceutical University (廣東藥科大學, formerly Guangdong Pharmaceutical College (廣東藥學院)) since 2013. We have contracted with these external research institutions for the technical research, development and testing of certain generic drugs for fees stipulated in the agreements. The rights to any technical achievements resulting from the work done under the agreements between us and Macau University as well as Guangdong Pharmaceutical University belong to us, including the rights to patent such achievements. In March 2016, we entered into a memorandum of understanding with a research and academic institution, HKIB, with the aim to establish a new joint research and development center for developing new drug manufacturing technologies. The new center will provide a platform for us to develop new manufacturing and pharmaceutical technologies that can be used to develop specialized formulations, including fluid-bed coating (for granules and pellets), powder coating (for tablets and granules), hot-melt extrusion (for products with low solubility) and particle technology (for improving the crystal forms and particle science on various purposes). We believe these platform technologies can enable us to develop or enhance specialized formulations including controlled-release and orodispersible products. In addition, we expect fluid-bed coating would enable us to better control the quality and stability of our products and to develop certain Chinese medicines with taste-masking benefit. We expect hot-melt extrusion would enhance our ability to deal with drug formulations with low solubility. We believe we can enhance development efficiency and technological capabilities through this new joint research and development center, particularly in pellet coating, granulation process optimization and formulation and production techniques for orodispersible formulae. We expect to invest HK$20 million and establish the new joint research and development center by the end of 2016. The investment will be funded by internal resources and net proceeds from our Global Offering. It is expected that (i) HKIB has

entitlement to all intellectual property rights generated from the development of process analytical technology initiated by HKIB, and we have the right to license such intellectual property rights for free for our use in product development and manufacturing and (ii) we have entitlement to all intellectual property rights generated from the development of platform technologies and "QbD" approach initiated by us. We expect process analytical technology would enable us to minimize batch-to-batch variations in production, reduce the risk of product returns and facilitate automation of certain production processes, while "QbD" approach would enable us to improve our formulation development and quality control to meet regulatory requirements on process validation.

We have developed an expertise in reverse engineering. We begin reverse engineering originator products by analyzing the formula of the originator product. The identity and quantity of APIs can be determined by our in-house analytical equipment, which is supplemented by literature research and empirical formulation development. Then, our product development team will thoroughly study the physical chemistry and particle sizes of the APIs to develop a preliminary formulation. The ingredients selected during the formulation phase are used as references during the experimental design phase. Based on the professional knowledge and experience of our product development team, we design and perform a series of formulation and manufacturing steps, followed by specified characteristic tests to confirm the suitability and robustness of ingredients combined. We also decide on the manufacturing process and specify product quality and compliance standards. Then, we fine tune the formulation by testing with different sources and raw materials to prepare the best formulation for trial batch study.

Our product development team has a number of technological breakthroughs.

- By working closely together, our product development, production and engineering personnel have been able to create ultra-low ambient RH environments at scale, which is crucial for dry granulation and creating orodispersible tablets.
    - We have been able to produce tablets using dry granulation, which protects moisture sensitive medicines from degradation through contact with water. This technology is especially crucial in Hong Kong, which is associated with relative high humidity.
    - Orodispersible tablets can be absorbed in the buccal cavity, which is especially important for patients suffering from certain types of mental distress. Such patients may not be willing or able to swallow tablets, which may make medication difficult or impossible without orodispersible tablets.
- Our controlled-release tablets will allow for the gradual absorption of drugs, which increases therapeutic efficacy.
    - We are experienced in manufacturing controlled-release tablets with hydrophilic polymer matrix. This particular tablet type allows the pharmaceuticals evenly embedded inside polymeric excipients. Our formulation scientists engineer the timely release of pharmaceuticals via three major mechanisms, i.e. tablet swelling, tablet diffusion and tablet erosion. Tablet swelling is the hydration process of tablet core upon contact of gastrointestinal fluid, controlling the lag time of drug release into the body. Tablet diffusion is the gel formation process on tablet surface, which in turns controls the drug release by diffusion from tablet core into the body. Tablet erosion is the dissolution process of polymer matrix, and the embedded drugs are continuously released when the tablet is slowly disintegrated throughout gastrointestinal tract.
    - Controlled-release tablets not only can prolong action but are designed to maintain drug levels within the therapeutic window to avoid potentially hazardous peaks in drug concentration following ingestion and to maximize therapeutic efficiency.

We allocate our product development resources based on our assessment of the level of unmet medical needs in a particular therapeutic categories. Our team of formulation scientists is experienced in developing pharmaceutical finished dosage forms, with extensive industrial know-how. For our drug formulation studies, we are proactively migrating to the "QbD" methodology, which has been recommended by the United States Food and Drug Administration for research and development of new formulations. QbD translates traditional empirical experience into higher quality products.

In applying our QbD principles, we will first define a Quality Target product profile and then determine the potential critical quality attributes ("**CQA**") by linking identified critical material attributes and critical process parameters to achieve the target CQAs. A general Quality Risk Management process will be performed throughout the design, attributes and parameters determination, overall linking and all subsequent processes, such as technology transfer and manufacturing. The concept of risk management process is to provide a systematic application of quality management policy, procedures and practices to the tasks of assessing, controlling, communicating and reviewing risk, and finally to offer patients with the best protection. The same approach can be applied to the development of various dosage forms, such as immediately released tablets, modified released tablets, liquid dosage form, cream and suppositories.

While the empirical model has the advantages in speed and cost, the "QbD" model has the advantages in deepening our understanding of the process. Our hybrid model has the advantages of both. As one of the objectives for the collaboration project with HKIB, we are in the process to migrate our product development project management approach from hybrid model to "QbD" approach.

In addition to (i) the bioequivalence study fees to be incurred in connection with our products under research and development as of the Latest Practicable Date and (ii) our investment on the new joint research and development center with HKIB, we expect to incur additional research and development expenses of over HK$40 million in total in the coming six years.

LICENSING, APPROVALS AND APPLICATIONS

All Western medicine in Hong Kong must be registered with the Pharmacy and Poisons Board of Hong Kong under the Hong Kong Pharmacy and Poison Ordinance Chapter 138. All Western medicine must be manufactured under GMP in accordance with the PIC/S GMP Guide set forth by the Pharmacy and Poisons Board of Hong Kong. The registered products are manufactured by PIC/S GMP manufacturers either in Hong Kong or other PIC/S member countries. See "— PIC/S GMP Accreditation." Western medicines in China must be approved by the CFDA.

Our proprietary Chinese medicines in Hong Kong must be registered with the CMCHK.

Our Directors confirm that we have obtained all necessary licenses, permits and approvals from the relevant authorities for all of our subsidiaries. The following table sets forth key licenses, permits and certificates relating to our business and operations (apart from those pertaining to general business requirements), their respective purpose, issuing authority and expiry date:

License/Permit/Certificate	Issuing Authority	Purpose	Company Name	Expiry Date
WESTERN MEDICINES				
License for Manufacturer	PPBHK	Required for the legal production of pharmaceutical products in Hong Kong	APT Pharma Vickmans Jean-Marie Europharm Synco (Chai Wan) Neochem Marching Synco (Tai Po)	April 22, 2017 June 30, 2017 September 22, 2016* March 8, 2017 June 30, 2017 September 26, 2016* January 23, 2017 August 7, 2017
	CFDA	Required for the legal production of pharmaceutical products in China	APT China	December 31, 2020
Certificate for Manufacturer (GMP Certificate)	PPBHK	Certifies that a manufacturer is licensed under Pharmacy and Poisons Regulations Cap 138A	APT Pharma Vickmans Jean-Marie Europharm Synco (Chai Wan) Neochem Marching Synco (Tai Po)	April 22, 2017 June 30, 2017 September 22, 2016* March 8, 2017 June 30, 2017 September 26, 2016* January 23, 2017 August 7, 2017
License to manufacture preparations of Dangerous Drugs ...	Department of Health	Required to purchase dangerous drugs raw material and manufacture products controlled under Cap 134 Dangerous Drug Ordinance	APT Pharma Vickmans Jean-Marie Europharm Synco (Chai Wan) Neochem Marching Universal	January 1, 2017 January 1, 2017 January 1, 2017 January 1, 2017 January 1, 2017 January 1, 2017 January 1, 2017 January 1, 2017
Permit under Cap.137 Antibiotics Ordinance	Department of Health	Required to purchase antibiotics raw material and manufacture product controlled under Cap 137 Antibiotics Ordinance	APT Pharma Vickmans Jean-Marie Europharm Synco (Tai Po) Synco (Chai Wan) Neochem Marching Universal	September 30, 2016* September 30, 2016* September 30, 2016* September 30, 2016* September 30, 2016* September 30, 2016* September 30, 2016* September 30, 2016* September 30, 2016
Wholesale Dealer's License to Supply Dangerous Drugs	PPBHK	Required for dealing in wholesale of dangerour drugs under Cap 134 Dangerous Drugs Ordinance	JML Pharmason	January 1, 2017 January 1, 2017

License/Permit/Certificate	Issuing Authority	Purpose	Company Name	Expiry Date
Wholesale Dealer License	PPBHK	Required for selling poisonous raw materials and products controlled under Cap 138 Pharmacy and Poisons Ordinance	APT Pharma	January 1, 2017
			Frankin	January 1, 2017
			Vickmans	January 1, 2017
			Jean-Marie	January 1, 2017
			Europharm	January 1, 2017
			Synco (Tai Po)	January 1, 2017
			Synco (Chai Wan)	January 1, 2017
			Charmaine	May 28, 2017
			Nice	May 28, 2017
			Neochem	January 1, 2017
			Marching	January 1, 2017
			Universal	January 1, 2017
			JML	January 1, 2017
			Pharmason	May 17, 2017
Licenses under Control of Chemicals Ordinance	Customs and Excise Department	Required for importing, exporting and selling controlled materials controlled under Cap 145 Control of Chemical Ordinance	APT Pharma	March 27, 2017
			Vickmans	June 14, 2017
			Jean-Marie	April 11, 2017
			Europharm	June 29, 2017
			Synco (Chai Wan)	May 30, 2017
			Neochem	March 14, 2017
			Marching	July 27, 2017
			Universal	January 15, 2017
Registration of Waste Producer	Environmental Protection Department	Required for disposing of pharmaceutical waste	APT Pharma	N/A
			APT China	N/A
			Vickmans	N/A
			Jean-Marie	N/A
			Europharm	N/A
			Synco (Tai Po)	N/A
			Synco (Chai Wan)	N/A
			Neochem	N/A
			Marching	N/A
			Universal	N/A
PROPRIETARY CHINESE MEDICINES				
License for Manufacturer	CMCHK	Required for the legal production of proprietary Chinese medicines in HK	LCST (Holdings) (Tai Po)	March 11, 2018
			LCST (Holdings) (North Point)	March 18, 2017
			Europharm	May 24, 2017
			Singmalay	July 25, 2018
			Jetstar	June 9, 2018
Certificate for Manufacturer (GMP Certificate)	CMCHK	Certifies that a manufacturer is licensed under Chinese Medicine Ordinance Chapter 549	LCST (Holdings) (Tai Po)	June 26, 2018
			Europharm	March 11, 2018

Note:

* *We are in the process of renewing these licenses.*

The CFDA, which is responsible for drug regulations in China, has been imposing more stringent regulatory requirements on certain pharmaceutical products in China prior to approving the renewal of their drug licenses. These requirements have increased the required stringency for quality specification testing by requiring, for example, (i) new quality specifications for active ingredients and poisonous substances that require more quantitative analysis, and (ii) additional stability testing based on the quality specifications. Meeting these requirements may require the performance of additional quantitative analytical tests. Our Flying Eagle Woodlok Oil was impacted by these new CFDA requirements, and as such, there was a delay in renewing the license for Flying Eagle Woodlok Oil from December 2010 to September 2014. We relied on temporary permits and recorded an average annual revenue from sales of Flying Eagle Woodlok Oil of approximately HK$6.4 million during that period, as compared to an average annual revenue of approximately HK$14.2 million during the period from September 2014 to March 2016 (average annual revenue is calculated based on revenue for the relevant period divided by number of days of the period and multiplied by 365). In order to prevent similar delays in the future, we have designated an officer to manage the PRC regulatory affairs and regularly monitor any changes to PRC regulatory requirements.

PIC/S GMP ACCREDITATION

The PIC/S, the two international instruments which seek to promote constructive co-operation in the field of GMP, to lead the international development, implementation and maintenance of harmonized GMP standards and quality systems of inspectorates in the field of medicines. PIC/S GMP Guide is virtually identical to EU GMP Guide with the main difference being the use of different terminology, "authorized person" in the case of PIC/S GMP and "qualified person" in the case of EU GMP.

The PIC (Pharmaceutical Inspection Convention) was initially founded in October 1970 by the European Free Trade Association ("**EFTA**"), under the title of "The Convention for the Mutual Recognition of Inspections in Respect of the Manufacture of Pharmaceutical Products". The initial members comprised the 10 member countries of EFTA at that time. In the early 1990s it was realized that because of an incompatibility between the Convention and European law, it was not possible for new countries to be admitted as members of PIC. European law did not permit individual EU countries that were members of PIC to sign agreements with other countries seeking to join PIC. As a consequence, the Pharmaceutical Inspection Co-operation Scheme was formed on November 2, 1995. The Pharmaceutical Inspection Co-operation Scheme is an informal agreement between health authorities instead of a formal treaty between countries. PIC and the PIC Scheme, which operate together in parallel, are jointly referred to as PIC/S. PIC/S became operational in November 1995.

As of March 31, 2016, there are 48 participating authorities in PIC/S (Convention and Scheme taken together). Before a regulatory authority can become a member of the PIC Scheme, a detailed assessment is undertaken to determine whether the authority has the arrangements and competence necessary to apply an inspection system comparable to that of current PIC/S members. This assessment involves an examination of the authority's inspection and licensing system, quality system, legislative requirements, inspector training, etc., and is followed by a visit by a PIC/S delegation to observe inspectors carrying out actual GMP inspections.

The Pharmacy and Poisons Board of Hong Kong ("**PPBHK**") submitted application of becoming PIC/S member in August 2013. A paper assessment was conducted in view of its accession to PIC/S, followed by an on-site visit in January 2015. The Audit team recommended to the Committee to accept the PIC/S membership application of PPBHK. PPBHK has been therefore included in the Scheme as from January 1, 2016 and became PIC/S' 47th participating authority.

PIC/S ensures that all members comply with PIC/S standards at all times (assessment of new applicants and reassessment of existing member inspectorates). Preparing for the accession to the PIC Scheme (or reassessment) forces improvements in the GMP inspection system and procedures. This results in increased efficiency of the GMP inspectorate. This is particularly true for quality system requirements, where PIC/S standards are high, and for GMP training, which is essential in PIC/S.

Main benefits for regulatory authorities resulting from PIC/S membership include training opportunities, International GMP harmonization, networking, high standards, sharing of information, rapid alert system and facilitating the conclusion of other Agreements. There are also indirect benefits to manufacturing industry when their relevant regulatory authority becomes a member of PIC/S. These benefits may include reduced duplication of inspections, cost saving, export facilitation and enhanced market access. Although PIC/S is not a trade agreement, membership in PIC/S may facilitate the export of pharmaceuticals. Some non-PIC/S authorities, such as Colombia, accept GMP certificates from PIC/S participating authorities. This means that non-PIC/S authorities and organizations have a greater confidence in medicines manufactured in countries where the regulatory authority is a PIC/S participating authority. Consequently, the pharmaceutical industry located in these countries indirectly benefits from PIC/S membership.

For generic drugs being manufactured by APT China and registered for sale in Hong Kong, the manufacturing of these products is required to comply with the PIC/S GMP standards at the time of renewal of their respective product registration. We have started the process of transferring the production of such generic drugs to our PIC/S GMP accredited facilities in Hong Kong and such transfer of production of generic drugs is expected to be completed by the end of 2020. After the completion of such transfer, APT China will continue its production of generic drugs catering primarily for sale in China. In consideration of the fact that there were only 40 generic drug products being manufactured by APT China and registered for sale in Hong Kong which in aggregate contributed a total revenue of approximately HK$4.5 million for the year ended March 31, 2016, we do not expect such transfer to have any material financial or operational adverse impact on our Group.

COMPETITION

The pharmaceutical industry is a regulated industry with high entry barriers. We compete with the original manufacturers of the originator equivalents of our generic drugs, other generic drug manufacturers (including originator companies that also manufacture generic drugs or license their products to other generic drug manufacturers) and manufacturers of new drugs that may compete with our generic drugs. Our competitors include local companies as well as multi-national corporations.

We compete with other manufacturers of generic drugs to secure business from the Hospital Authority based on our:

- well-established track record and proven capabilities in supplying high-quality products and services;
- competitive selling prices as compared to overseas and local competitors;
- flexibility in providing required sales pack designs and to minimize the dispensing risks;
- tailor-made product sales pack such as providing loose packs for in-patient consumption; and
- our position as a major supplier of the Hospital Authority's Public-Private Partnership Program.

We compete with other manufacturers of generic drugs to secure business from the non-Hospital Authority sector based on our:

- extensive coverage and well-connected sales network ensure high satisfaction with customer services;
- breadth of choice;
- specialized formulations, for example, controlled-release tablets and cold and flu preparations with combination formulae; and
- integrated sales database to facilitate targeting products to potential customers.

We compete with other manufacturers of traditional Chinese medicine based on our:

- high-quality, time-honored and trusted brands;
- strong overseas distributor network; and
- market-driven product development strategies with proven technological capabilities.

EMPLOYEES

As of March 31, 2016, we had a total of 1,555 employees, including 1,400 based in Hong Kong and 155 based in China. As of the Latest Practicable Date, we had 1,647 employees. The following table shows a breakdown of our employees by function as of March 31, 2016:

Functions	Number of Employees	% of Employees
Production	697	44.8%
R&D and Quality Control	212	13.6%
Logistics and Distribution	159	10.3%
Quality Assurance	126	8.1%
Sales	109	7.0%
Others	252	16.2%
Total	**1,555**	**100.0%**

We had 20 registered pharmacists, 7 employees with Ph.D.s and 98 employees with master's degrees as of March 31, 2016.

Our employees typically enter into standard employment contracts with us. Remuneration packages for our employees may comprise one or more of the following elements: base salary, productivity-related incentives and performance-related bonus. We set performance attributes for our employees based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. We offer various benefit plans to our employees, including top-up leave entitlement, pension, medical, life insurance and maternity benefits. Our employees in China are unionized according to local labor laws. As of the Latest Practicable Date, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

We place high value on recruiting, training and retaining our employees. We maintain high recruitment standards and provide competitive compensation packages. We also provide in-house and external trainings relating to management and professional skills and knowledge. We also sponsor the external training of our employees.

We provide our manufacturing staff with general training on GMP practice, equipment operation and manufacturing. During the initial stage, new joiners will be closely monitored by experienced staff, and the training will be deemed complete if the trained techniques, operation procedures, manufacturing process can be performed correctly and independently and with the approval of the production supervisor or production manager. We engage recruitment agencies for placing candidates for certain highly specialized roles.

AWARDS AND HONORS

The following table sets forth our recent awards and recognitions:

Year	Brand or Products Receiving Award	Award (English)	Award (Chinese)	Awarding issuing authorities
2016	Po Chai Pills	2016 TVB Most Popular TV Commercial Awards — Citation for Excellence	2016TVB最受歡迎電視廣告大獎 — 優異獎	TVB
2015	Jacobson Medical	TVB Online Best Impact Award	N/A	TVB
2011–2014	JPG (BVI)	Caring Company	商界展關懷	The Hong Kong Council of Social Service
2015	Smartfish	N/A	Sunday Kiss 全城至愛親子品牌大獎2015	Sunday Kiss Magazine
2014	Contractubex	Top 10 Hong Kong Consumer Product Brands — Recommended Brands for Individual Visits	2014年度十大香港消費名牌	China Post Trade Development Co., Ltd.
2013	Contractubex	Customer's Most Favorable Hong Kong Brands	2013年度全國消費者最喜愛香港名牌系列活動之金獎品牌	China Enterprise Reputation and Credibility Association (Overseas) Ltd.
2013	Contractubex	Jessica Supreme Award	N/A	Jessica Magazine
2014–2015	Mederma for Kids	Watson's Health Wellness and Beauty Award	亮金級健康美麗大獎	Watsons
2014–2015	Mederma	Jessica Baby The Best Seller	N/A	Jessica Baby Magazine
2013	Mederma for Kids	Jessica Baby Favorite Brands 2013	N/A	Jessica Baby Magazine
2016	Po Chai Pills	Hong Kong Top Brand Award	香港名牌(2015)	Hong Kong Brand Development Council
2015	Po Chai Pills	Premium Chinese Medicine Enterprise Chinese medicine Promotion award	優質中藥企業–弘揚中藥獎	Hong Kong Chinese Medicine Industry Ltd.
2014	Po Chai Pills	N/A	2014年度十大香港消費名牌	China Post Trade Development Co., Ltd.

Year	Brand or Products Receiving Award	Award (English)	Award (Chinese)	Awarding issuing authorities
2013	Po Chai Pills	Customer's Most Favorable Hong Kong Brands	2013年度全國消費者最喜愛香港名牌系列活動之金獎品牌	China Enterprise Reputation and Credibility Association (Overseas) Ltd.
2013	Po Chai Pills	Superbrands — Hong Kong's Choice	香港超級品牌大獎	Superbrands
2012	Po Chai Pills	N/A	至愛優質中藥品牌大獎	Hong Kong Chinese Medicine Industry Ltd.
2013	Roter	Customer's Most Favorable Hong Kong Brands	2013年度全國消費者最喜愛香港名牌系列活動之金獎品牌	China Enterprise Reputation and Credibility Association (Overseas) Ltd.
2013	Rowachol & Rowatinex	Customer's Most Favorable Hong Kong Brands	2013年度全國消費者最喜愛香港名牌系列活動之金獎品牌	China Enterprise Reputation and Credibility Association (Overseas) Ltd.

EXPANSION INTO MACAU AND CHINA'S MARKET

We plan to establish a new office in Macau by around the end of 2016 to address and manage the registration, sales and marketing activities of generic drugs and proprietary Chinese medicines in Macau market. It will facilitate direct access of the sales channels such as private clinics and pharmacies. Also, the dedicated sales and marketing team would establish relationships with customers as well as Macau health authority to support bidding of Macau government tenders in order to achieve sales growth target in coming five years.

With a view to establishing Puji Pills as the leading gastrointestinal proprietary Chinese medicine in China, on March 12, 2016, we entered into a strategic cooperation framework agreement with Yunnan Baiyao, whereby Yunnan Baiyao will sell and distribute Puji Pills in China, while we will sell and distribute selected proprietary Chinese medicines and consumer products of Yunnan Baiyao in Hong Kong and Macau. Please refer to the section headed "— Proprietary Chinese Medicine — Sales, Marketing and Distribution — Third-Party Distributors." For generic drugs, we plan to expand our product portfolio in China by registering our strategically selected premium generic drug products, with a focus on gastrointestinal and central nervous system categories, and enter into distribution arrangement with existing or new distributors to sell and distribute these products in targeted provinces in China.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Health and Safety Matters

We are subject to various laws, regulations and standards in Hong Kong and China which stipulate the requirements to maintain safe production conditions and to protect the occupational health of employees. Pursuant to these requirements, an entity that is not sufficiently facilitated or equipped to ensure safe production shall not engage in production and business operations. The design, manufacture, installation, use, inspection and maintenance of production facilities and equipment are required to conform to applicable national or industrial standards.

We have implemented safety measures at our production facilities to ensure compliance with applicable regulatory requirements and to minimize the risk of injury to employees. We provide production safety education and trainings to our employees to enhance their awareness of work safety. We conduct periodic inspections of our facilities to ensure that our operations are in compliance with existing laws and regulations. We have a proper system in place for recording and handling accidents. Our safety officer is registered with the Labor Department of the Hong Kong government and is responsible for handling work accidents and injuries as well as maintaining health and work safety compliance record. We believe we are in compliance with applicable health and safety laws and regulations in all material respects, and have not experienced any material accidents in the course of our operations. Our Directors confirm that there was no material accident in the cause of our Group's operations which involved personal or property damages or for health or safety related compensation during the Track Record Period.

Environmental Matters

We are subject to certain laws and regulations in relation to environmental protection. See "Regulatory Overview" for further information about these laws and regulations.

We maintain registrations as a waste producer pursuant to the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) for the disposal of our chemical waste. We believe that we have adopted anti-pollution measures for the effective maintenance of environmental protection standards and that we are in compliance in all material respects with applicable environmental laws and regulations. We are not currently involved in any material environmental claims, lawsuits, penalties or administrative sanctions. There is, nevertheless, a risk that we may be subject to environment liabilities or litigation that could result in the assessment of damages, imposition of fines against us or suspension of productions. For more details, see "Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with pharmaceutical or other regulations may restrict our business operations." In addition, changes in environmental regulations could necessitate additional capital expenditures, modification of operations or other compliance actions.

During the Track Record Period, our compliance costs relating to environmental laws and regulations were insignificant. Our Directors expect that our ongoing cost for compliance with applicable environmental laws and regulations should not increase significantly.

INSURANCE

We maintain limited insurance coverage such as property insurance, public liability insurance, contractors' all risks cargo insurance, key person insurance and business interruption insurance. We also maintain product liability insurance to cover product liability claims. We believe our practice is consistent with industry practice in Hong Kong and China.

During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to our Group.

We contribute to social security insurance for our employees in accordance with applicable PRC laws, rules and regulations.

Our Directors believe that the insurance coverage for our operation was adequate and was in line with industry practice as of the Latest Practicable Date. However, the risks related to our business and operations may not be fully covered by insurance. Please see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not completely cover the risks related to our business and operations."

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we held 81 registered trademarks in Hong Kong, China and Macau which were material to our business. We have 2 pending trademark applications in Hong Kong which are material to our business, including our Company's logo. In addition, we were the owner of seven domain names which are material to our business as of the Latest Practicable Date. Details of our intellectual property rights are set forth under the section headed "Appendix V — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations, and we had complied with all applicable intellectual property laws and regulations in all material respects. Our Directors confirm that they were not aware of any incidents of intellectual property rights infringement, or restrictions with respect to our uses of intellectual property rights which would have a material adverse effect on our operations.

We have not been subject to any material infringement of our intellectual property rights during the Track Record Period.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls to safeguard our Shareholders' investment and our assets at all times. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- *Code of Conduct*. Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior. Our code of conduct also includes whistleblowing policies to encourage all employees to speak up against any sub-standard behavior.

- *Anti-corruption policies*. We have established anti-bribery policies and controls in payment and adopted control practice in bidding and market entry processes. Our policy prohibits paying or receiving bribes and kickbacks in commercial transactions. During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, our employees and distributors have not made any improper or illegal incentive payments.
- *Internal audit charter*. We plan to execute an internal audit charter that clearly states the objectives, organization, roles and responsibilities, working scope and procedures of our internal audit function after the Listing. Our Audit Committee is responsible for supervising our internal audit function.
- *Compliance with the Listing Rules*. Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and securities transactions by our Directors.
- *Compliance with the Competition Ordinance*. We have taken the following measures to ensure compliance with the Compliance Ordinance: (i) our executive Directors and senior management team have reviewed the latest publications and guidance materials issued by the Competition Commission to understand the requirements and implications of the Competition Ordinance and will review any new publication and guidance materials as they become available; and (ii) our executive Directors are responsible for reviewing our business practices on a regular basis to identify risks relating to competition laws that our business may face and consider the seriousness of the risks, and if necessary, to seek advice from our external professional advisers, including legal advisers.

The ultimate goal of our risk management process is to focus on the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. We encourage an all-embracing culture of risk management that ensures all employees are aware of and responsible for managing risks. Our Audit Committee, and ultimately the Board supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as quality control, product development and sales, to collaborate on risk issues among different functions. For details about the qualifications and experiences of the members of our Audit Committee and the Board, see "Directors and Senior Management."

PROPERTY

Owned Properties in Hong Kong and China

As of the Latest Practicable Date, we owned 14* properties in Hong Kong with an aggregate gross floor area of approximately 24,072 sq.m. for our production facilities, warehouses, offices and car parking spaces.

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* *Three of our owned properties in Hong Kong with an aggregate gross floor area of approximately 21,081 sq.m. are held by Hong Kong Science and Technology Parks Corporation ("**HKSTP**") under the auspices of the Government of Hong Kong with a term expiring on June 30, 2047. We occupied two of these properties pursuant to agreements for lease dated March 30, 1999 and March 2, 2007 made with HKSTP. We occupied the third property pursuant to an assignment lease dated July 22, 2011 made with HKSTP. Please refer to the section headed "Appendix III — Property Valuation Report" for more details about this property. We are not entitled to assign, mortgage, charge, demise, underlet, or part with the possession of or otherwise dispose of the properties unless we have complied with the procedures and conditions as stipulated in the leases. The properties may only be used for the purpose of pharmaceutical plants for the production of a number of dosage forms under GMP requirements as described in the leases, as amended, subject to certain restrictions therein. Upon fulfillment of certain conditions under the agreements for lease, HKSTP has granted us leases or approved the original lessee's assignment of its interest in the lease for a term from the date of our possession of the properties to June 27, 2047.*

As of the Latest Practicable Date, we held the land use right to one parcel of land in Zhongshan, China with a site area of 31,373 sq.m. land in respect of which we had three building ownership certificates for properties with an aggregate gross floor area of approximately 9,435 sq.m. for our production facilities, warehouses and offices.

Leased Properties in Hong Kong, China and Macau

As of the Latest Practicable Date, we leased and occupied 58 properties in Hong Kong with an aggregate gross floor area of approximately 36,763 sq.m. for our production facilities, warehouses, offices and car parking spaces.

As of the Latest Practicable Date, we leased and occupied one property in Shanghai, China with an aggregate gross floor area of approximately 49 sq.m. for our office.

As of the Latest Practicable Date, we leased and occupied one property in Macau with an aggregate gross floor area of approximately 141 sq.m. for our office.

Building Orders in respect of a number of our Owned Properties and Leased Properties in Hong Kong

As of the Latest Practicable Date, there were two unreleased building orders (the "**Building Orders**") issued by the Building Authority against our Group pursuant to section 24 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) ("**Buildings Ordinance**") in relation to certain building works in our owned properties for our production facilities, warehouses or offices ("**Building Order-related Owned Properties**") without having first obtained from the Building Authority the approval of building plans and commencement of such building works as required by section 14 of the Buildings Ordinance. Our Group was required to carry out rectification works in relation to these building works in accordance with the plans approved by the Building Authority (the "**Rectifying Works**").

The table below summarizes the two Building Orders which were issued to our Group:

Relevant Group company	Date of issue	Deadline for completion of rectification work	Commencement date of the Rectifying Works	Completion date of the Rectifying Works	Date of applications for release of the relevant Building Order
Europharm	December 2012	February 2013	March 2016	April 2016	April 2016
LCST (Holdings)	August 2015	October 2015	March 2016	April 2016	April 2016

As at the Latest Practicable Date, all Rectifying Works undertaken by our Group had been completed and applications had been submitted for the release of all Building Orders (our "**Release Applications**"). As the Rectifying Works of the Building Orders would not involve any full or partial closure of our operations, our Directors consider that the actual or possible impact on our Group's business is immaterial. Our Directors understand that if the Building Authority accepts the Rectifying Works in its inspection to be carried out, such Building Orders will be released. Upon the issuance of the releases to the respective building orders by the Building Authority, the non-compliance matters with the Buildings Ordinance will be rectified.

Pursuant to section 40(1BA) of the Buildings Ordinance, any person that, without reasonable excuse, fails to comply with a building order served on him under section 24(1) of the BuildingsOrdinance is liable to a maximum fixed fine of HK$200,000, a maximum daily fine of HK$20,000 per day and imprisonment for one year in maximum. To ascertain the likelihood of such maximum penalty being imposed on our Group, we have:

(i) made verbal enquiries with the Building Authority, on the basis of which our Directors have concluded that the likelihood of the maximum penalty to be imposed retrospectively after the Rectifying Works have been completed and the Building Orders have been lifted is low; and

(ii) engaged Ms. Lam Rachel Y.K., a barrister-at-law in Hong Kong ("**Ms. Lam**") as a special counsel to our Company, who is of the opinion that:

  (a) as a matter of practice, criminal sanctions are not ordinarily levied by the Building Authority against a building owner who is in the course of carrying out the required demolition, alteration or other works. Provided that our Group can finish the Rectifying Works as at the Latest Practicable Date, the chance of the Building Authority levying charges against our Group is very remote;

  (b) there are no reported cases wherein the Building Authority charged owners under the Buildings Ordinance after the relevant building order has been complied with, albeit out of time; and

  (c) in the unlikely scenario that charges are levied against our Group for the Building Orders, the penalty for each charge based on reported cases is likely to be a fixed fine of not more than HK$10,000 and a daily fine of not more than HK$100 per day.

  Based on Ms. Lam's opinion, our Directors are of the view that the potential penalties, if levied on our Group, with respect to the Building Orders would not exceed approximately HK$153,300.

Our Directors therefore are of the view that the likelihood of the maximum penalty under the Buildings Ordinance being imposed on our Group retrospectively after the Rectifying Works have been completed and the Building Orders have been lifted is low. Our Directors believe that the penalty, if any, will not be substantial and the financial impact to our Group is considered immaterial.

Pursuant to section 40(6) of the Buildings Ordinance, if our Group is found guilty and liable on conviction, the directors, managers or other officers (the "**Officers**") of the relevant subsidiaries concerned in their management who are in actual control of their operations at the relevant time may also be held liable. Ms. Lam has considered the applicability of this provision and is of the view that any fines imposed for the Building Orders should be borne by our Group. We have been advised that in any event, any fines which might be imposed on the Officers will not be additional to those imposed on our Group. Ms. Lam is also of the view that the chance of imprisonment of the Officers is very remote.

Our Directors are aware that there were 24 unreleased building orders (the "**Leased Property Building Orders**") issued under section 24 or section 24C of the Buildings Ordinance against the relevant landlord(s) of the premises where our leased properties for our production facilities, warehouses or offices are located (the "**Building Order-related Leased Properties**", together with Building Order-related Owned Properties, "**Building Order-related Properties**") as of the Latest Practicable Date. As the Leased Property Building Orders were issued against the relevant landlords, our Group was not in possession of all the material information regarding these building orders. To the best of our Directors' knowledge, 19 of the Leased Property Building Orders concerned building structures which were erected by our Group, and the remaining 5 Leased Property Building Orders concerned building structures which were not erected by our Group. Ms. Lam is of the opinion that as the statutory duty going forward will fall on the current owners of Building Order-related Leased Properties to comply with the relevant building orders (and, in the case of body corporate, may only accrue to current shareholders, directors, managers, and officers of the said owners going forward), insofar as our Group (as the tenant and occupant of the Building Order-related Leased Properties) is concerned, no criminal liability henceforth arises under the Buildings Ordinance.

Pursuant to the relevant tenancy agreements, the relevant subsidiaries of our Group are responsible for the rectifying works required under these 19 Leased Property Building Orders. The required rectification works of 15 Leased Property Building Orders have been completed and the relevant completion reports have been sent to the Building Authority. The required rectification works of the remaining four Leased Property Building Orders are in progress and are expected to be completed by March 31, 2017 and to cost us approximately HK$1.8 million in total. At the same time, appeal process has been commenced for these four building orders in the accordance with the Buildings Ordinance and the Building (Appeal) Regulation. The aggregate gross floor area of the relevant premises amounts to approximately 3.2% of the aggregate gross floor area of all of our owned and leased properties in Hong Kong.

In respect of the five Leased Property Building Orders concerning building structures which were not erected by our Group, to the best of our Directors' knowledge, any unauthorized building structures concerned under the relevant building orders and/or notices issued against the landlords should not be related to any action of our Group and such building orders and/or notices will not have significant impact on our operations. While we are not in possession of all the material information regarding these building orders, we have proactively requested, and will continue to request on a regular basis, the relevant landlords to perform rectification works and apply for release of the relevant building orders as soon as practicable. As of the Latest Practicable Date, rectification works for four building orders have been completed, out of which, the completion reports for two of the rectification works were submitted to the Building Authority for release and the completion reports for the remaining two are pending for the relevant landlord's consents for submission to the Building Authority for release. For the remaining one Leased Property Building Order, it relates to structures over the flat roof of a building and the aggregate gross floor area of the relevant premises amounts to approximately 0.3% of the aggregate gross floor area of all of our owned and leased properties in Hong Kong. The required rectification work has commenced and is expected to be completed by March 31, 2017 and to cost us approximately HK$0.5 million in total. In respect of this remaining Leased Property Building Order, the lease expires in March 2021. Upon such expiry date, we will renegotiate the terms and condition of the lease, with a view to impose contractual obligations on the relevant landlords to complete rectification work and apply for release of the relevant building orders. However, in the event that the relevant premises relating to this Leased Property Building Order are no longer available for leasing, our Directors believe that we are able to find suitable premises for relocation or to migrate the relevant operations to our other leased or owned properties without building orders at an immaterial cost (which is estimated to be approximately HK$0.2 million) in about three-month time.

To the best knowledge and information of our Directors and based on Ms. Lam's opinion, the estimated monetary exposure to our Group for the rectification works in relation to the Leased Property Building Orders, if any, would not exceed approximately HK$2.3 million.

Based on (i) the opinion issued jointly by two independent registered structural engineers and one authorized person under the Building Ordinance, who are Independent Third Parties having reviewed the Building Orders and the Leased Property Building Orders and conducted site visits and carried out independent physical inspection on the relevant rectification works at the Building Order-related Properties, that the Building Order-related Properties do not pose any material structural and/or fire safety risks; and (ii) the fact that all Building Order-related Properties having obtained certificates of fire service installation and equipment, including their annual maintenance, whereby an authorized person registered with the Fire Services Department has certified that the fire service installation and equipment have been tested and found to be in efficient working order in accordance with the Codes of Practice for Minimum Fire Service Installations and Equipment and Inspection, Testing and Maintenance of Installations and Equipment published from time to time by the Director of Fire Services, our Directors confirm that they are not aware of any imminent and material structural and/or fire safety issues at Building Order-related Properties. Based on our past experience, it will generally take one to two years after the submission of the completion report for the Building Authority to release a building order. On this basis, our Directors believe that each of the building orders for which rectification works have been completed or are in progress is expected to be released during a period from 2017 to 2018, which timing is at the Building Authority's sole discretion. Our Directors also confirm that, up to the date of this prospectus, none of the Building Orders and the Leased Property Building Orders had, or is expected to have, any material adverse effect to our operations.

In respect of the Building Orders and the Leased Property Building Orders, the Controlling Shareholders, collectively as the indemnifiers, have entered into the Deed of Indemnity in favor of our Company, under which the indemnifiers jointly and severally covenant and undertake with our Group to indemnify our Group from and against losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to the above mentioned and any other unauthorized building works which have been erected by our Group at any time prior to the Listing Date. More details of the Deed of Indemnity are set out in Appendix V to this prospectus.

The above building orders related incidents were primarily due to lack of experience of our junior staff in preventing and identifying unauthorized building works. In order to prevent similar incidents in the future, we have taken the following measures since September 2015:

- we have assigned specific responsibilities to our engineering team and administrative team to (i) ensure prompt completion of the Rectifying Works, submission of our Release Applications and follow-up work on the Building Order-related Leased Properties; and (ii) review and approve new building works and conduct on-going inspection, with a view to prevent occurrence of any new unauthorized building structure in our owned and leased properties;
- we have engaged licensed contractors to carry out the Rectifying Works;
- we have engaged registered architects to (i) provide advice and review the Rectifying Works so as to avoid inadvertent erection of any new unauthorized building structure and (ii) assist in preparation and submission of our Release Applications;

- our senior group engineering manager has been responsible for leading our engineering team to (i) conduct regular inspection of our owned and leased properties, with a view to identify potential unauthorized building structure in these properties and if found, to seek advice from our external professional advisers, including registered architects and licensed contractors; (ii) hold regular meetings with our administration team to review progress on the Rectifying Works and follow-up work on the Building Order-related Leased Properties and inform them of any findings of new unauthorized building structure; and (iii) conduct on-site inspection of properties which our Group may consider leasing or acquiring in the future and seek advice from our external professional advisers, if appropriate, prior to entering into any lease or purchase agreements, with a view to avoid leasing or acquiring properties with unauthroized building works; and
- one of our senior management and our vice president in administration, Ms. Pun Yue Wai, has been responsible for leading our administrative team to (i) maintain a building order list to track the progress on the Rectifying Works, follow-up work on the Building Order-related Leased Properties and any new unauthorized building structure; (ii) hold regular meeting with our engineering team to review the building order list; (iii) conduct semi-annual land searches on our owned and leased properties; (iv) maintain filings of all correspondence with the Building Authorities and (v) conduct land searches on properties which our Group may consider leasing or acquiring in the future and seek external legal advice, if appropriate, prior to entering into any lease or purchase agreements, with a view to avoid leasing or acquiring properties with unauthorized building works.

LEGAL PROCEEDINGS AND COMPLIANCE

We are subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include business disputes brought by our suppliers, customers or other business partners.

During the Track Record Period, we were involved in regulatory proceedings in relation to certain product recall incidents which were not material to our Group's business and operation. For more details, please refer to the section headed "— Product Returns, Recalls and Warranties."

During the Track Record Period, we were involved in one regulatory proceeding (the "**Export License Proceeding**") which was not a product recall incident. The Export License Proceeding was related to the export of a pharmaceutical product in syrup form rather than tablet form which was contrary to our Group's export license and we believe that it was a one-off event due to the inadvertence on the part of our junior staff in the course of processing documentation. As a result of Export License Proceeding, our Group was fined HK$15,000. For the three years ended March 31, 2014, 2015 and 2016, the revenue generated from the pharmaceutical products involved in the Export License Proceeding was approximately HK$98,000, HK$74,000 and HK$30,000 respectively. Our Directors believe that the Export License Proceeding was not material to our Group's business and operation.

In order to prevent similar incidents in the future, we have, since December 2015, appointed operations supervisor with over five years experience to review our Company's export license and relevant documentation to ensure that the requirements under our Group's export license are complied with.

As of the Latest Practicable Date, we are not a party to any ongoing material litigation, arbitration or administrative proceedings, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation. However, we may face legal threats, proceedings and claims in the future. In June 2016, a law firm representing certain minority shareholders of Europharm sent us a letter threatening to petition for a court order to wind up Europharm or for its majority shareholders to purchase the minority interests. The letter alleges that the majority shareholders of Europharm (which are wholly-owned subsidiaries of our Group) (i) excluded the directors of Europharm from management, (ii) breached the duty to act bona fide in the interest of Europharm and misappropriated assets of Europharm, (iii) diverted business opportunities away from Europharm, (iv) failed to declare dividends, and (v) exercised powers for improper purposes. Subsequently, in August 2016, the law firm sent us a written request for documents, including board minutes, financial statements and other internal documents of Europharm and certain of our subsidiaries.

For the three years ended March 31, 2014, 2015 and 2016, the revenue of Europharm were approximately HK$184.8 million, HK$166.2 million and HK$222.9 million respectively and the net profit of Europharm were approximately HK$13.7 million, HK$4.8 million and HK$28.9 million respectively. Based on due and careful review of the allegations and independent legal advice, we believe that these allegations are without merit and it is highly unlikely that the court would order Europharm to be wound up and hence they would not have any material financial or operational adverse impact on our Company. The Sole Sponsor concurs with our Company's view that such allegations are groundless and without merit, and our Directors and the Sole Sponsor are of the view that the suitability of our Directors involved to act as directors of a listed issuer under Rules 3.08, 3.09 is not undermined. See "Risk Factors — Risks Relating to Our Business and Industry — We have been, and in the future may be, the target of lawsuits, harassment or other hostile conduct by third parties, including malicious allegations, which could generate adverse publicity and harm our reputation and could adversely affect our business and the trading price of our Shares."

We are subject to a wide variety of laws, rules and regulations in the ordinary course of our business operations. See "Regulatory Overview." Except as disclosed in this prospectus, to the best knowledge of our Directors, we complied with the law and regulations of Hong Kong and China applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, as of and for the years ended March 31, 2014, 2015 and 2016 included in the Accountants' Report set out in Appendix I to this prospectus. The financial information included in the Accountants' Report has been prepared in accordance with HKFRSs. The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are the largest generic drug company in Hong Kong, having over 30% share of the total generic drug market in Hong Kong for each year since 2012, and we were larger than the next two providers combined in terms of revenue in 2015, according to Frost & Sullivan. For each year since 2012, we have also been (i) the largest provider of generic drugs to the Hospital Authority, the statutory body managing all public hospitals and a number of public institutions and clinics in Hong Kong, and accounted for over 70% of the Hospital Authority's annual purchase of generic drugs every respective year, and (ii) the largest provider of generic drugs in Hong Kong in the non-Hospital Authority sector, with over 20% market share, according to Frost & Sullivan.

We are the leader in a number of large and fast-growing therapeutic categories in the Hong Kong pharmaceutical market. For sales to the Hospital Authority, we were the leader in five main therapeutic categories in Hong Kong, including cardiovascular, central nervous system, gastrointestinal, oral anti-diabetics and respiratory, with 68.8%, 50.1%, 52.1%, 65.0% and 29.9% of the total procurement of generic drugs by Hospital Authority in each respective category in 2015, according to Frost & Sullivan. Contractubex was one of the best-selling scar treatment products in Hong Kong in 2015, with a 36.0% market share in the Hong Kong scar treatment market in terms of revenue, according to Frost & Sullivan. Our proprietary Chinese medicines are also highly recognized and widely carried. For example, Po Chai Pills is the most recognized gastrointestinal proprietary Chinese medicine in Hong Kong and Po Chai Pills was recognized by 97.0% of respondents in Hong Kong, 26.6% in Guangdong, 88.8% in Macau, 96.3% in Singapore, 85.0% in Kuala Lumpur and 85.0% in Jakarta, according to the Frost & Sullivan Survey.

We aspire to become the leading generic drug and proprietary Chinese medicine company in strategically selected markets in the Asia Pacific region. During the Track Record Period, our products were sold in Hong Kong, China, Macau, Singapore, Malaysia and Indonesia. Pharmaceutical products that have been approved in Hong Kong have reduced regulatory hurdles in certain strategically important export markets like China and Macau. For example, they are pre-qualified for sales and distribution in Macau. In addition, generic drugs that are manufactured and approved in Hong Kong would be deemed as eligible for filing submissions for new drug applications with other regulatory authorities that are members of PIC/S, including Singapore, Malaysia, Australia, New Zealand and Japan, increasing our access to these new markets in the Asia Pacific region and globally. We expect to capture an increasing share of Hong Kong's total generic drug market, which totaled HK$2.9 billion in 2015, representing about 23.2% of total pharmaceutical sales in Hong Kong, according to Frost & Sullivan. We also aim to capture a larger share of Macau and China pharmaceutical market.

We achieved a robust increase in our revenue during the Track Record Period primarily through increases in sales of our generic drugs to both the Hospital Authority and non-Hospital Authority sectors and sales of proprietary Chinese medicines. Our revenue grew from HK$926.2 million for the year ended March 31, 2014 to HK$1,083.9 million for the year ended March 31, 2016.

BASIS OF PRESENTATION

All financial data presented herein as of and for the years ended March 31, 2014, 2015 and 2016 have been derived from our consolidated financial information, which were prepared in accordance with HKFRSs.

Our Company was incorporated in the Cayman Islands on February 16, 2016. Prior to our incorporation, our principal activities were carried out by JPG (BVI) and its subsidiaries. Upon completion of the Reorganization, our Company became the holding company of our Group. As JPG (BVI) was controlled by the same group of equity holders, Mr. Sum and Mr. Lau, before and after the Reorganization, there were no changes in the economic substance of the ownership and the business of our Group. The Reorganization only involved inserting a newly formed entity with no substantive operations as the new holding company of JPG (BVI), the former holding company of our Group. Accordingly, the Reorganization has been accounted for using a principle similar to that for a reverse acquisition, with JPG (BVI) treated as the acquirer for accounting purposes. The financial information has been prepared and presented as a continuation of the financial statements of JPG (BVI) with the assets and liabilities of JPG (BVI) recognized and measured at their historical carrying amounts prior to the Reorganization. See "History, Reorganization and Corporate Structure" for more information on the Reorganization.

Intra-group balances and transactions are eliminated in full in preparing our financial information.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the most significant factors affecting our results of operation and financial condition are as follows:

Growth of the generic drug market, especially in Hong Kong, Macau and China

We generated 96.9%, 1.4% and 1.6% of our revenue from sales of generic drugs in Hong Kong, Macau and China for the year ended March 31, 2016, respectively, and our financial results have been driven by the growth of the generic drug market in these markets. We intend to increase the proportion of our revenue from Macau and China in the future. From 2011 to 2015, the Hong Kong generic drug market has grown from HK$1.8 billion to HK$2.9 billion at a CAGR of 12.7%, according to Frost & Sullivan.

The pharmaceutical markets in Hong Kong, Macau and China have primarily been driven by population aging, public policies to improve access to healthcare and growing awareness of health issues. In particular, the generic drug market is expected to grow significantly, benefitting from the continued expiration of the patents of blockbuster drugs and the adoption of generic substitution policies. We expect our revenue and profitability to continue to increase in response to these key drivers.

Changes in drug procurement patterns that affect demand for drugs in our therapeutic categories

Drug procurement patterns for drugs have been changing as a result of the growth drivers of each therapeutic category, including population aging and increased prevalence of chronic diseases. In light of this, doctors have increased their prescription of certain drugs, such as oral anti-diabetics and statins, which cater to chronic diseases. In particular, demand for special medicines for treatment of diabetes, cardiovascular diseases and depression has increased sharply in recent years. We will continue to monitor drug procurement patterns and expand our portfolio accordingly.

We have focused our research and development on therapeutic categories with high and growing demand and technical complexities, which generally provide a higher profit margin. We are a leading supplier or the sole supplier of many of the drugs in these therapeutic categories. Any change in competition in these therapeutic categories may affect the demand for our products and our revenue and profitability.

Our ability to secure tenders from the Hospital Authority

The Hospital Authority primarily procures generic drugs through an open tender system, which prescribes a whole spectrum of tendering requirements and performance specifications for tenderers to make reference to and comply with. For more details on Hospital Authority procurement, see "Business — Generic Drugs — Sales and Marketing — The Hospital Authority Procurement".

During the Track Record Period, we secured over 100 contracts with the Hospital Authority with a total contract value of approximately HK$698.2 million and tender success rates of approximately 79.4%, 93.0% and 90.0% for the years ended March 31, 2014, 2015 and 2016 respectively. The average tender size is approximately HK$5.8 million. The contract period of each tender is usually two years. Sales to the Hospital Authority contributed 31.5%, 29.7% and 28.0% of our total revenue during the years ended March 31, 2014, 2015 and 2016, respectively. These sales covered mainly products for respiratory, cardiovascular, central nervous system, gastrointestinal and oral anti-diabetics. As of the Latest Practicable Date, we had 104 outstanding contracts with the Hospital Authority with a total contract value of approximately HK$610.5 million. A portion of the total contract value under these outstanding contracts was recorded as revenue during the Track Record Period, and we expect to generate an additional approximately HK$412.9 million of revenue for the three years ending March 31, 2019. We aim to establish a portfolio of premium generic drugs to drive the growth of our sales to the Hospital Authority. Our ability to continue to secure tenders from the Hospital Authority will affect our revenue and profitability.

As we diversified our customer base and expanded our market coverage, our sales to the non-Hospital Authority sector increased during the Track Record Period in absolute amounts and as a percentage of our total revenue. We expect this trend to continue.

Our acquisitions of pharmaceutical products and businesses

We expect acquisitions of pharmaceutical products and businesses to continue to contribute to our future growth and expansion into new therapeutic categories and new geographic regions. Such activities require significant upfront capital expenditures and management attention. We believe that our experience in identifying attractive target companies and products, navigating regulatory obstacles during the pre- and post-acquisition phases, integrating the staff, operations and culture of acquired companies and realizing synergies and economies of scale have provided us and will continue to provide us with a strong regional and global advantage. However, our ability to successfully consummate acquisitions and grow our business through such acquisitions is subject to a number of uncertainties, many of which are beyond our control.

Our ability to develop new products

Our ability to successfully develop and commercialize our new drug products will affect our revenue and profitability. In order to develop new products, we must identify therapeutic categories with high and growing demand, fund and engage in research and development activities and successfully commercialize these drugs. We incur substantial development and marketing costs in developing and commercializing new and improved products and technologies.

We believe our strong pipeline of future products in several fast-growing therapeutic categories will be the driving force behind our long-term competitiveness as well as our future growth and profitability. Benefitting from our strong product development capabilities, we obtained 36, 69 and 44 new product licenses for the three years ended March 31, 2014, 2015 and 2016, respectively. We had 89 New Product Formulae in research and development in various stages, and expect to launch 35 of these within the next 24 months as of the Latest Practicable Date.

Our cost of raw materials

Our cost of materials represented 43.9%, 41.9% and 38.3% of the cost of sales during the years ended March 31, 2014, 2015 and 2016, respectively. Our cost of materials primarily includes costs incurred in connection with purchases of APIs, active substances, excipients and packaging materials. During the Track Record Period, the price of our raw materials has been fairly stable.

Regulatory changes

As the pharmaceutical industry is highly regulated, our results of operations are and will continue to be affected by the regulations and policies implemented in Hong Kong, Macau and China, including, in particular, the centralized tender process for procurement of pharmaceutical products in Hong Kong, as well as GMP standards. For example, the inclusion of Hong Kong as a member of the PIC/S GMP regime since January 1, 2016 has significantly increased our expansion opportunities to other PIC/S GMP markets, as a result of our ability to enter such markets on an expedited basis. We have already upgraded our generic drug production facilities to comply with PIC/S GMP, which has been adopted by well-developed countries, including Singapore, Malaysia, Australia, New Zealand and Japan.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial information and related notes requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and other financial data. We have based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our management has discussed the development, selection and disclosure of these estimates with our Directors. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial information. Details of our significant accounting policies are set forth in Note 1 to Section B of the Accountants' Report in Appendix I to this prospectus.

SUMMARY OF OPERATING RESULTS

The following table sets out a summary of our consolidated statements of profit or loss and other comprehensive income for the years ended March 31, 2014, 2015 and 2016, which are derived from the Accountants' Report as set out in Appendix I to this prospectus:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Revenue	HK$'000	% of Revenue	HK$'000	% of Revenue
Revenue	926,181	100.0	947,591	100.0	1,083,856	100.0
Cost of sales	(501,339)	(54.1)	(562,883)	(59.4)	(596,101)	(55.0)
Gross profit	**424,842**	**45.9**	**384,708**	**40.6**	**487,755**	**45.0**
Other income/(loss)	65,172	7.0	6,005	0.6	(465)	(0.1)
Selling and distribution expenses	(97,974)	(10.6)	(105,061)	(11.1)	(133,807)	(12.3)
Administrative and other operating expenses	(169,123)	(18.3)	(146,810)	(15.4)	(167,963)	(15.5)
Profit from operations	**222,917**	**24.0**	**138,842**	**14.7**	**185,520**	**17.1**
Finance costs	(5,969)	(0.6)	(2,707)	(0.3)	(2,523)	(0.2)
Profit before taxation	**216,948**	**23.4**	**136,135**	**14.4**	**182,997**	**16.9**
Income tax	(32,247)	(3.5)	(22,157)	(2.4)	(30,335)	(2.8)
Profit for the year	**184,701**	**19.9**	**113,978**	**12.0**	**152,662**	**14.1**

RECENT DEVELOPMENTS

In March 2016, with a view to further expanding our market penetration in the PRC, we entered into a strategic cooperation framework agreement with Yunnan Baiyao, whereby Yunnan Baiyao will sell and distribute Puji Pills in China, while we sell and distribute selected proprietary Chinese medicines and consumer products of Yunnan Baiyao in Hong Kong and Macau.

In March 2016, we entered into a memorandum of understanding with a research and academic institution, HKIB, with the aim to establish a new joint research and development center for developing new drug manufacturing technologies.

In June and August 2016, we entered into a non-disclosure agreement with an Independent Third Party and a non-disclosure deed with another Independent Third Party respectively, both of which are involved in pharmaceutical business in Hong Kong, whereby we will receive information related to their respective products to assess the potential for future business collaboration or product license acquisitions. We expect to complete the respective assessment in the coming few months.

We are not aware of any material changes in the pharmaceutical industry which would adversely affect our business subsequent to the Track Record Period. We have not experienced any significant decrease in revenue or increase in cost of sales or other costs subsequent to the Track Record Period and up to the Latest Practicable Date. Also, there were no material changes which would adversely affect our revenue, gross profit margin, net profit margin, net current liabilities or tender business with the Hospital Authority for the four months ended July 31, 2016 compared to the Track Record Period. However, it is expected that our finance costs and gearing ratio for the year ending March 31, 2017 will increase significantly compared with the year ended March 31, 2016, primarily due to (i) the cessation of interest expense capitalization following the expected completion of construction of the new generic drug production facilities during the year ending March 31, 2017, and (ii) additional loans drawn down primarily used to fund the settlement of our interim dividends declared during the Track Record Period and income tax payments which have accrued as of March 31, 2016.

PRINCIPAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

Our revenue is generated from the sale of generic drugs and proprietary Chinese medicines. Revenue from the sales of our products represents the sales value of goods supplied to customers less returns and sales rebates and is after deduction of any trade discounts.

Our overall revenue increased during the Track Record Period primarily due to (i) growth in both volume and price in our non-Hospital Authority sector in our generic drugs segment, (ii) additional Hospital Authority contracts secured in cardiovascular and CNS products in our generic drugs segment, (iii) increases in the sales volume and prices of Flying Eagle Woodlok Oil and Po Chai Pills in our proprietary Chinese medicines segment, and (iv) the acquisition of Tong Tai Chung Group in June 2014 in our proprietary Chinese medicines segment.

By business segment and market

The following table sets out our revenue by business segment and market during the Track Record Period:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Revenue	HK$'000	% of Revenue	HK$'000	% of Revenue
Generic drugs						
Hospital Authority	292,134	31.5	281,844	29.7	303,345	28.0
Non-Hospital Authority	531,600	57.4	557,167	58.8	641,408	59.2
Generic drugs subtotal	**823,734**	**88.9**	**839,011**	**88.5**	**944,753**	**87.2**
Proprietary Chinese medicines	102,447	11.1	108,580	11.5	139,103	12.8
Total	**926,181**	**100.0**	**947,591**	**100.0**	**1,083,856**	**100.0**

The decrease in our sales to the Hospital Authority from HK$292.1 million for the year ended March 31, 2014 to HK$281.8 million for the year ended March 31, 2015 was mainly due to loss of certain tenders, including metformin tablets. We regained the majority of these tenders during the year ended March 31, 2016 and will recognize the majority of revenue from these tenders during the year ending March 31, 2017 and subsequent years thereafter.

By distribution channels

The following table sets out our revenue by distribution channels during the Track Record Period:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Revenue	HK$'000	% of Revenue	HK$'000	% of Revenue
Generic drugs						
— consignees and distributors	221,302	23.9	324,117	34.2	321,035	29.6
— direct sales	602,432	65.0	514,894	54.3	623,718	57.6
Generic drugs subtotal	**823,734**	**88.9**	**839,011**	**88.5**	**944,753**	**87.2**
Proprietary Chinese medicines						
— distributors	42,756	4.6	30,440	3.2	48,376	4.4
— direct sales	59,691	6.5	78,140	8.3	90,727	8.4
Proprietary Chinese medicines subtotal	**102,447**	**11.1**	**108,580**	**11.5**	**139,103**	**12.8**
Total	**926,181**	**100.0**	**947,591**	**100.0**	**1,083,856**	**100.0**

Our revenue generated from sales through our consignees is recognized only when the consignment goods are delivered to the customers by the consignees and is reported on a gross basis. We have assessed the accounting treatment in accordance with HKAS 18 in determining that the consignees are our agents.

The following table shows (i) illustrative examples of the features of principals and agents from HKAS 18 and (ii) the relevant corresponding details of our business relationships with consignees:

HKAS 18's Illustrative Examples	Our Business Relationship with Consignees
The entity acting as a principal has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer.	We are responsible for the acceptability of the products provided to the customers.
The entity acting as a principal has inventory risk before or after the customer order, during shipping or on return.	We take the most significant risk in relation to inventory.
The entity acting as a principal has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services.	We set the selling prices of the consignment products and the consignees are not allowed to change the price.
The entity acting as a principal bears the customer's credit risk for the amount receivable from the customer.	This credit risk is considered minimal in view of the good repayment record of our customers, including the Hospital Authority, and the minimal bad debt we incurred from direct sales in Hong Kong during the Track Record Period. Therefore, credit risk is not considered as a determinative factor in assessing whether the consignees are our agents or customers.
An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.	We pay our consignees (i) service fees calculated as a fixed percentage of the relevant transaction amounts of the products they invoice to our customers and (ii) fees for ancillary services calculated based on rates stipulated in the consignment agreements.

Having considered all of the above indicators on a holistic basis, it is determined that we would bear the significant risks and rewards associated with the sale of consignment goods and hence that the consignees are our agents. As such, our relationship with our consignees is deemed as a principal-agent relationship. Accordingly, the relevant transactions through our consignees are accounted for as sales to our customers rather than sales to our consignees.

By geographic locations

The following table sets out a geographic breakdown of our revenue based on the locations at which goods are distributed by us, the consignees or the distributors during the Track Record Period:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Revenue	HK$'000	% of Revenue	HK$'000	% of Revenue
Hong Kong	851,566	91.9	879,109	92.8	994,206	91.7
China	34,078	3.7	28,834	3.0	40,850	3.8
Macau	21,862	2.4	19,868	2.1	27,743	2.6
Singapore	9,251	1.0	4,683	0.5	11,943	1.1
Others	9,424	1.0	15,097	1.6	9,114	0.8
Total	**926,181**	**100.0**	**947,591**	**100.0**	**1,083,856**	**100.0**

During the Track Record Period, the proportion of sales from each of our principal export markets was stable. Our revenue from Hong Kong, our place of domicile, represented 91.9%, 92.8% and 91.7% of our revenue for the years ended March 31, 2014, 2015 and 2016, respectively. Our revenue from China, Macau and Singapore in aggregate represented 7.1%, 5.6% and 7.5% of our revenue for the years ended March 31, 2014, 2015 and 2016, respectively. We expect Hong Kong to continue to represent a substantial majority of our revenue in the near future.

By selected key therapeutic categories

The following table sets forth a breakdown of our revenue of generic drugs by selected key therapeutic categories during the Track Record Period:

	For the Years ended March 31,		
	2014	2015	2016
		HK$'000	
Respiratory	274,014	284,990	360,827
Cardiovascular	93,383	99,777	107,393
Central nervous system	54,490	53,276	64,831
Gastrointestinal	61,098	59,887	61,899
Scar treatment	24,985	33,570	32,720
Oral anti-diabetics	38,351	24,504	23,163

The decrease in our revenue from sales of oral anti-diabetics from the year ended March 31, 2014 to the year ended March 31, 2015 was mainly due to loss of certain tenders from the Hospital Authority, including metformin tablets. We regained the majority of these tenders during the year ended March 31, 2016 and will recognize the majority of revenue from these tenders during the year ending March 31, 2017 and subsequent years thereafter.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales consists of cost of materials, staff costs, rent and rates, depreciation and amortization, utilities, consumables, repair and maintenance and other production costs.

The table below sets forth, for the periods indicated, the components of our cost of sales and the components as a percentage of total cost of sales:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Total	HK$'000	% of Total	HK$'000	% of Total
Cost of materials	220,123	43.9	236,004	41.9	228,392	38.3
Staff costs	154,225	30.8	177,653	31.6	191,064	32.1
Rent and rates	29,269	5.8	36,196	6.4	40,641	6.8
Depreciation and amortization	31,083	6.2	36,162	6.4	49,340	8.3
Utilities	23,285	4.6	22,566	4.0	30,012	5.0
Consumables	13,205	2.6	19,907	3.5	16,845	2.8
Repairs and maintenance	11,173	2.2	11,209	2.0	13,714	2.3
Other production costs	18,976	3.9	23,186	4.2	26,093	4.4
Total	**501,339**	**100.0**	**562,883**	**100.0**	**596,101**	**100.0**

Cost of materials primarily consists of costs incurred for the purchase of APIs, active substances, excipients and packaging materials used in production. Staff costs primarily represents the compensation and benefits we provide to our production and quality management employees. Rent and rates primarily consists of rent and rates incurred for our factory premises. Depreciation and amortization includes primarily the depreciation and amortization expenses of property, plant and equipment and intangible assets used in production. Utilities primarily consist of costs of electricity and water for production. Consumables primarily consist of the purchase costs of consumables used in production. Repairs and maintenance represents primarily the costs incurred for repairs and maintenance of our property, plant and equipment used in production and in our facilities. Other production costs primarily include testing fees, cleaning expenses and building management fee.

Based on the extent of fluctuation in raw material costs during the Track Record Period, for illustrative purposes only, the following table shows the sensitivity of our overall gross profit during the Track Record Period with regard to certain possible changes in the cost of materials during the same period, assuming all other variables remain constant:

	For the Years ended March 31,		
	2014	2015	2016
		HK$'000	
Change in cost of materials:			
-20%	44,025	47,201	45,678
-15%	33,018	35,401	34,259
-10%	22,012	23,600	22,839
+10%	(22,012)	(23,600)	(22,839)
+15%	(33,018)	(35,401)	(34,259)
+20%	(44,025)	(47,201)	(45,678)

For the illustrative purposes of breakeven analysis only, for the years ended March 31, 2014, 2015 and 2016, if the cost of materials had increased by 193.0%, 163.0% and 213.6%, respectively, our overall gross profit for the same periods would have been nil, assuming all other variables remain constant.

Gross profit is equal to revenue minus cost of sales. Gross profit margin is equal to gross profit divided by revenue. Key factors that affect our gross profit margin include the utilization rate of our production facilities and our product mix.

The table below sets forth, for the periods indicated, the breakdown of gross profit and gross profit margin in respect of our product sales by segment:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	GP%	HK$'000	GP%	HK$'000	GP%
Generic drugs	374,103	45.4	333,727	39.8	423,055	44.8
Proprietary Chinese medicines	50,739	49.5	50,981	47.0	64,700	46.5
Total	**424,842**	**45.9**	**384,708**	**40.6**	**487,755**	**45.0**

We recorded a gross profit margin of 45.9%, 40.6% and 45.0% for the years ended March 31, 2014, 2015 and 2016, respectively. The gross profit margin in our generic drugs segment decreased from 45.4% for the year ended March 31, 2014 to 39.8% for the year ended March 31, 2015, primarily due to additional staff costs, consumables and depreciation and amortization incurred for upgrading our generic drug production facilities to comply with the PIC/S standards. The gross profit margin in our generic drugs segment increased from 39.8% for the year ended March 31, 2015 to 44.8% for the year ended March 31, 2016 primarily due to the increased utilization of our production facilities. The gross profit margin in our proprietary Chinese medicines segment decreased from 49.5% for the year ended March 31, 2014 to 47.0% for the year ended March 31, 2015, primarily due to decreases in the sales of Flying Eagle Woodlok Oil, and continued to decrease to 46.5% for the year ended March 31, 2016 primarily due to additional operating costs of our new GMP-accredited Po Chai Pills production facility, which was partially offset by scheduled price increases.

Other Income/(Loss)

Our other income/(loss) primarily comprise commission income, interest income from bank deposits, interest income from key management insurance contracts, net foreign exchange loss or gain and net gain or loss on disposal of property, plant and equipment and leasehold land. Commission income was generated from providing distribution and marketing services for our Hong Kong and overseas principals.

Our other income for the year ended March 31, 2014 included a non-recurring gain of HK$61.1 million from disposal of certain buildings and leasehold land.

The table below sets forth, for the periods indicated, the components of our other income/(loss) and the components as a percentage of total other income/(loss):

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Total	HK$'000	% of Total	HK$'000	% of Total
Commission income	1,219	1.9	898	15.0	463	(99.6)
Interest income from bank deposits	58	0.1	46	0.8	8	(1.7)
Other interest income	2,916	4.5	3,040	50.6	3,169	(681.5)
Net foreign exchange (loss)/gain	(691)	(1.1)	1,557	25.9	243	(52.3)
Net gain/(loss) on disposal of property, plant and equipment and leasehold land	61,071	93.7	(477)	(7.9)	(4,931)	1,060.4
Others	599	0.9	941	15.6	583	(125.3)
Total	**65,172**	**100.0**	**6,005**	**100.0**	**(465)**	**100.0**

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of expenses related to staff, advertising and promotion, distribution, depreciation and amortization, rent and rates, travel and entertainment, and other sales and marketing activities. Our selling and distribution expenses increased during the Track Record Period primarily due to the expansion of our business.

The table below sets forth, for the periods indicated, the components of our selling and distribution expenses and the components as a percentage of total selling and distribution expenses:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Total	HK$'000	% of Total	HK$'000	% of Total
Staff costs	44,981	45.9	52,623	50.1	59,604	44.5
Advertising and promotion cost	18,725	19.1	15,051	14.3	28,988	21.7
Distribution cost	18,520	18.9	15,740	15.0	14,439	10.8
Depreciation and amortization	7,702	7.9	7,746	7.4	9,138	6.8
Rent and rates	2,445	2.5	5,724	5.4	11,578	8.7
Traveling and entertainment	2,054	2.1	2,357	2.2	2,120	1.6
Other sales and marketing expenses	3,547	3.6	5,820	5.6	7,940	5.9
Total	**97,974**	**100.0**	**105,061**	**100.0**	**133,807**	**100.0**

Staff costs represent primarily the salaries, commission and benefits for our in-house sales, marketing and logistics personnel. Advertising and promotion cost primarily consists of expenses and fees related to advertisements placed on various media platform to promote our products. Distribution cost primarily consists of the fees paid to consignees for their storage and delivery services. Depreciation and amortization primarily represents the depreciation of our delivery vehicles, furniture and fixtures installed in our warehouses and offices for sales and marketing personnel. Rent and rates primarily consists of rent and rates incurred for our warehouses and offices for sales and marketing personnel. Traveling and entertainment primarily represents local and overseas traveling and entertainment costs incurred by sales and marketing personnel. Other sales and marketing expenses primarily represent utilities and building management fee for our sales offices, other miscellaneous expenses for sales and distribution of our products.

Administrative and Other Operating Expenses

Our administrative and other operating expenses consist of staff costs, rental expenses, depreciation and amortization, listing expenses, legal and professional fees, office expenses, repairs and maintenance expenses, insurance expenses, utilities, research and development expenses, and other operating expenses.

The table below sets forth, for the periods indicated, the components of our administrative and other operating expenses and the components as a percentage of total administrative and other operating expenses:

	For the Years ended March 31,					
	2014		2015		2016	
	HK$'000	% of Total	HK$'000	% of Total	HK$'000	% of Total
Staff costs	112,039	66.2	77,240	52.6	85,632	51.0
Rent and rates	7,431	4.4	7,375	5.0	8,851	5.3
Depreciation and amortization	5,211	3.1	9,037	6.2	11,450	6.8
Listing expenses	–	–	–	–	8,926	5.3
Legal and professional fees	11,319	6.7	10,770	7.3	10,740	6.4
Office expenses	5,816	3.4	5,936	4.0	5,721	3.4
Repairs and maintenance	1,207	0.7	5,218	3.6	7,576	4.5
Insurance	3,313	2.0	4,648	3.2	6,054	3.6
Utilities	2,505	1.5	2,569	1.7	2,659	1.6
Research and development	3,516	2.1	5,727	3.9	5,637	3.3
Others	16,766	9.9	18,290	12.5	14,717	8.8
Total	**169,123**	**100.0**	**146,810**	**100.0**	**167,963**	**100.0**

Staff costs represent primarily the salaries and benefits for our management, administrative, finance and accounting staff. Rent and rates primarily consist of rent and rates for our corporate offices. Depreciation and amortization are related primarily to depreciation of office buildings, furniture, fixtures, equipment and motor vehicles. Listing expenses include costs and fees incurred for the Global Offering. Legal and professional fees primarily comprise legal and audit fees paid to our professional advisors. Office expenses primarily consist of business administrative expenses and printing and stationary expenses. Repairs and maintenance primarily represent the maintenance fee of our systems and repairs of small tools and assets. Insurance primarily consists of premiums and other expenses in relation to insurance policies for our business purposes. Utilities primarily consist of payments of electricity and water for our administrative offices. Research and development primarily represent costs, expenses and fees incurred in relation to our research and product development activities. Others include primarily expenses for motor vehicles, telephone and fax, traveling and other miscellaneous items for general administrative purposes.

Finance Costs

Our finance costs consist of interest on bank loans, overdrafts and other loans, and finance charges on obligations under finance leases, less capitalization of interest expenses. During the Track Record Period, our finance costs before capitalization of interest expenses increased primarily due to our increased bank borrowings for capital investments in new production plants and upgrades to our existing production facilities.

The table below sets forth the components of our finance costs:

	For the Years ended March 31,		
	2014	2015	2016
		HK$'000	
Interest on bank loans, overdrafts and other loans	10,723	14,265	16,241
Finance charges on obligations under finance leases	317	172	100
	11,040	14,437	16,341
Less: Interest expenses capitalized into construction-in-progress and prepayment for acquisition of non-current assets	(5,071)	(11,730)	(13,818)
Total	**5,969**	**2,707**	**2,523**

Income Tax Expense

Income tax expenses primarily consist of the current income tax and deferred income tax at statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations and the movement in deferred tax assets or liabilities recognized for the reporting periods.

The table below sets forth the components of our income tax expense for the periods indicated:

	For the Years ended March 31,		
	2014	2015	2016
		HK$'000	
Current tax	32,829	24,446	27,261
Deferred tax	(582)	(2,289)	3,074
Total	**32,247**	**22,157**	**30,335**

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. We are not subject to income or capital gains tax in the BVI. Our Hong Kong subsidiaries were subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

Our effective tax rate for the years ended March 31, 2014, 2015 and 2016 was 14.9%, 16.3% and 16.6%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

Profit for the Year

Our profit for the year consists of our profit before taxation less income tax. For the years ended March 31, 2014, 2015 and 2016, our profit amounted to HK$184.7 million, HK$114.0 million and HK$152.7 million, respectively. For the same periods, our net profit margin was 19.9%, 12.0% and 14.1%, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended March 31, 2016 Compared with the Year Ended March 31, 2015

Revenue

Our revenue increased by HK$136.3 million, or 14.4%, from HK$947.6 million for the year ended March 31, 2015 to HK$1,083.9 million for the year ended March 31, 2016. This increase was due to an increase of HK$105.8 million in revenue from sales of generic drugs and an increase of HK$30.5 million in revenue from sales of proprietary Chinese medicines.

Generic drugs segment

Revenue generated from sales of generic drugs increased by 12.6% from HK$839.0 million for the year ended March 31, 2015 to HK$944.8 million for the year ended March 31, 2016, primarily due to (i) an increase in revenue from sales to the Hospital Authority from HK$281.8 million to HK$303.4 million mainly driven by new tenders secured, and (ii) an increase in revenue in the non-Hospital Authority sector from HK$557.2 million to HK$641.4 million primarily due to scheduled price increases.

Proprietary Chinese medicines segment

Revenue generated from sales of proprietary Chinese medicines increased by 28.1% from HK$108.6 million for the year ended March 31, 2015 to HK$139.1 million for the year ended March 31, 2016, primarily due to (i) an increase in sales of Flying Eagle Woodlok Oil in China, (ii) an increase in sales from our acquisition of Tong Tai Chung Group in June 2014, which was reflected in the entire year ended March 31, 2016, and (iii) an increase in sales of Po Chai Pills in Hong Kong primarily due to a scheduled price increase and an increase in export sales of Po Chai Pills.

Cost of sales

Our cost of sales increased by HK$33.2 million, or 5.9%, from HK$562.9 million for the year ended March 31, 2015 to HK$596.1 million for the year ended March 31, 2016.

The increase was primarily attributable by (i) an increase in staff costs of HK$13.4 million as a result of additional headcount for production and annual salary increases and (ii) an increase in rent and rates of HK$4.4 million as a result of an additional warehouse.

Our cost of sales as a percentage of our revenue decreased from 59.4% to 55.0% primarily as a result of an increase in the utilization rate for our production facilities, as we increased our sales volume of generic drugs.

Gross profit and gross profit margin

As a result of the cumulative effect of the factors described above, our gross profit increased by HK$103.1 million, or 26.8%, from HK$384.7 million for the year ended March 31, 2015 to HK$487.8 million for the year ended March 31, 2016. Our gross profit margin increased from 40.6% for the year ended March 31, 2015 to 45.0% for the year ended March 31, 2016.

Other income/(loss)

Our other loss was HK$0.5 million for the year ended March 31, 2016, compared to other income of HK$6.0 million for the year ended March 31, 2015, primarily due to (i) an increase in net loss on disposal of property, plant and equipment of HK$4.5 million primarily related to the relocation of a warehouse for raw material storage and our Po Chai Pills production facilities, and (ii) a decrease in net foreign exchange gain of HK$1.3 million as Hong Kong dollars appreciated less in the year ended March 31, 2016 than in the year ended March 31, 2015.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$28.7 million, or 27.3%, from HK$105.1 million for the year ended March 31, 2015 to HK$133.8 million for the year ended March 31, 2016, primarily due to (i) an increase in advertising and promotional costs incurred for Po Chai Pills in Hong Kong, (ii) an increase in staff cost of HK$7.0 million, mainly due to increases in head count and salaries, and (iii) an increase in rent and rates of HK$5.9 million mainly due to the establishment of our central logistics center.

Administrative and other operating expenses

Our administrative and other operating expenses increased by HK$21.2 million, or 14.4% from HK$146.8 million for the year ended March 31, 2015 to HK$168.0 million for the year ended March 31, 2016, primarily due to (i) listing expenses of HK$8.9 million incurred for the Global Offering and (ii) an increase in staff cost of HK$8.4 million which was primarily due to increase in head count and salaries and partially offset by a decrease in Directors' remuneration of HK$15.1 million (which had a positive impact on our profit for the year ended March 31, 2016).

Profit from operations

As a result of the foregoing, our profit from operations increased by HK$46.7 million, or 33.6%, from HK$138.8 million for the year ended March 31, 2015 to HK$185.5 million for the year ended March 31, 2016.

Finance costs

Our finance costs decreased by HK$0.2 million, or 7.4%, from HK$2.7 million for the year ended March 31, 2015 to HK$2.5 million for the year ended March 31, 2016, primarily due to an increase in capitalized interest expenses of HK$2.1 million mainly due to the construction of a new generic drug production plant, which was partially offset by an increase in interest expenses of HK$1.9 million resulting from our increased bank borrowings.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by HK$46.9 million, or 34.5%, from HK$136.1 million for the year ended March 31, 2015 to HK$183.0 million for the year ended March 31, 2016.

Income tax

Income tax expenses increased by HK$8.1 million, or 36.5%, from HK$22.2 million for the year ended March 31, 2015 to HK$30.3 million for the year ended March 31, 2016, primarily due to the increase in profit before taxation. Our effective tax rate remained stable at 16.3% for the year ended March 31, 2015 and 16.6% for the year ended March 31, 2016.

Profit for the year and net profit margin

As a result of the foregoing, profit for the year increased by HK$38.7 million, or 33.9%, from HK$114.0 million for the year ended March 31, 2015 to HK$152.7 million for the year ended March 31, 2016. Our net profit margin increased from 12.0% for the year ended March 31, 2015 to 14.1% for the year ended March 31, 2016.

Year Ended March 31, 2015 Compared with the Year Ended March 31, 2014

Revenue

Our revenue increased by HK$21.4 million, or by 2.3%, from HK$926.2 million for the year ended March 31, 2014 to HK$947.6 million for the year ended March 31, 2015. This increase was due to an increase of HK$15.3 million in revenue from sales of generic drugs and an increase of HK$6.1 million in revenue from sales of proprietary Chinese medicines.

Generic drugs segment

Revenue generated from sales of generic drugs increased by HK$15.3 million, or 1.9%, from HK$823.7 million for the year ended March 31, 2014 to HK$839.0 million for the year ended March 31, 2015, primarily due to an increase in revenue in the non-Hospital Authority sector of HK$25.6 million, or by 4.8%, from HK$531.6 million to HK$557.2 million resulting primarily from scheduled price increases. The increase was partially offset by a decrease in revenue from sales to the Hospital Authority from HK$292.1 million for the year ended March 31, 2014 to HK$281.8 million for the year ended March 31, 2015, mainly due to the loss of certain tenders, including metformin tablets. We regained the majority of these tenders during the year ended March 31, 2016 and will recognize the majority of revenue from these tenders during the year ending March 31, 2017 and subsequent years thereafter.

Proprietary Chinese medicines segment

Revenue generated from sales of proprietary Chinese medicines increased by HK$6.1 million, or by 6.0%, from HK$102.5 million for the year ended March 31, 2014 to HK$108.6 million for the year ended March 31, 2015, primarily due to an increase in sales from our acquisition of Tong Tai Chung Group in June 2014, partially offset by a decrease in the production and sales volume of Flying Eagle Woodlok Oil as it was renewing its product license during the year ended March 31, 2015 and no temporary permit was obtained for that period.

Cost of sales

Our cost of sales increased by HK$61.6 million, or 12.3%, from HK$501.3 million for the year ended March 31, 2014 to HK$562.9 million for the year ended March 31, 2015. The increase was primarily attributable to (i) an increase in staff costs of HK$23.4 million mainly due to an increase in number of production personnel to meet the production needs and the acquisition of Tong Tai Chung Group, (ii) an increase in cost of materials of HK$15.9 million, (iii) an increase in rent and rates of HK$6.9 million primarily due to leasing additional raw material warehouse and production premises and the acquisition of Tong Tai Chung Group during the year ended March 31, 2015, (iv) an increase in consumables of HK$6.7 million primarily used in production and testing, and (v) an increase in depreciation and amortization of HK$5.1 million mainly due to our additional investment to improve our quality control and production.

Our cost of sales as a percentage of our revenue increased from 54.1% to 59.4% primarily as a result of additional staff costs, consumables and depreciation and amortization incurred for upgrading our generic drug production facilities to comply with the PIC/S standards.

Gross profit and gross profit margin

As a result of the cumulative effect of the factors described above, our gross profit decreased by HK$40.2 million, or 9.5%, from HK$424.9 million for the year ended March 31, 2014 to HK$384.7 million for the year ended March 31, 2015. Our gross profit margin decreased from 45.9% for the year ended March 31, 2014 to 40.6% for the year ended March 31, 2015.

Other income

Our other income decreased by HK$59.2 million, or 90.8%, from HK$65.2 million for the year ended March 31, 2014 to HK$6.0 million for the year ended March 31, 2015, primarily because of a non-recurring gain of HK$61.1 million from disposals of certain buildings and leasehold land during the year ended March 31, 2014. The decrease was partially offset by a net foreign exchange gain of HK$1.6 million for the year ended March 31, 2015, compared with a net foreign exchange loss of HK$0.7 million for the year ended March 31, 2014, which was mainly due to the settlement of payables denominated in Euro which depreciated against the Hong Kong dollars during the year ended March 31, 2015.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$7.0 million, or 7.0%, from HK$98.0 million for the year ended March 31, 2014 to HK$105.0 million for the year ended March 31, 2015, primarily due to: (i) an increase of HK$7.6 million in staff costs due to increase in number of sales personnel to manage the sales and distribution activities of the newly acquired Tong Tai Chung Group and business development, and (ii) an increase in rent and rates of HK$3.3 million as a result of increase in the number of sales offices which was in line with the increase in number of sales personnel, the effect of which were partially offset by a decrease in advertising and promotion expenses of HK$3.7 million.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by HK$22.3 million, or 13.2%, from HK$169.1 million for the year ended March 31, 2014 to HK$146.8 million for the year ended March 31, 2015, primarily due to a decrease in staff costs of HK$34.8 million mainly as a result of a decrease in Directors' remuneration of HK$40.7 million (which had a positive impact on our profit for the year ended March 31, 2015). The decrease was partially offset by (i) an increase in depreciation and amortization of HK$3.8 million due to the renovation of corporate offices performed during the year ended March 31, 2015, and (ii) an increase in repairs and maintenance of HK$4.0 million mainly due to a consultancy and maintenance fee of our enterprise resources planning system.

Profit from operations

As a result of the foregoing, our profit from operations decreased by HK$84.0 million, or 37.7%, from HK$222.9 million for the year ended March 31, 2014 to HK$138.9 million for the year ended March 31, 2015.

Finance costs

Our finance costs decreased by HK$3.3 million, or 55.0%, from HK$6.0 million for the year ended March 31, 2014 to HK$2.7 million for the year ended March 31, 2015. Our bank loans, overdrafts and other loans increased from HK$299.6 million as of March 31, 2014 to HK$475.6 million as of March 31, 2015, which are primarily for funding the capital investments in upgrading our production facilities in Hong Kong, which resulted in an increase in interest expenses from HK$10.7 million for the year ended March 31, 2014 to HK$14.3 million for the year ended March 31, 2015. The increase of interest expenses was partially offset by capitalization of interest expenses of HK$5.1 million and HK$11.7 million for the year ended March 31, 2014 and March 31, 2015, respectively.

Profit before taxation

As a result of the foregoing, our profit before taxation decreased by HK$80.7 million, or 37.2%, from HK$216.9 million for the year ended March 31, 2014 to HK$136.2 million for the year ended March 31, 2015.

Income tax

Income tax expenses decreased by HK$10.0 million, or 31.1%, from HK$32.2 million for the year ended March 31, 2014 to HK$22.2 million for the year ended March 31, 2015, primarily due to a decrease in our taxable income as a result of the foregoing. Our effective tax rate increased from 14.9% for the year ended March 31, 2014 to 16.3% for the year ended March 31, 2015, primarily because the non-recurring gain of HK$61.1 million from disposal of certain buildings and leasehold land during the year ended March 31, 2014 was capital in nature and hence non-taxable.

Profit for the year and net profit margin

As a result of the foregoing, profit for the year decreased by HK$70.7 million, or 38.3%, from HK$184.7 million for the year ended March 31, 2014 to HK$114.0 million for the year ended March 31, 2015. Our net profit margin decreased from 19.9% for the year ended March 31, 2014 to 12.0% for the year ended March 31, 2015. Such decrease in our net profit margin was primarily due to (i) the decrease in our gross profit margin, and (ii) the non-recurring gain of HK$61.1 million from disposal of buildings and leasehold land during the year ended March 31, 2014 as compared to no similar gains during to year ended March 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we have met our working capital needs primarily through cash flow from operating activities, bank loans and the use of trade and other payables. Our primary uses of cash are for our working capital needs and capital expenditures.

Upon the completion of the Global Offering, we expect to meet our working capital needs primarily through cash flows generated from operating activities, bank loans and the net proceeds to our Company from the Global Offering. We are satisfied after due and careful inquiry that we have available sufficient working capital for the present requirements, which is for at least the next 12 months from the date of this prospectus.

Cash flows

The following table presents the cash flows during the Track Record Period:

	For the Years ended March 31,		
	2014	2015	2016
		HK$'000	
Net cash generated from operating activities	150,272	161,754	221,450
Net cash used in investing activities	(126,529)	(390,971)	(133,723)
Net cash (used in)/generated from financing activities	(8,747)	160,853	(67,586)
Net increase/(decrease) in cash and cash equivalents	14,996	(68,364)	20,141
Cash and cash equivalents at the beginning of the year	116,778	131,492	63,005
Effect of foreign exchange rate changes	(282)	(123)	(221)
Cash and cash equivalents at the end of the year	**131,492**	**63,005**	**82,925**

Operating activities

We derive our cash inflow generated from operating activities primarily through sales of generic drugs and proprietary Chinese medicines. Cash outflow from operating activities primarily comprises payments for purchases of raw materials, staff costs, income tax, selling and distribution expenses, administrative and other operating expenses. Our cash generated from operating activities reflects our profit before taxation, adjusted for non-cash items, such as depreciation and amortization and net gain or loss on disposal of property, plant and equipment and leasehold land, and the changes in working capital, such as increases or decreases in inventories, trade and other receivables and trade and other payables.

We had net cash generated from operating activities of HK$221.5 million for the year ended March 31, 2016. This cash inflow was primarily attributable to our profit before taxation of HK$183.0 million and positive non-cash item adjustment for depreciation and amortization of HK$69.9 million and reduced by changes in working capital of HK$14.8 million and income tax paid of HK$22.9 million. Changes in working capital primarily comprised of an increase in inventories of HK$27.8 million and an increase in trade and other receivables of HK$2.9 million, partially offset by an increase in trade and other payables of HK$15.9 million.

We had net cash generated from operating activities of HK$161.8 million for the year ended March 31, 2015. This cash inflow was primarily attributable to our profit before taxation of HK$136.1 million and positive non-cash item adjustment for depreciation and amortization of HK$52.9 million, reduced by income tax paid of HK$26.5 million.

We had net cash generated from operating activities of HK$150.3 million for the year ended March 31, 2014. This cash inflow was primarily attributable to our profit before taxation of HK$216.9 million and positive non-cash item adjustment for depreciation and amortization of HK$44.0 million reduced by net gain on disposals of buildings and leasehold lands of HK$61.1 million, income tax paid of HK$35.4 million and changes in working capital of HK$19.0 million. Changes in working capital primarily comprised an increase in inventories of HK$16.7 million mainly due to materials purchased and production undertaken in preparation for an expected increase in sales from April to June 2014.

Investing activities

Our cash used in investing activities reflects our cash used in payments for purchases of property, plant and equipment and intangible assets, and acquisition of non-controlling interests and subsidiaries. Our cash generated from investing activities mainly comprises proceeds from disposal of property, plant and equipment and intangible assets.

We had net cash used in investing activities of HK$133.7 million for the year ended March 31, 2016, primarily attributable to payments for purchase of property, plant and equipment and intangible assets of HK$134.1 million, which were primarily for upgrading our production facilities in Hong Kong and expanding our product portfolio.

We had net cash used in investing activities of HK$391.0 million for the year ended March 31, 2015, primarily attributable to (i) payments for purchases of property, plant and equipment and intangible assets of HK$339.6 million, (ii) net cash outflow from the acquisition of Tong Tai Chung Group in June 2014 of HK$33.9 million, and (iii) remaining payments for acquisition of a 13.76% interest in Europharm in February 2014 of HK$17.8 million. Please refer to the section headed "History, Reorganization and Corporate Structure — Our Major Acquisitions and Disposal" for details of these acquisitions. Our purchase of property, plant and equipment and intangible assets in the year ended March 31, 2015 was primarily for upgrading our production facilities in Hong Kong and installation of our enterprise resource planning system.

We had net cash used in investing activities of HK$126.5 million for the year ended March 31, 2014, primarily attributable to (i) payments for purchases of property, plant and equipment and intangible assets of HK$200.4 million, and (ii) partial payments for acquisition of a 13.76% interest in Europharm in February 2014 of HK$10.5 million, partially offset by proceeds from disposals of buildings and leasehold land of HK$90.3 million. Our purchase of property, plant and equipment and intangible assets in the year ended March 31, 2014 was primarily for upgrading our production facilities in Hong Kong and expanding our product portfolio.

Financing activities

We use cash in investing activities primarily for repayments of bank and other loans and payments of borrowing costs. Cash inflow from financing activities mainly comprise proceeds from bank and other loans, increase in amounts due to the Controlling Parties, proceeds from issue of shares and dividends paid.

We had net cash used in financing activities of HK$67.6 million for the year ended March 31, 2016, primarily attributable to (i) repayment of bank and other loans of HK$503.5 million, (ii) borrowing costs paid of HK$15.5 million, and (iii) a decrease in amounts due to Controlling Parties of HK$17.0 million primarily due to partial repayment of advances provided by the Controlling Parties. The cash outflow was partially offset by proceeds from bank and other loans of HK$473.5 million.

We had net cash generated from financing activities of HK$160.9 million for the year ended March 31, 2015, primarily attributable to (i) proceeds from bank and other loans of HK$530.1 million, and (ii) an increase in amounts due to our Controlling Parties of HK$22.5 million primarily due to operating cash provided by Controlling Parties. This cash inflow was partially offset by (i) repayment of bank and other loans of HK$365.2 million, (ii) borrowing costs paid of HK$13.6 million, and (iii) dividends paid of HK$9.6 million.

We had net cash used in financing activities of HK$8.7 million for the year ended March 31, 2014, primarily attributable to (i) repayment of bank and other loans of HK$80.6 million, and (ii) borrowing costs paid of HK$10.2 million. This cash outflow was partially offset by (i) proceeds from bank and other loans of HK$48.7 million, (ii) proceeds from issuing 2,000 shares by JPG (BVI) to our then shareholders in January 2014 of HK$28.0 million, and (iii) an increase in amounts due to our Controlling Parties of HK$11.0 million primarily due to operating cash provided by the Controlling Parties. Please refer to Note 21 to Section B of the Accountants' Report in Appendix I to this prospectus for details about our Share Capital.

CAPITAL EXPENDITURES

Our capital expenditures were HK$200.4 million, HK$339.6 million and HK$134.1 million for the years ended March 31, 2014, 2015 and 2016, respectively. During the Track Record Period, our capital expenditures primarily comprised expenditures on property, plant and equipment and intangible assets to upgrade our production facilities and expand our business. In particular, our capital expenditures on purchase of property, plant and equipment during the Track Record Period were primarily in relation to the new production plant for Po Chai Pills and the two new production facilities for our generic drugs, and our capital expenditures on purchase of intangible assets during the Track Record Period were primarily in relation to installation of our SAP system and product license acquisitions. We incurred a lower amount of capital expenditures for the year ended March 31, 2016 than the years ended March 31, 2014 and 2015, primarily due to the fact that (i) we commenced the operation of the new production plant for Po Chai Pills in June 2015 and (ii) the majority of the capital investments in our new generic drug production facilities have been made in prior years. One of our new generic drug production facilities commenced production in August 2016 and we expect the other one to commence production by the end of 2016. We funded our capital expenditure requirements mainly from cash generated from operating activities and bank borrowings.

The following table sets forth, for the periods indicated, our capital expenditures:

	For the Years ended March 31,		
	2014	2015	2016
		HK$'000	
Purchase of property, plant and equipment	182,103	330,293	106,371
Purchase of intangible assets	18,288	9,319	27,772
Total	**200,391**	**339,612**	**134,143**

We may incur additional capital expenditures from time to time as we pursue new opportunities to expand our production capacities, and actual expenditures may differ significantly from our current plans. Our planned capital expenditure projects may also be changed due to changes in business plans such as potential acquisitions, individual project progress, and market conditions and outlook. Further, our ability to obtain sufficient funding for our planned capital expenditure projects in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in China, Hong Kong and other jurisdictions in which we may operate.

We expect to incur approximately HK$68.3 million in the year ending March 31, 2017, primarily related to purchase of property, plant and equipment and intangible assets. We intend to fund our planned capital expenditures through a combination of the net proceeds from bank borrowings and the Global Offering as well as cash flow from operating activities.

NET CURRENT LIABILITIES

The table below sets forth, as of the dates indicated, our current assets, current liabilities and net current liabilities:

	As of March 31,			As of July 31,
	2014	2015	2016	2016
	HK$'000			
				(Unaudited)
Current Assets				
Inventories	160,368	169,087	196,915	205,068
Trade and other receivables	142,740	148,795	209,957	230,564
Current tax recoverable	10,340	5,895	10,192	7,052
Cash and cash equivalents	131,492	70,258	82,925	76,715
Total Current Assets	**444,940**	**394,035**	**499,989**	**519,399**
Current Liabilities				
Trade and other payables	135,203	90,152	104,585	119,823
Bank loans, overdrafts and other loans	296,008	475,629	439,335	431,226
Obligations under finance leases	2,342	2,251	692	155
Amounts due to the Controlling Parties	30,740	53,192	36,202	11,744
Dividend payables	13,200	26,400	224,800	224,800
Loans from a company controlled by one of the Controlling Parties	2,780	–	–	–
Current tax payable	8,641	2,614	11,221	18,873
Total Current Liabilities	**488,914**	**650,238**	**816,835**	**806,621**
Net Current Liabilities	**43,974**	**256,203**	**316,846**	**287,222**

We had net current liabilities of HK$287.2 million as of July 31, 2016, consisting of current assets of HK$519.4 million and current liabilities of HK$806.6 million, which represented a decrease of HK$29.6 million from our net current liabilities of HK$316.8 million as of March 31, 2016. The decrease was mainly due to (i) a decrease in amounts due to the Controlling Parties of HK$24.5 million, and (ii) an increase in trade and other receivables of HK$20.6 million. This decrease was partially offset by an increase in trade and other payables of HK$15.2 million.

We had net current liabilities of HK$316.8 million as of March 31, 2016, consisting of current assets of HK$500.0 million and current liabilities of HK$816.8 million, which represented an increase of HK$60.6 million from our net current liabilities of HK$256.2 million as of March 31, 2015. This increasewas mainly due to an increase in dividend payables of HK$198.4 million. This increase was partially offset by (i) an increase in trade and other receivables of HK$61.2 million, and (ii) an increase in inventories of HK$27.8 million.

We had net current liabilities of HK$256.2 million as of March 31, 2015, consisting of current assets of HK$394.0 million and current liabilities of HK$650.2 million, which represented an increase of HK$212.2 million from our net current liabilities of HK$44.0 million as of March 31, 2014. This increase was primarily due to (i) an increase in the current portion of bank loans, overdrafts and other loans of HK$179.6 million, (ii) a decrease in cash and cash equivalents of HK$61.2 million, and (iii) an increase in amounts due to our Controlling Parties of HK$22.5 million. This increase was partially offset by a decrease in trade and other payables of HK$45.1 million.

As of March 31, 2014, we had net current liabilities of HK$44.0 million, consisting of current assets of HK$444.9 million and current liabilities of HK$488.9 million.

Among the current liabilities, there were bank loans contractually due for repayment after one year of HK$159.0 million, HK$311.0 million and HK$227.3 million as of March 31, 2014, 2015 and 2016, respectively. These bank loans were classified as current liabilities because the loan agreements included a clause that gives the banks the unconditional right to call the bank loans at any time. These bank loans were mainly used to fund capital investments in our production facilities, which are classified as non-current assets on the statement of financial position. In addition, we declared interim dividends of HK$15.0 million, HK$22.8 million and HK$200.2 million to our then shareholders during the years ended March 31, 2014, 2015 and 2016, respectively, which led to dividend payables of HK$13.2 million, HK$26.4 million and HK$224.8 million as of March 31, 2014, 2015 and 2016, respectively.

See "Risk Factors — Risks Relating to Our Business and Industry — We recorded net current liabilities during the Track Record Period, and such positions may continue after the Listing" for more information.

Inventories

The following table sets forth, as of the dates indicated, a summary of our balance of inventories:

	As of March 31,		
	2014	**2015**	**2016**
		HK$'000	
Raw materials	77,809	80,030	74,969
Work in progress	20,395	16,716	20,109
Finished goods	62,164	72,341	101,837
Total	**160,368**	**169,087**	**196,915**

Our inventory balance increased by 5.4% from HK$160.4 million as of March 31, 2014 to HK$169.1 million as of March 31, 2015, and further increased by 16.4% to HK$196.9 million as of March 31, 2016, primarily in preparation for an expected increase in sales.

The following table sets out the aging analysis of our inventories as of the dates indicated based on expiry date:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Raw materials			
Within 1 year	4,279	5,548	4,334
1–2 years	9,993	11,372	12,609
2–3 years	20,590	19,214	21,071
Over 3 years	37,852	38,263	34,081
No expiry date*	5,095	5,633	2,874
	77,809	80,030	74,969
Work in progress			
Within 1 year	213	280	173
1–2 years	1,277	2,829	2,054
2–3 years	9,620	7,415	11,788
Over 3 years	9,285	6,192	6,094
	20,395	16,716	20,109
Finished goods			
Within 1 year	2,708	1,375	2,642
1–2 years	25,534	25,625	36,542
2–3 years	19,321	25,256	34,397
Over 3 years	14,601	20,085	28,256
	62,164	72,341	101,837
Total	**160,368**	**169,087**	**196,915**

Note:

* *Raw materials with no expiry date mainly comprise packaging materials, such as glass bottles.*

The following table sets forth, for the period indicated, our average inventory turnover days:

	Year ended March 31,		
	2014	2015	2016
Average inventory turnover days	111	107	112

Note: Inventory turnover days is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 365 days or the numbers of days for the given period.

Our average inventory turnover days decreased from 111 days for the year ended March 31, 2014 to 107 days for the year ended March 31, 2015, primarily due to an increase in our cost of production to improve our quality control and production. Our average inventory turnover days increased from 107 days for the year ended March 31, 2015 to 112 days for the year ended March 31, 2016, primarily due to an increase in stock level in preparation for an expected increase in sales.

As of the Latest Practicable Date, approximately 77.8% of our inventories as of March 31, 2016 had been sold or used.

Trade and Other Receivables

The following table sets forth, as of the dates indicated, our trade and other receivables:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Trade receivables	110,316	110,120	108,055
Other receivables[(1)]	2,758	3,048	3,005
Amount due from a company controlled by a Controlling Party[(2)]	314	342	–
Investments in key management insurance contracts	–	–	58,452
Deposits and prepayments	29,352	35,285	40,445
Total	**142,740**	**148,795**	**209,957**

Notes:

(1) Primarily comprise export value added tax recoverable.

(2) Please refer to the section headed " — Related Party Transactions."

Our trade receivables represent the outstanding amounts due from our customers for the purchase of our products. For our generic drugs, we generally grant credit terms of 30 days to public and private hospitals, doctors in private practice and Department of Health clinics and 60 to 90 days to registered pharmacies, retail outlets and trading companies for the sales of generic drugs, which is in line with market practice. For proprietary Chinese medicines, we generally require payment of deposit before delivery or grant credit terms ranging from 60 to 90 days upon delivery depending on the product type and credit worthiness of the customers. We seek to maintain strict credit control over our outstanding receivables, and overdue balances are reviewed regularly and actively monitored by senior management to minimize credit risk.

Our trade receivables decreased slightly from HK$110.3 million as of March 31, 2014 to HK$110.1 million as of March 31, 2015, and further decreased to HK$108.1 million as of March 31, 2016, which remained relatively stable.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated based on invoice dates:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Less than one month	51,390	50,709	61,141
One to six months	49,216	58,151	46,604
Over six months	9,710	1,260	310
Total	**110,316**	**110,120**	**108,055**

The trade receivables that were neither past due nor impaired at the end of each reporting period were related to a wide range of customers that had no recent history of default with us. The trade receivables that were past due but not impaired are related to a number of independent customers that have a good track record with us. Based on our past experience, our management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the trade receivables from the date that credit was initially granted up to the end of each reporting period and the balances are still considered fully recoverable.

The following table sets forth the aging analysis of our trade receivables that are not individually nor collectively considered to be impaired:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Neither past due nor impaired	62,914	69,849	73,943
Less than one month past due	28,126	27,440	22,819
One to three months past due	8,802	10,815	10,270
Over three months past due	10,474	2,016	1,023
Total	**110,316**	**110,120**	**108,055**

The following table sets forth, for the periods indicated, our average trade receivables turnover days:

	Year ended March 31,		
	2014	2015	2016
Average trade receivables turnover days	44	42	37

Note: Trade receivables turnover days is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days or the numbers of days for the given period.

Our average trade receivables turnover days remained relatively stable for the years ended March 31, 2014 and 2015. Our average trade receivables turnover days decreased from 42 days for the year ended March 31, 2015 to 37 days for the year ended March 31, 2016, primarily due to an increase in sales to customers which were granted shorter credit terms.

As of the Latest Practicable Date, approximately 99.4% of our trade receivables as of March 31, 2016 had been subsequently settled.

Deposits and prepayments primarily comprise prepayment for insurance, purchase of raw materials and system maintenance, and deposit for rental and utilities. Deposits and prepayments increased by 20.1% from HK$29.4 million as of March 31, 2014 to HK$35.3 million as of March 31, 2015, primarily due to an increase of prepayment for system maintenance of HK$1.6 million and deposit for our new logistic warehouse of HK$2.3 million. Deposits and prepayments increased by 14.4% from HK$35.3 million as of March 31, 2015 to HK$40.4 million as of March 31, 2016, primarily due to our prepayment for listing professional fee amounting to HK$2.5 million.

Investments in key management insurance contracts under trade and other receivables increased from nil as of March 31, 2015 to HK$58.5 million as of March 31, 2016 because they were classified as non-current assets and current assets on the statement of financial position as of March 31, 2015 and 2016, respectively. The re-classification was because as of March 31, 2016, we expected to request surrender of the relevant insurance policies and receive cash based on the cash value of the policies within one year.

Trade and Other Payables

The following table sets forth, as of the dates indicated, our trade and other payables:

	As of March 31,		
	2014	2015	2016
		HK'000	
Trade payables	29,605	24,679	26,303
Salary and bonus payables	30,362	30,422	40,639
Payables and accruals for addition of property, plant and equipment	41,822	9,755	8,235
Other payables and accruals	32,732	17,707	23,323
Receipts in advance	682	7,589	6,085
Total	**135,203**	**90,152**	**104,585**

Our trade payables primarily consist of payables for raw materials from our suppliers, who generally provide us credit terms of 30 to 90 days for invoice settlement. Our trade payables decreased by 16.6% from HK$29.6 million as of March 31, 2014 to HK$24.7 million as of March 31, 2015, primarily because more purchases made in December 2014 were settled as of March 31, 2015. Our trade payables increased by 6.5% from HK$24.7 million as of March 31, 2015 to HK$26.3 million as of March 31, 2016, primarily due to our increase of purchases made in preparation for an expected increase in sales.

The following table sets forth the aging analysis of our trade payables as of the dates indicated based on invoice dates:

	As of March 31,		
	2014	2015	2016
		HK'000	
Within one month	15,735	13,438	13,441
One to six months	12,905	10,972	12,504
Over six months	965	269	358
Total	**29,605**	**24,679**	**26,303**

The following table sets forth, for the periods indicated, our average trade payables turnover days:

	Year Ended March 31,		
	2014	2015	2016
Average trade payables turnover days	21	18	16

Note: Trade payables turnover days is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 365 days or the numbers of days for the given period.

Our average trade payables turnover days decreased from 21 days for the year ended March 31, 2014 to 18 days for the year ended March 31, 2015 and further decreased to 16 days for the year ended March 31, 2016, primarily due to an increase in our cost of production.

As of the Latest Practicable Date, approximately 98.8% of trade payables as of March 31, 2016 had been subsequently settled.

Our salary and bonus payables remained stable as of March 31, 2014 and as of March 31, 2015. Our salary and bonus payables increased by 33.6% from HK$30.4 million as of March 31, 2015 to HK$40.6 million as of March 31, 2016, primarily due to the increase in the accrual of staff salaries and bonus.

Our payables and accruals for acquisition of property, plant and equipment decreased by 76.6% from HK$41.8 million as of March 31, 2014 to HK$9.8 million as of March 31, 2015, primarily due to the settlement of construction payables for upgrading our production facilities in Hong Kong. Our payables and accruals for acquisition of property, plant and equipment decreased by 16.3% from HK$9.8 million as of March 31, 2015 to HK$8.2 million as of March 31, 2016, primarily due to a decrease in acquisition of property, plant and equipment for the year ended March 31, 2016.

Other payables and accruals primarily comprise accruals for professional fees, utilities, transportation and consultation fees. Our other payables and accruals decreased by 45.9% from HK$32.7 million as of March 31, 2014 to HK$17.7 million as of March 31, 2015, primarily due to the payables arising from the acquisition of non-controlling interests amounted HK$17.8 million as of March 31, 2014 was settled as of March 31, 2015. Our other payables and accruals increased by 31.6% from HK$17.7 million as of March 31, 2015 to HK$23.3 million as of March 31, 2016, primarily due to an increase in operating activities.

INTANGIBLE ASSETS

The following table sets forth a summary of our balance of intangible assets as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Goodwill	108,507	108,507	108,507
Trademarks	52,768	55,398	55,398
Unpatented drugs	113,038	122,083	129,590
Customer relationship	97,304	105,612	98,649
Capitalized development costs	–	–	5,529
Software	–	28,804	26,488
Memberships	1,300	2,520	2,520
Total	**372,917**	**422,924**	**426,681**

Our intangible assets include mainly goodwill, trademarks, unpatented drugs and customer relationship.

- Goodwill represents the excess of the (a) the aggregate of the fair value of consideration transferred over (b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.
- Trademarks mainly represent the registered trademarks owned by the subsidiaries acquired at the acquisition dates.
- Unpatented drugs mainly represent the formulations and manufacturing know-how of approximately 1,400 generic drug products held by the subsidiaries acquired at the acquisition dates, including respiratory, cardiovascular, central nervous system, gastrointestinal and oral anti-diabetics products. We assessed the characteristics of each acquired unpatented drug and considered these unpatented drugs safe and effective, and commercially viable for a substantial period from the respective dates of acquisition.
- Customer relationship represents the steady and loyal customer network (including hospitals, doctors in private practices, registered pharmacies and retail outlets which have businesses with the relevant acquirees, which became our subsidiaries after the acquisition) acquired at the acquisition dates. Customer relationship meets the recognition criteria under HKFRS 3, *Business Combinations*, since the relationship arises through contracts and regular contacts by the subsidiaries' sales representatives with the subsidiaries' customers.

We acquired these intangible assets mainly through the acquisitions of Vickmans, Europharm, APT, Synco, Jean-Marie, PCHT, Great Era Corporation, Universal, Marching Companies and Tong Tai Chung Group. We accounted for the recognition of these acquired assets in accordance with HKFRS 3, *Business Combinations*. Further details of these acquisitions are disclosed in the section headed "History, Reorganization and Corporate Structure."

Acquired identifiable intangible assets are recognized separately from goodwill and are recognized at the fair value at the date of acquisition. An intangible asset is identifiable if it either (a) is separable, namely, capable of being separated or divided from the entity and capable of being sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or identifiable asset or liability, regardless of whether the entity intends to do so; or (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Goodwill is stated at cost less accumulated impairment losses. Intangible assets (other than goodwill) that are acquired by us are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses. Amortization of intangible assets with finite lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The useful lives of trademarks and memberships are assessed to be indefinite and are not amortized and are stated at cost less impairment losses.

We review internal and external sources of information (such as interest rate and profitability of the respective cash generating unit (described below)) at the end of each reporting period to identify any intangible assets that may be impaired or, except in the case of goodwill, any impairment losses that were previously recognized that may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. In addition, for (i) goodwill, (ii) intangible assets that are not yet available for use and (iii) intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

We assess impairment for each cash generating unit. A cash generating unit is the smallest group of assets that can generate cash inflows independently.

All of our cash generating units which the above intangible assets were related to were profitable during the Track Record Period, except for one cash generating unit which has been loss-making.

- For (i) those profit-making cash generating units which contained some intangible assets with indefinite useful lives or intangible assets which are not yet available for use and (ii) the loss-making cash generating unit, we concluded that no impairment was necessary, since the recoverable amount exceeded the carrying amount. The recoverable amount of an asset is the greater of (a) its fair value less cost of disposal and (b) value in use. To calculate the value in use of an asset, we sum the estimated discounted future cash flows generated by the respective cash generating unit(s). We discount those future cash flows based on a pre-tax discount rate that reflects the market assessments of the time value of money and the risks specific to the asset.

- For the other profit-making cash generating units, we assessed the internal and external sources of information and concluded that there were no indications of impairment.

Our intangible assets balance increased by 13.4% from HK$372.9 million as of March 31, 2014 to HK$422.9 million as of March 31, 2015, primarily attributable to the acquisition of Tong Tai Chung Group and installation of SAP system. Our intangible assets balance remained stable at HK$426.7 million as of March 31, 2016.

WORKING CAPITAL

During the Track Record Period, we met our working capital requirements mainly from our cash and cash equivalents on hand, cash generated from operations and bank loans. We manage our cash flow and working capital by closely monitoring and managing our operations and expansion plans. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

Taking into account the financial resources available to us, including cash flow from operating activities, the estimated net proceeds from the Global Offering and available bank facilities, our Directors are of the view that we have sufficient working capital to meet our present requirements, that is for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Borrowings

The following table sets forth a breakdown of our outstanding borrowings as of the dates indicated:

	As of March 31,			As of July 31,
	2014	2015	2016	2016
	HK$'000			
				(Unaudited)
Current liabilities				
Bank loans, overdrafts and other loans:				
Bank overdrafts	–	7,253	–	2,450
Current portion of bank and other loans	137,037	157,364	212,036	257,098
Non-current portion of bank loans with repayable on demand clause	158,971	311,012	227,299	171,678
Subtotal	296,008	475,629	439,335	431,226
Obligations under finance leases	2,342	2,251	692	155
Amounts due to the Controlling Parties[(1)]	30,740	53,192	36,202	11,744
Loans from a company controlled by one of the Controlling Parties[(1)]	2,780	–	–	–
Subtotal	331,870	531,072	476,229	443,125
Non-current liabilities:				
Non-current portion of bank and other loans	3,568	–	–	–
Obligations under finance leases	2,972	867	522	473
Subtotal	6,540	867	522	473
Total	**338,410**	**531,939**	**476,751**	**443,598**

Note:

(1) Please refer to the section headed " — Related Party Transactions" for more details.

The total outstanding amount of our borrowings increased by 57.2% from HK$338.4 million as of March 31, 2014 to HK$531.9 million as of March 31, 2015, primarily due to the increased bank borrowings during the year ended March 31, 2015 to fund the capital investments in upgrading our production facilities in Hong Kong. The total outstanding amount of our borrowings decreased by 10.4% from HK$531.9 million as of March 31, 2015 to HK$476.8 million as of March 31, 2016, primarily due to a decrease in amounts due to Controlling Parties. The total outstanding amount of our borrowings decreased by 7.0% from HK$476.8 million as of March 31, 2016 to HK$443.6 million as of July 31, 2016, primarily due to a decrease in amounts due to the Controlling Parties.

The following table sets forth the ranges of effective interest rates of our borrowings as of the dates indicated:

	As of March 31					
	2014		2015		2016	
	Effective interest rate	Amount HK$'000	Effective interest rate	Amount HK$'000	Effective interest rate	Amount HK$'000
Fixed rate borrowings:						
Bank and other loans	6.54%–8.4%	13,675	6.54%–8.4%	5,886	5.57%–5.82%	2,410
Obligations under finance leases	2%–9.15%	5,314	2%–9.15%	3,118	2%–9.15%	1,214
Loans from a company controlled by a Controlling Party	2%	2,780	–	–	–	–
		21,769		9,004		3,624
Variable rate borrowings:						
Bank loans and overdrafts	1.69%–3.98%	285,901	1.7%–5.25%	469,743	1.69%–5%	436,925
Total interest-bearing borrowings		**307,670**		**478,747**		**440,549**

The following table sets forth the maturity profile of our bank loans, overdrafts and other loans as of the dates indicated:

	As of March 31,			As of July 31,
	2014	2015	2016	2016
	HK$'000			
				(Unaudited)
Within one year or on demand	296,008	475,629	439,335	431,226
After one year but within two years	3,568	–	–	–
Total	**299,576**	**475,629**	**439,335**	**431,226**

Our secured bank loans, overdrafts and other loans are secured by pledges of certain property, plant and equipment, leasehold land, trade receivables, benefits of key management insurance contracts, our Controlling Parties' personal guarantees and corporate guarantees from certain subsidiaries. The unsecured bank loans, overdrafts and other loans are guaranteed by our Controlling Parties' personal guarantees, corporate guarantees from certain subsidiaries and guarantees from the Government of Hong Kong and the Hong Kong Mortgage Corporation Limited, or combinations of the above.

The table below sets forth assets pledged to secure certain bank loans, overdrafts and other loans granted to us as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Property, plant and equipment	128,736	125,524	121,810
Leasehold land	54,264	52,885	51,027
Investments in key management insurance contracts	71,122	73,141	75,248
Trade receivables	–	–	66,870
Total	**254,122**	**251,550**	**314,955**

The bank loans and overdrafts guaranteed by personal guarantees of our Controlling Parties as of March 31, 2014, 2015 and 2016 and July 31, 2016 was HK$263.1 million, HK$444.2 million, HK$436.9 million and HK$410.5 million, respectively. Such guarantees will be released and replaced by a corporate guarantee provided by our Company upon Listing.

As of July 31, 2016, the latest date for liquidity disclosure, we had utilized credit facilities in a total amount of HK$439.7 million and unrestricted and unutilized credit facilities in a total amount of HK$192.8 million.

Our Directors confirm that the agreements under our borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in payment of trade and non-trade payables and bank and other borrowings, nor did we breach any material covenants during the Track Record Period. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in obtaining credit facilities, or withdrawal of facilities or request for early repayment.

We intend to continue to finance portions of our capital expenditures with bank borrowings, as we deem appropriate. Except for such bank borrowings, we currently do not have plans for other material external debt financing. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

Statement of Indebtedness

Save as disclosed in the section headed "— Borrowings" above, we did not have, as of March 31, 2016, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there is no material change in our indebtedness position since March 31, 2016 up to the date of this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements or commitments to guarantee the payment obligations of third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

COMMITMENTS

Capital Commitments

The table below sets forth capital commitments outstanding as of the dates indicated not provided for:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Authorized and contracted for:			
– Purchase of non-current assets	195,075	25,413	19,980

The capital commitments are related to construction of new plants for our generic drugs and proprietary Chinese medicines and upgrading our production facilities in Hong Kong.

Operating Lease Commitments

We are the lessee in respect of a number of properties held under operating leases for our production facilities, warehouses and offices. These leases are non-cancellable for initial periods of one to five years, with options to renew upon expiry when all terms are open for re-negotiation. None of the leases includes any contingent rental.

The table below sets forth our future minimum lease payments under these non-cancellable leases which fall due as of the dates as indicated:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Within one year	39,190	40,725	46,637
After one year but within five years	33,910	39,245	52,117
Total	**73,100**	**79,970**	**98,754**

RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of our amounts due from/to related parties as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		HK$'000	
Amount due from a company controlled by a Controlling Party	314	342	–
Total	**314**	**342**	**–**
Amounts due to the Controlling Parties	30,740	53,192	36,202
Dividend payables	13,200	26,400	224,800
Loans from a company controlled by one of the Controlling Parties	2,780	–	–
Total	**46,720**	**79,592**	**261,002**

Amounts due from a company controlled by a Controlling Party represent expenses paid on behalf of Sinostar (Far East) Limited ("**Sinostar**"), a company controlled by Mr. Lau, one of our Controlling Shareholders. All amounts due from Sinostar were fully settled in July 2015.

Amounts due to the Controlling Parties mainly represent cash advanced to us by the Controlling Parties to satisfy our temporary cash requirement from time to time and salary payable to a Controlling Party. Such advances are unsecured, interest free and repayable on demand. All amounts due to the Controlling Parties and dividend payables were subsequently fully settled in August 2016.

Loans from a company controlled by one of the Controlling Parties represent loans granted to us by Sinostar, with a total amount of HK$20.0 million in 2008 for working capital purposes. Such loans are unsecured, repayable within one year and bear a fixed interest rate of 2% per annum. We incurred interest expense of HK$92,000, HK$25,000 and nil, respectively, during the years ended March 31, 2014, 2015 and 2016. We fully repaid the principal and accrued interest in July 2015.

We will discontinue all non-trade related party transactions after Listing, except as in compliance with the Listing Rules.

It is the view of our Directors that each of the related party transactions set out in Note 28 to Section B of the Accountants' Report in Appendix I to this prospectus (i) were conducted on normal commercial terms and/or on terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our shareholders as a whole; and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance.

FINANCIAL RISKS

We are exposed to various types of financial risks in the normal course of business, including currency risks, interest rate risks, credit risks, and liquidity risks.

Currency Risk

We mainly operate in Hong Kong, with most of our transactions denominated and settled in Hong Kong dollars. We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in foreign currencies.

We have not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. In respect of trade receivables and payables that are denominated in foreign currencies, we buy and sell foreign currencies at spot rates when necessary to ensure net exposure is kept to an acceptable level. We may enter into hedging transactions as we monitor our foreign currency risk.

We consider our exposure to foreign currency exchange rate risk to be insignificant. In the years ended March 31, 2014, 2015 and 2016, had there been a 8%, 21% and 3% increase or decrease in the exchange rate of Euro against Hong Kong dollars, our profit after tax and retained profits would have decreased or increased by approximately HK$237,000, HK$343,000 and HK$106,000, respectively. In the years ended March 31, 2014, 2015 and 2016, had there been a 10%, 11% and 5% increase or decrease in the exchange rate of British Pounds against Hong Kong dollars, our profit after tax and retained profits would have decreased or increased by approximately HK$135,000, HK$51,000 and nil, respectively.

For more information, see Note 25(d) to Section B of the Accountants' Report in Appendix I to this prospectus.

Interest Rate Risk

Our interest rate risk arises from interest-bearing borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. An increase in interest rates would result in an increase in the cost of serving our interest payment obligations. We currently do not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure. We will, however, continue to monitor interest rate exposure and will consider hedging significant interest rate risk exposure should the need arise.

In the years ended March 31, 2014, 2015 and 2016, if the interest rates had been 10 basis points higher/lower with all other variables held constant, our profit after tax and retained profits for the relevant periods would have decreased or increased by approximately HK$249,000, HK$431,000 and HK$403,000, respectively. For more information, see Note 25(c) to Section B of the Accountants' Report in Appendix I to this prospectus.

Credit Risk

Our credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Management has a credit policy in place and the exposure to these credit risks is monitored on an on-going basis.

With respect to cash and cash equivalents, we only place deposits with financial institutions with sound credit rating. With respect to trade and other receivables, our management has a credit policy in place and exposures to credit risk are monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as information pertaining to the economic environment in which the customer operates. Our exposure to credit risk is dependent on the individual characteristics of each customer. As of March 31, 2014, 2015 and 2016, we had concentration of credit risk of 8.7%, 8.3% and 7.7%, respectively, of the total trade and other receivables due from our largest debtor and 28.4%, 25.1% and 14.1%, respectively, from our five largest debtors. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

Liquidity Risk

Our policy is to regularly monitor our liquidity requirements to ensure that we maintain sufficient reserve of cash and adequate committed lines of funding from major banks and financial institutions to meet our liquidity requirements in the short and long term. For further quantitative information, please see Note 25(b) to Section B of the Accountants' Report in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates indicated:

	Year ended March 31,		
	2014	2015	2016
		(%)	
Profitability ratios			
Gross profit margin[(1)]	45.9	40.6	45.0
Net profit margin[(2)]	19.9	12.0	14.1
Return on equity[(3)]	22.2	11.9	15.6
Return on total assets[(4)]	13.7	7.2	8.7

	As of March 31,		
	2014	2015	2016
Liquidity ratios			
Current ratio[5]	0.91	0.61	0.61
Quick ratio[6]	0.58	0.35	0.37
Capital adequacy ratio			
Net gearing ratio[7]	18.3%	40.3%	37.3%

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated based on profit for the year divided by revenue and multiplied by 100%.

(3) Return on equity is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total equity in the relevant period and multiplied by 100%.

(4) Return on total assets is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total assets in the relevant period and multiplied by 100%.

(5) Current ratio is calculated based on total current assets divided by total current liabilities.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(7) Net gearing ratio is calculated based on bank loans, overdrafts and other loans less cash and cash equivalents divided by total equity multiplied by 100%.

See "— Year to Year Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

Our return on equity decreased from 22.2% for the year ended March 31, 2014 to 11.9% for the year ended March 31, 2015, primarily due to a non-recurring gain of HK$61.1 million from the disposal of buildings and leasehold land during the year ended March 31, 2014. Our return on equity increased from 11.9% for the year ended March 31, 2015 to 15.6% for the year ended March 31, 2016, primarily due to an increase of gross profit of HK$103.1 million.

Our return on total assets decreased from 13.7% for the year ended March 31, 2014 to 7.2% for the year ended March 31, 2015, primarily due to a non-recurring gain of HK$61.1 million from the disposal of buildings and leasehold land during the year ended March 31, 2014. Our return on total assets increased from 7.2% for the year ended March 31, 2015 to 8.7% for the year ended March 31, 2016, primarily due to an increase of gross profit of HK$103.1 million.

Our current ratio decreased from 0.91 as of March 31, 2014 to 0.61 as of March 31, 2015, primarily due to (i) a decrease in our total current assets mainly as a result of a decrease in cash and cash equivalents; and (ii) an increase in our total current liabilities, which was mainly caused by an increase in total borrowings, partially offset by a decrease in trade and other payables. Our current ratio remained stable at 0.61 as of March 31, 2015 and 2016.

Consistent with the changes in our current ratio, our quick ratio decreased from 0.58 as of March 31, 2014 to 0.35 as of March 31, 2015. Our quick ratio remained relatively stable at 0.35 as of March 31, 2015 and 0.37 as of March 31, 2016.

Our net gearing ratio increased from 18.3% as of March 31, 2014 to 40.3% as of March 31, 2015, primarily due to (i) an increase in total borrowings, and (ii) a decrease in cash and cash equivalents. Our gearing ratio decreased from 40.3% as of March 31, 2015 to 37.3% as of March 31, 2016, primarily due to a decrease bank loans, overdrafts and other loans of HK$36.3 million.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions and any discretionary incentive fee which may be payable by us) for the Global Offering are approximately HK$67.1 million. During the Track Record Period, we incurred listing expenses of HK$11.4 million, of which approximately HK$8.9 million was recognized as administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended March 31, 2016 and approximately HK$2.5 million was capitalized as deferred expenses in the consolidated statement of financial position as of March 31, 2016 to be recognized as a reduction in equity. We expect to incur additional listing expenses of approximately HK$55.7 million, of which approximately HK$22.2 million is expected to be recognized as administrative and other operating expenses and approximately HK$33.5 million are expected to be recognized as a deduction in equity directly. We expect that our net profit for the year ending March 31, 2017 will be impacted by these one-off listing expenses.

DIVIDEND

Subject to the Cayman Companies Law, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. In accordance with the Cayman Companies Law and our Articles of Association, dividends may be declared and paid out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries. As regards our PRC-incorporated subsidiaries, the PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Prior to the completion of the Reorganization, we declared interim dividends with an amount of HK$15.0 million, HK$22.8 million and HK$200.2 million to our then shareholders during the years ended March 31, 2014, 2015 and 2016, respectively, 30% of which were settled through internal resources and 70% through term loans in August 2016. The settlement of these dividends decreased our cash and cash equivalents and dividend payables and increased our bank borrowings. Our future declarations of dividends may or may not reflect our historical or further declarations of dividends. Our Company does not have a dividend policy. Our Board has the absolute discretion to declare dividends, subject to our Articles of Association, the Cayman Companies Law, Hong Kong laws and PRC laws governing our subsidiaries' ability to declare and pay dividends to us. Any declaration of dividends will depend on our future operations and earnings, capital requirements and surplus, cash flows and general financial conditions, contractual restrictions and other factors that our Directors consider relevant.

DISTRIBUTABLE RESERVES

Our Company was incorporated on February 16, 2016 and has not carried out any business since the date of incorporation.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ Cushman & Wakefield Limited has valued the property interests at 7 Dai Shun Street, Tai Po Industrial Estate as of June 30, 2016. A summary of particulars of the relevant property interests, values and valuation certificates issued by DTZ Cushman & Wakefield Limited are included in "Appendix III — Property Valuation Report."

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our consolidated financial information as of March 31, 2016 to the valuation of property interests as of June 30, 2016:

	HK'000
Net book value at March 31, 2016[(1)]	489,997
Additions during the three months ended June 30, 2016	10,450
Less:	
Cost of construction and installation of machinery	(175,249)
Adjusted net book value at June 30, 2016	325,198
Valuation deficit at June 30, 2016	321,780
Valuation amount at June 30, 2016[(2)]	3,418

Notes:

(1) Net book value represents the sum of the leasehold land and cost of construction of assets located at 7 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories during the period of construction and installation.

(2) We occupy the property at 7 Dai Shun Street, Tai Po Industrial Estate pursuant to an assignment lease made with HKSTP. Please refer to the section headed "Business — Property — Owned Properties in Hong Kong and China." Pursuant to the terms of the lease, we may assign the property to a third party during the term of the lease, only after first offering to surrender our interest to HKSTP free from encumbrances and with vacant possession at a consideration calculated in accordance with a formula set forth in the lease. In the event that the offer is not accepted by HKSTP within six weeks, it shall be deemed to have been rejected and we may dispose of the property by way of assignment subject to the conditions set out in the lease. As a result, the market value of such property as of June 30, 2016 as shown in the Property Valuation Report was approximately HK$3.4 million, which was calculated as if the property had been surrendered to and accepted by HKSTP at the date of valuation at a consideration calculated in accordance with the formula set forth in the lease. Please refer to the section headed "Appendix III — Property Valuation Report" for more details. Our generic drugs business has been profitable during the Track Record Period and we plan to utilize this property for production of generic drugs. We have no intention to surrender this property to HKSTP. Therefore, we recorded the recoverable amount of this property based on its value-in-use, which is higher than the net book value. As a result, no impairment is considered necessary.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2016 and there has been no event since March 31, 2016 which would materially affect the financial information included in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Pursuant to Listing Rule 13.18, a general disclosure obligation will arise where a listed issuer (or any of its subsidiaries) enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholder, such as a requirement to maintain a specific minimum holding in the share capital of the listed issuer.

Pursuant to the banking facilities granted by a bank in Hong Kong to a number of our subsidiaries, the bank has agreed to grant to such subsidiaries a number of bank loans and overdrafts in the aggregate sum of approximately HK$54 million which shall be subject to renewal by December 2016 and contain a clause that gives the bank the unconditional rights to call the loans at any time. Such bank facilities contain a condition which requires that Mr. Sum shall maintain, directly or indirectly, not less than 51% beneficial shareholdings in our Company and remain as our largest Shareholder. Such condition will constitute a specific performance by Mr. Sum, one of our Controlling Shareholders, under the banking facilities entered into by our Group under Listing Rule 13.18.

Furthermore, pursuant to the banking facilities granted by another bank in Hong Kong to a number of our subsidiaries, the bank has agreed to grant to such subsidiaries a number of bank loans, overdrafts and other facilities in the aggregate sum of approximately HK$633.3 million which shall be subject to renewal by May 2017 and contain a clause that gives the bank the unconditional rights to call the loans at any time. Such bank facilities contain a condition which requires that Mr. Sum and/or his trustee shall maintain not less than 55% beneficial shareholdings in our Company and remain as a Director. Such condition will constitute a specific performance by Mr. Sum, one of our Controlling Shareholders, under the banking facilities entered into by our Group under Listing Rule 13.18.

Immediately following the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Sum will be deemed to be interested in approximately 74.78% of shareholdings in our Company. For further details, please refer to the section headed "Substantial Shareholders" in this prospectus. Save as disclosed above, our Directors confirm that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under such Listing Rules upon Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group is based on the consolidated net assets derived from the financial information of our Group as of March 31, 2016, as set out in the Accountants' Report in Appendix I to this prospectus and adjusted as follows:

	Consolidated net tangible assets attributable to equity shareholders of the Company as at March 31, 2016[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[3]
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$1.28 per Share ..	480,201	508,400	988,601	0.56
Based on an Offer Price of HK$1.72 per Share ..	480,201	692,800	1,173,001	0.67

Notes:

(1) *The consolidated net tangible assets attributable to equity shareholders of the Company as at March 31, 2016 have been calculated based on the consolidated net assets attributable to equity shareholders of the Company of HK$906,882,000 million as at March 31, 2016 after deduction of intangible assets of HK$426,681,000.*

(2) *The estimated net proceeds from the Global Offering are based on the estimated offer prices of HK$1.28 per Share (being the minimum Offer Price) or HK$1.72 per Share (being the Maximum Offer Price), after deduction of the estimated underwriting fees and other listing expenses (excluding listing expenses of approximately HK$11.4 million that we incurred during the track record period), and 437,500,000 Shares expected to be issued under the Global Offering, assuming the Over-allotment Option is not exercised and excluding any Shares which may be issued upon the exercise of share options granted under the Share Option Scheme.*

(3) *The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,750,000,000 Shares are in issue.*

(4) *No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2016, in particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for the effect of dividend declared by a subsidiary of the Group subsequent to March 31, 2016 as disclosed in the Financial Information as set out in "Appendix I — Accountants' Report".*

(5) *Our property interests at 7 Dai Shun Street, Tai Po Industrial Estate as of June 30, 2016, have been valued by DTZ Cushman & Wakefield Limited, an independent property valuer, and the relevant property valuation report is set out in "Appendix III – Property Valuation Report". The above unaudited pro forma adjusted net tangible assets does not take into account the deficit arising from the revaluation of our property interests at 7 Dai Shun Street, Tai Po Industrial Estate amounting to approximately HK$321.8 million. Revaluation deficit has not been recorded in the Financial Information as set out in "Appendix I — Accountants' Report" as such property which will subsequently be used as our production plant is included as "Leasehold land" and "Construction-in-progress" and is stated at cost less impairment losses, if any, as at March 31, 2016. Our Directors considered no impairment is necessary based on the value-in-use calculation and no additional depreciation would be charged against the statement given the current condition of the property.*

The table below sets forth information regarding our current Directors and members of our senior management team:

DIRECTORS

Name	Age	Date of appointment as Director	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Sum Kwong Yip, Derek (岑廣業)	53	February 16, 2016	September 1, 1998	Chairman, Executive Director and Chief Executive Officer	– Responsible for overall strategic planning and operation management of our Group
Mr. Lo Chun Bun (盧進賓) .	41	February 16, 2016	January 2, 2008	Executive Director	– Responsible for overseeing mergers and acquisitions, information technology, logistics and legal affairs of our Group – Member of the Remuneration Committee
Mr. Yim Chun Leung (嚴振亮)*	54	April 1, 2016	September 1, 2008	Executive Director	– Responsible for corporate management, strategic development and investor relationship functions of our Group – Member of the Nomination Committee
Professor Lam Sing Kwong, Simon (林誠光)*	57	April 11, 2016	April 11, 2016	Non-executive Director	– Responsible for advising the Board on corporate strategies and governance development
Professor Chow Hee Lum, Albert (周喜林)	59	August 30, 2016	August 30, 2016	Independent non-executive Director	– Responsible for leading the activities and decisions of the Nomination Committee and making recommendations on the operations and management of our Group – Chairman of the Nomination Committee and member of the Audit Committee

Name	Age	Date of appointment as Director	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Dr. Lam Kwing Tong, Alan (林炯堂)	53	August 30, 2016	August 30, 2016	Independent non-executive Director	– Responsible for leading the activities and decisions of the Remuneration Committee and making recommendations on the operations and management of our Group – Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee
Mr. Young Chun Man, Kenneth (楊俊文)	53	August 30, 2016	August 30, 2016	Independent non-executive Director	– Responsible for leading the activities and decisions of the Audit Committee and making recommendations on the operations and management of our Group – Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee

* *Mr. Yim Chun Leung is the brother-in-law of Professor Lam Sing Kwong, Simon.*

SENIOR MANAGEMENT

Name	Age	Date of appointment as Senior Management	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Wong Yu Sun (王宇新)	45	April 11, 2016	July 8, 2003	Executive Vice President — Operation Management	– Responsible for managing the daily operations of our Group
Dr. Cheng Celine Heung Kwan (鄭香郡)	54	April 11, 2016	June 30, 2006	Executive Vice President — PIC/S and Quality Management	– Responsible for directing the PIC/S compliance and quality management of our Group
Mr. Wong Wai Ming (黃偉明)	43	April 11, 2016	November 16, 2015	Chief Financial Officer and Company Secretary	– Responsible for finance and accounting function of our Group
Dr. Chu Ka Wing (朱家榮)	43	April 11, 2016	May 24, 2010	Vice President — Chinese Medicine	– Responsible for overseeing the operations of Chinese medicine business of our Group

Name	Age	Date of appointment as Senior Management	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Chan Kin Man (陳建文)	53	April 11, 2016	July 2, 2004	Vice President — Sales	– Responsible for sales and marketing management function of our Group
Mr. Chui Tak Chuen (崔德銓)	32	April 11, 2016	August 1, 2006	Vice President — Project Management	– Responsible for project management function of our Group
Ms. Pun Yue Wai (潘裕慧)	65	April 11, 2016	August 14, 1998	Vice President — Administration	– Responsible for administration function of our Group
Mr. Cheng Chi Shing (鄭志誠)	32	April 11, 2016	September 3, 2012	Vice President — Human Resources	– Responsible for human resources function of our Group

BOARD OF DIRECTORS

The Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

Executive Directors

Mr. Sum Kwong Yip, Derek (岑廣業), aged 53, is the founder of our Group, and an executive Director, chairman of the Board and the chief executive officer of our Company, mainly responsible for overall strategic planning and operation management of our Group. He also spearheads the planning of our product development and technological research functions. Mr. Sum joined our Group in September 1998 as managing director, mainly responsible for business management and strategic development. Mr. Sum has around 28 years of sales and corporate management experience in the pharmaceutical industry. Prior to joining our Group, Mr. Sum held various management positions with multi-national corporations. He started his career in pharmaceutical industry with Sandoz Division of Edward Keller Limited in April 1988 and moved on to take up a management position with Watsons Pharmaceutical Limited under Hutchison Whampoa Limited in November 1988. In 1990, Watsons Pharmaceutical Limited was renamed as JDH Pharmaceutical Limited. Since then, Mr. Sum had worked in the Inchcape Group and he was the chief executive of Hong Kong and China of the pharmaceutical division under Inchcape JDH Limited back in 1998 before he embarked upon his entrepreneurial pursuit with our Group. Mr. Sum has been a member of the advisory committee of the school of pharmacy of The Chinese University of Hong Kong since June 2007.

Mr. Sum graduated from Cardiff University (formerly known as the University of Wales) in the United Kingdom with an honorary bachelor's degree in pharmacy in July 1986 and was accredited as a practicing member of The Royal Pharmaceutical Society of Great Britain in August 1987. He was admitted into the registrar as a registered pharmacist under the PPBHK in October 1987.

The Code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sum is the chairman of the Board and the chief executive officer of our Company. As Mr. Sum is the founder of our Group and had been managing our Group's business and overall strategic planning since its establishment, our Directors consider that the vesting of the roles of chairman and chief executive officer in Mr. Sum is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group and enabling more effective and efficient overall strategic planning for our Group. Taking into account all the corporate governance measures that we are going to implement upon Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time, taking into account the circumstances of our Group as a whole.

Mr. Lo Chun Bun (盧進賓), aged 41, is an executive Director of our Company, mainly responsible for overseeing mergers and acquisitions, information technology, logistics and legal affairs of our Group. Mr. Lo joined our Group in January 2008 as financial controller, mainly responsible for the finance and accounting function of our Group. Mr. Lo has over 12 years of experience in pharmaceutical manufacturing and distribution. Prior to joining our Group, from August 2003 to December 2007, Mr. Lo worked as a finance manager and was later promoted to a deputy general manager at Titan Enterprises, where he was mainly responsible for financial control, financial reporting and analysis, group restructuring and also overall supervision of finance team for its group companies in pharmaceutical industry.

Mr. Lo was awarded the higher diploma in accountancy from the City University of Hong Kong in November 1998. He has been a fellow of the Association of Chartered Certified Accountants since January 2011 and a member of the Hong Kong Institute of Certified Public Accountants since April 2006.

Mr. Yim Chun Leung (嚴振亮), aged 54, is an executive Director of our Company. Mr. Yim joined our Group in September 2008. Mr. Yim is mainly responsible for corporate management, strategic development and investor relationship functions of our Group. Mr. Yim has over 30 years of experience in the auditing, accounting and corporate finance fields. He has served and been serving in numerous companies listed on the main board of the Hong Kong Stock Exchange. Mr. Yim has been serving as an independent non-executive director of China New City Commercial Development Limited (stock code: 1321) since May 2014 and served as an executive director of LVGEM (China) Real Estate Investment Company Limited (stock code: 95) from December 2004 and its chief executive officer from July 2014, respectively until he resigned in March 2016. From May 2002 to June 2004, Mr. Yim served as the financial controller of Soundwill Holdings Limited (stock code: 878). From December 2000 to February 2002, Mr. Yim served as the chief financial officer of Sinolink Worldwide Holdings Limited (stock code: 1168). From January 1998 to April 1999, Mr. Yim served as an executive director of N P H International Holdings Limited (currently known as Concord New Energy Group Limited, stock code: 182). From January 1994 to January 1998, Mr. Yim served as the finance director of Tysan Holdings Limited (stock code: 687).

Mr. Yim obtained a degree of master of business administration from the University of Manchester in the United Kingdom in June 2008. He has been a non-practicing member of the Hong Kong Institute of Certified Public Accountants since January 1991, a fellow of the Association of Chartered Certified Accountants since October 1995 and an associate of the Institute of Chartered Accountants in England and Wales since April 2005. Mr. Yim is the brother-in-law of Professor Lam Sing Kwong, Simon.

Non-executive Director

Professor Lam Sing Kwong, Simon (林誠光), aged 57, was appointed as a non-executive Director in April 2016, mainly responsible for advising the Board on corporate strategies and governance development. Professor Lam is currently a professor of Management at the Faculty of Business and Economics of the University of Hong Kong. Professor Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at the Australian National University in April 1996. Professor Lam has published a number of academic papers and case analyses on the topics of corporate strategy, organization development and operations management. Before joining the University of Hong Kong, Professor Lam worked as a regional support manager of a bank.

He has extensive experience in corporate management, strategic development of organizations and corporate finance.

Professor Lam is currently an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366), Sinomax Group Limited (stock code: 1418) and Kwan On Holdings Limited (stock code: 1559), and he also was an independent non-executive director of Glory Flame Holdings Limited (stock code: 8059) from August 2, 2014 to March 22, 2016. From June 10, 2013 to July 29, 2016, he was an independent non-executive director of Beijing Enterprise Clean Energy Group Limited (stock code: 1250), from December 8, 2014 to April 22, 2016, he was an independent non-executive director of Chun Sing Engineering Holdings Limited (stock code: 2277) and from July 31, 2014 to June 24, 2016, he was an independent non-executive director of King Force Group Holdings Limited (stock code: 8315), the issued shares of which are listed on the Main Board or GEM of the Stock Exchange.

Professor Lam was a director of AS & T Consultants Limited which was incorporated in Hong Kong and was dissolved by means of striking off on 8 March 2002 pursuant to section 291(6) of the predecessor Companies Ordinance. Professor Lam confirmed that the said company was solvent and inactive at the time of it being struck off and that its dissolution has not resulted in any liability or obligation imposed against him. Professor Lam is the brother-in-law of Mr. Yim Chun Leung.

Independent non-executive Directors

Professor Chow Hee Lum, Albert (周喜林), aged 59, is an independent non-executive Director of our Company. Prof. Chow joined our Group on August 30, 2016. Professor Chow has successively served as an assistant professor, associate professor and professor at School of Pharmacy of The Chinese University of Hong Kong since August 1992, where he was mainly responsible for teaching and research. Professor Chow has more than 30 years of teaching and research experience in drug formulation and pharmaceutical material engineering and characterization. He served as a senior research pharmacist at department of pharmaceutical science and technology of Glaxo Canada Inc. from April 1992 to August 1992. He served as an assistant professor at Faculty of Pharmaceutical Science of University of British Columbia from July 1987 to March 1992.

Professor Chow obtained a Ph.D. in physical pharmaceutics and a master of science degree in pharmaceutical chemistry from the University of Toronto in Canada in June 1987 and November 1982, respectively, and a degree of bachelor of pharmacy with honors from University of Bradford in the United Kingdom in July 1979. Professor Chow received the Pharmacy Examining Board of Canada certification in November 1981 and has been a registered pharmacist in the United Kingdom and Hong Kong since July 1980 and September 1992 respectively. Professor Chow currently totally holds two patents registered in the United States, United Kingdom, Germany, Canada and Hong Kong and has filed three non-provisional patent applications in the United States. Professor Chow has been a member of The Royal Pharmaceutical Society of Great Britain since July 1980.

Dr. Lam Kwing Tong, Alan (林炯堂), aged 53, is an independent non-executive Director of our Company. Dr. Lam joined our Group on August 30, 2016. Dr. Lam has been running his private general dental practice in Hong Kong since 1998. Prior to that, Dr. Lam started his own dental practice in April 1989 in London and he sold his dental business in April 1994.

Dr. Lam graduated from the University of Glasgow in the United Kingdom with a bachelor of dental surgery degree in December 1987. He obtained the diploma of member in general dental surgery from the Royal College of Surgeons of Edinburgh in November 1999. Dr. Lam was granted a Diploma of membership in general dentistry by The College of Dental Surgeons of Hong Kong in November 2013.

Mr. Young Chun Man, Kenneth (楊俊文), aged 53, is an independent non-executive Director of our Company. Mr. Young joined our Group on August 30, 2016. Mr. Young has been the founder and director of AITIA (HK) CPA LIMITED, a member of TGS Global, since January 2015. Mr. Young is mainly responsible for developing strategies for the growth of the practice, and to implement proper governance and risk management. He has over 16 years of professional experience in audit and accounting fields. He was a partner at HLB Hodgson Impey Cheng (formerly known as Hodgson Impey Cheng) from September 1994 to March 2011. Mr. Young has been an independent non-executive director of Quam Limited (華富國際控股有限公司) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 952) since September 2012. He has also served as a member of the audit committee and a council member of SAHK (香港耀能協會), a charitable organization, since 2013 and 2015, respectively.

Mr. Young obtained a degree of master of corporate finance from The Hong Kong Polytechnic University in November 2004 and a degree of bachelor of arts in economics from University of Essex in the United Kingdom in July 1985. Mr. Young was qualified as a Chartered Accountant in England and Wales in August 1991. He was admitted fellowship of The Hong Kong Institute of Certified Public Accountants in December 2004, and first obtained his Practising Certificate in April 1993. Mr. Young has also been a fellow of The Institute of Chartered Accountants in England and Wales since January 2002, a fellow of The Taxation Institute of Hong Kong since June 2009, a fellow of The Hong Kong Institute of Directors since April 2009, a certified tax adviser of The Taxation Institute of Hong Kong since April 2010 and an ordinary member of the Society of Chinese Accountants & Auditors since December 11, 2015. Mr. Young was a member of the Hong Kong Securities and Investment Institute from 1998 to September 2014 and also held various committee member positions with The Hong Kong Institute of Certified Public Accountants from 1998 to 2014.

Each of the Directors entered into a service contract or a letter of appointment with our Company on August 30, 2016. For further details, please refer to the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Service Contracts" set out in Appendix V to this prospectus.

Save as disclosed above, each of our Directors confirms that he has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus and that there is no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

Mr. Wong Yu Sun (王宇新), aged 45, is an executive vice president of our Company, mainly responsible for managing the daily operations of our Group. Mr. Wong joined our Group in July 2003. He joined as a quality control manager with Europharm in May 2000 and became employed by our Group after the acquisition in 2003. Prior to joining Europharm, Mr. Wong served as quality control manager at Christo Pharmaceutical Limited from 1997 to 2000.

Mr. Wong obtained a master of philosophy in chemistry and a bachelor's degree in applied chemistry from the City University of Hong Kong in November 1997 and November 1995 respectively. He has been a member of Working Party on Biological and Chemistry Testing for Hong Kong Accreditation Service of Innovation and Technology Commission since January 2014.

Dr. Cheng Celine Heung Kwan (鄭香郡), aged 54, is an executive vice president of our Company, mainly responsible for the PIC/S compliance and quality management of our Group. Dr. Cheng joined our Group in June 2006. She joined as a director in the quality assurance department of Synco in March 2006 and became employed by our Group after the acquisition. She became an executive vice president in December 2014. Dr. Cheng has briefly left our Group in 2013 and rejoined our Group in 2014. Dr. Cheng has over 15 years of experience in pharmaceutical manufacturing industry and holds various advisory roles in government and academic institutions. She is currently the President of the Hong Kong Pharmaceutical Manufacturers Association and has been an adjunct associate professor of the School of Pharmacy of the Chinese University of Hong Kong since 2001. She has also been an adjunct associate professor at the School of Professional & Continuing Education of the University of Hong Kong from 2005 to 2011. Dr. Cheng joined Bright Future Pharmaceutical Laboratories Limited as a pharmacist in 1996 and was later promoted to quality assurance manager in 1997 and a director and the head of the quality assurance department in 2000. Dr. Cheng left Bright Future Pharmaceutical Laboratories Limited in 2004. During 1988 to 1995, Dr. Cheng had been a research assistant and postdoctoral research fellow at the University of Bradford.

Dr. Cheng obtained a Ph.D. in pharmacology from the University of Bradford in the United Kingdom in July 1990, a master's degree in business administration from the City University of Hong Kong in November 2006 and a bachelor's degree in pharmacy from the University of Bradford in July 1986. Dr. Cheng has been a registered pharmacist of The Royal Pharmaceutical Society of Great Britian since August 1987 and of PPBHK since March 1989. She became registered Pharmacist of General Pharmaceutical Council since 2010. She is also a registered authorized person with PPBHK. Dr Cheng has been appointed as members of various PPBHK committees since 2001.

Mr. Wong Wai Ming (黃偉明), aged 43, is the chief financial officer and the company secretary of our Group, mainly in charge of the finance and accounting function of our Group. Mr. Wong joined our Group in November 2015.

Mr. Wong has over 20 years of experience in auditing, accounting and finance fields. Prior to joining our Group, Mr. Wong serve as chief financial officer and company secretary of Broad Greenstate International Company Limited (stock code: 1253) from 2014 to 2015. From 2011 to 2013, Mr. Wong joined Baofeng Modern International Holdings Company Limited (stock code: 1121) and served as chief financial officer. He joined Kin Yat Holdings Limited (stock code: 638) from 2001 to 2010 as a finance manager, financial controller and finance director. He served as a staff accountant and an audit manager at Ernst & Young from 1996 to 2001. Mr. Wong has been an independent non-executive director of China Child Care Corporation Limited (stock code: 1259) since February 2011.

Mr. Wong obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in December 1994. He has been a fellow member of the Association of Chartered Certified Accountants in the United Kingdom since November 2002 and a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2006.

Dr. Chu Ka Wing (朱家榮), aged 43, is a vice president of our Company, mainly in charge of the operations of Chinese medicine business of our Group. Dr. Chu joined our Group in May 2010 as general manager. Dr. Chu has over 15 years of experience in pharmaceutical industry and held various major positions with well-known pharmaceutical companies. Prior to joining our Group, Dr. Chu served as a business development manager at Hong Kong Jockey Club Institute of Chinese Medicine from 2009 to 2010. From 2002 to 2008, he worked as a research and development manager, regulatory affairs manager, production manager and was later promoted to be technical director and direct sales director at PuraPharm International (H.K.) Limited.

Dr. Chu obtained a Ph.D. in biopharmaceutics and a bachelor's degree in pharmacy from the Chinese University of Hong Kong in November 2001 and December 1995 respectively. Dr. Chu has been a registered pharmacist of PPBHK since July 1996.

Mr. Chan Kin Man (陳建文), aged 53, is a vice president of our Company, mainly in charge of the sales and marketing activities of our Group. Mr. Chan joined our Group in July 2004 as director in the sales and marketing team. Mr. Chan has over 20 years of sales and marketing management experience in pharmaceutical industry. Prior to joining our Group, Mr. Chan served as successively as a marketing manager, general manager and sales director of LF Asia (Hong Kong) Limited (formerly known as IDS (Hong Kong) Limited) from 1994 to 2004. From 1989 to 1994, Mr. Chan worked as a product executive and was later promoted to product manager at Janssen Pharmaceutica (a subsidiary of Johnson & Johnson (Hong Kong) Limited). Mr. Chan worked as a medical representative at Glaxo HK Limited from 1986 to 1988.

Mr. Chan obtained a master's degree of business administration from the Oklahoma City University in 1988, a bachelor's degree of science in applied biology from the Hong Kong Baptist University (formerly known as the Hong Kong Baptist College) in 1990 and a bachelor's degree of science in pharmaceutical studies from the University of Sunderland in 2007.

Mr. Chui Tak Chuen (崔德銓), aged 32, is a vice president of our Company, mainly in charge of project management function of our Group. Mr. Chui joined our Group in August 2006 as a manager of quality assurance and technical development.

Mr. Chui obtained a master's degree in clinical pharmacy from the University of Sunderland in September 2011 and a bachelor's degree in pharmacy from the Chinese University of Hong Kong in December 2005. He has been a registered pharmacist of the Pharmacy and Poisons Board since July 2006 and a registered authorized person with PPBHK since 2008.

Ms. Pun Yue Wai (潘裕慧), aged 65, is a vice president of our Company, mainly in charge of the administration function of our Group. Ms. Pun has joined our Group in August 1998 as a stock control assistant. She was the assistant manager of the finance and administration department of Jacobson Medical from June 2001 to December 2006, and was later promoted to manager in 2007. She became the general manager of Jacobson Medical in January 2008 and a vice president in administration in 2015.

Mr. Cheng Chi Shing (鄭志誠), aged 32, is a vice president of our Company, mainly in charge of the human resources function of our Group. Mr. Cheng joined our Group in September 2012 as the human resources manager. Mr. Cheng has over 10 years of experience in human resources management and held various major human resources positions with well-known corporations. Prior to joining our Group, Mr. Cheng served as a human resources manager at CSL Limited from 2011 to 2012. From 2009 to 2011, he worked as a human resources officer at Midland Realty Group. From 2008 to 2009, he worked as a human resources officer at Crown Motors Limited, a member of Inchcape Hong Kong Group. From 2006 to 2008, Mr. Cheng worked as a human resources officer at Jardine Aviation Services Group.

Mr. Cheng obtained a bachelor's degree in policy studies and administration from the City University of Hong Kong in 2006.

COMPANY SECRETARY

Mr. Wong Wai Ming was appointed as Company Secretary on April 11, 2016. Please refer to the section headed "— Senior Management" for details of his biography.

BOARD COMMITTEE

Audit Committee

We established an Audit Committee on August 30, 2016 with effect from the Listing, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, the internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises Mr. Young Chun Man, Kenneth, Professor Chow Hee Lum, Albert and Dr. Lam Kwing Tong, Alan, our independent non-executive Directors. Mr. Young Chun Man, Kenneth is the chairman of the Audit Committee.

Remuneration Committee

We established a Remuneration Committee on August 30, 2016 with effect from the Listing, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include, among others, (i) making recommendations to the Board on the remuneration policy and structure for our Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving our Directors' and Senior Management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management.

The Remuneration Committee currently comprises Dr. Lam Kwing Tong, Alan and Mr. Young Chun Man, Kenneth, our independent non-executive Directors and Mr. Lo Chun Bun, our executive Director. Dr. Lam Kwing Tong, Alan is the chairman of the Remuneration Committee.

Nomination Committee

We established a Nomination Committee on August 30, 2016 with effect from the Listing, with written terms of reference in compliance with Code Provision A.5.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary responsibilities of the Nomination Committee include making recommendations to the Board on the appointment of members of our Board.

The Nomination Committee currently comprises Professor Chow Hee Lum, Albert, Dr. Lam Kwing Tong, Alan and Mr. Young Chun Man, Kenneth, our independent non-executive Directors, and Mr. Yim Chun Leung, our executive Director. Professor Chow Hee Lum, Albert is the chairman of the Nomination Committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the retirement benefits scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for the years ended March 31, 2014, 2015 and 2016 were approximately HK$68.3 million, HK$27.6 million and HK$12.6 million, respectively, which were determined based on a number of factors, including (i) profitability performance of the Group, (ii) the macro economic environment and (iii) achievement of strategic and business milestones by the Group. The remuneration were accounted for as staff costs under our administrative and other operating expenses. During the year ended March 31, 2014, in light of the relatively higher net profit we recorded as well as the favorable macro economic environment in Hong Kong and other relevant markets, we paid a relatively higher amount of remuneration to the Directors. During the year ended March 31, 2015, given due consideration on the relatively uncertain macro economic environment and the reshuffling of management responsibilities amongst certain senior managers to oversee our business operations, we adopted certain prudent cost saving measures, including reducing the Directors' remuneration to control the operational cost. We further reduced the Directors' remuneration for the year ended March 31, 2016, although our net profit has increased as compared to the past year, for the same reasons mentioned above.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals for the years ended March 31, 2014, 2015 and 2016 were approximately HK$74.3 million, HK$32.9 million and HK$19.5 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended March 31, 2014, 2015 and 2016. No Director has waived or has agreed to waive any emoluments during the years ended March 31, 2014, 2015 and 2016.

Under the arrangements presently in force, the estimated aggregate remuneration and benefits in kind payable to our Directors for the year ending March 31, 2017, excluding discretionary bonus, is expected to be approximately HK$17.0 million.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Notes 6 and 7 to Section B of the Accountants' Report set out in Appendix I to this prospectus and the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Service Contracts — (c) Others" set out in Appendix V to this prospectus.

COMPLIANCE ADVISER

We have appointed Altus Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

i. before the publication of any regulatory announcement, circular or financial report;

ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;

iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

iv. where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, possible development of a fake market in our Shares or any other matter.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

	Number of Shares	HK$
Authorized share capital:		
Shares	5,000,000,000	50,000,000
Issued and to be issued, fully paid or credited as fully paid:		
Shares in issue as of the date of this prospectus	1,312,500,000	13,125,000
Shares to be issued pursuant to the Global Offering	437,500,000	4,375,000
Total	1,750,000,000	17,500,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MEETING

Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix IV in this prospectus. Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may 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. For details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix IV in this prospectus.

SHARE OPTION SCHEME

We have adopted a Share Option Scheme which will be effective upon Listing. Potential participants will include Directors and employees of any member of our Group, as well as certain other persons that the board of Directors considers have contributed or will contribute to our Group.

The principal terms of the Share Option Scheme are summarized in the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme); and

(ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the section headed "— General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about our Group — 5. Resolutions in writing of our Shareholders passed on August 30, 2016" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering", our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 6. Repurchases of our own securities" in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — B. Further Information about Our Group — 5. Resolutions in writing of our Shareholders passed on August 30, 2016" in Appendix V to this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Kingshill and Longjin will together be interested in approximately 57.58% of our issued share capital in aggregate.

Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries. Longjin is owned as to 75% by Mr. Lau.

Furthermore, pursuant to the Deed of Acting in Concert dated January 8, 2016, Kingshill and Longjin agreed, and Mr. Lau as the majority shareholder of Longjin agreed to procure Longjin, to act in concert with each other and adopt a consensus building approach to reach decisions on a unanimous basis in exercising their voting rights in respect of any resolution required to be passed by the shareholders of our Company commencing from the date of incorporation of our Company and maintaining such acting-in-concert arrangement until the Deed of Acting in Concert is terminated. They have also confirmed that prior to the commencement of the Deed of Acting in Concert, they were acting in concert with each other in exercising their voting right in JPG (BVI) during the Track Record Period.

Accordingly, as Trust Co, Kingshill, Longjin, Mr. Sum and Mr. Lau, directly and indirectly, will together be entitled to exercise 57.58% of the voting power of our Company, each of Trust Co, Kingshill, Longjin, Mr. Sum and Mr. Lau will be regarded as our Controlling Shareholder under the Listing Rules immediately following the completion of the Global Offering. For further details of our Controlling Shareholder's interest in the Shares, please refer to the section headed "Substantial Shareholders" in this prospectus.

Our Controlling Shareholders and our Directors confirm that they do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules as at the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective associates (other than our Group) after the Global Offering.

Management Independence

Our Board consists of 7 Directors, comprising 3 executive Directors, 1 non-executive Director and 3 independent non-executive Directors.

We consider that our Board and senior management will function independently from each of our Controlling Shareholders because:

- our Company's management and operational decision are made by our executive Directors and senior management who have served our Group for a significant length of time and/or have substantial experience in the pharmaceutical industry;
- each of our Directors is aware of his fiduciary duties as a director which require, among others things, that he must act for the benefit of and in the best interests of our Company and our Shareholders as a whole and must not allow any conflict between his duties as a Director and his personal interests;

- the 3 independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;
- each of our Directors will not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest and shall not be counted in the quorum present at the particular Board meeting;
- each of our Directors confirms that he does not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, as at the Latest Practicable Date; and
- we have established an internal control mechanism to identify related party transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Based on the above, our Directors are satisfied that they are able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholders after Listing.

Operational Independence

Our Directors consider that our operations do not depend on the operation of our Controlling Shareholders for the following reasons:

(a) we do not rely on our Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing or sales activities and we have our own headcount of employees for our operations and independently manage our human resources;

(b) our Group owns all licenses, permits, domain names, trademarks or licenses to use trademarks and other intellectual property rights which are required for our Group to carry on its business;

(c) each of our Controlling Shareholders and Directors confirms that he did not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, as at the Latest Practicable Date; and

(d) we have our own independent operation capabilities and independent access to customers.

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their respective associates.

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs.

We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decision according to its own business needs. Our Directors are of the view that our Group does not unduly rely on advances from our Controlling Shareholders or their respective associates for our business operations.

During the Track Record Period, our Group has certain amounts (i) due to our Controlling Shareholders and (ii) due to/from Sinostar, a company incorporated in Hong Kong and controlled by one of our Controlling Shareholders. Please refer to Note 28 to Section B of the Accountants' Report set out in Appendix I to this prospectus for further details. All amounts due to our Controlling Shareholders were fully settled by cash in August 2016. All amounts due to/from Sinostar had been fully settled as of July 13, 2015. During the Track Record Period, certain bank borrowings and overdraft were guaranteed by personal guarantees of our Controlling Shareholders, please refer to the section headed "Financial Information — Indebtedness and Contingent Liabilities" and Note 19 to Section B of the Accountants' Report set out in Appendix I to this prospectus for further details. All the above guarantees provided to our Group will be released and replaced by a corporate guarantee provided by our Company upon Listing.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

On August 30, 2016, our Controlling Shareholders entered into a Deed of Non-competition in favor of our Company (for itself and on behalf of all members of our Group), pursuant to which they have undertaken, subject to and except as mentioned in this prospectus, that they would not, and would procure that none of their associates (other than any member of our Group) will directly or indirectly, engage in any business which competes or is likely to compete, directly or indirectly, with our Group's business as described in this prospectus in Hong Kong or any other places in which our Group carries on business (the "**Restricted Business**").

If there is any new business opportunity in the Restricted Business, the Controlling Shareholders shall refer such new business opportunity to our Group within seven (7) days. Such business opportunity shall have first been offered or made available to us and be considered by our independent non-executive Directors or its committees which do not have a material interest in the business opportunity. Each of the Controlling Shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless our Board or its committees have declined in writing or failed to respond within six (6) months after being notified of such opportunity.

The aforesaid undertakings do not apply to any investment or interest in units or shares of, inter alia, any company which engages in any Restricted Business where such investment or interest does not exceed 5% of the outstanding voting shares of the relevant company, provided that such investment or interest does not grant the Controlling Shareholders and/or their associates (other than any member of our Group) any right to control the composition of the board of directors or managers of such company nor any right to participate, directly or indirectly, in the management of such company. The non-competition undertakings and the rights and obligations thereunder are subject to and conditional upon the Global Offering becoming unconditional as specified under the section headed "Structure of the Global Offering".

The obligations of the Controlling Shareholders under the Deed of Non-competition will remain in effect until:

(a) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange (except for temporary suspension of trading of the Shares); or

(b) the Controlling Shareholders and/or their associates (other than any member of our Group) cease to hold, whether directly or indirectly, 30% or more of the voting rights of our Company,

whichever occurs first.

CORPORATE GOVERNANCE

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interests between us and our Controlling Shareholders and to safeguard the interests of our Shareholders:

- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- our Controlling Shareholders have undertaken to us that they will, and will procure their respective associates to use their best endeavors to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition, including the decision and related basis to accept or decline any business opportunity in the Restricted Business first offered to our Company under the Deed of Non-competition, in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report;
- in the event that connected transactions, if any, between our Group and other business in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;

- our Directors operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested; and
- pursuant to the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interests between us and our Controlling Shareholders, and to protect minority Shareholders' rights after the Listing.

Our Company is expected to comply with the CG Code which sets our principles of good corporate governance in relation to, among others, Directors, the chairman, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in our corporate governance report which will be included in our annual report.

So far as our Directors are aware, immediately following the completion of the Reorganization and the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, 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 our Company:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of Shareholding in our Company immediately following the Global Offering [1]
Queenshill[2]	Beneficial owner Settlor of a trust	301,012,000	17.20%
Kingshill[3]	Beneficial owner Interest held jointly with another person	1,007,734,000	57.58%
Longjin[3]	Beneficial owner Interest held jointly with another person	1,007,734,000	57.58%
Trust Co[4]	Trust holding company	1,007,734,000	57.58%
UBS Trustees (B.V.I.) Limited[4]	Trustee	1,007,734,000	57.58%
Mr. Lau[3]	Interested in controlled corporation	1,007,734,000	57.58%
Mr. Sum[2][4]	Interested in controlled corporation Settlor of trust	1,308,746,000	74.78%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Sum is the sole shareholder of The Jacobson Pharma (PTC) Limited, being the trustee of the trust established for the purpose of holding the Shares under the Share Incentive Scheme. Queenshill is the settlor of such trust. By virtue of the SFO, Mr. Sum and Queenshill are deemed to be interested in the 39,262,000 Shares held by The Jacobson Pharma (PTC) Limited. Mr. Sum is also the sole shareholder of Queenshill.

(3) Kingshill and Longjin are parties acting in concert pursuant to the Deed of Acting in Concert and hence each of them is deemed to be interested in the Shares held by each others. Please refer to the section headed "Relationship with our Controlling Shareholders" for further details. Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor). Longjin is owned as to 75% by Mr. Lau.

(4) UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, holds the entire issued share capital of Trust Co through its nominee, UBS Nominees Limited. Trust Co holds the entire issued share capital of Kingshill. Kingshill in turn holds 850,684,000 Shares in our Company. The Kingshill Trust is a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries. By virtue of the SFO, each of Mr. Sum, UBS Trustees (B.V.I.) Limited, Trust Co and Kingshill is deemed to be interested in the 850,684,000 Shares held by Kingshill.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, 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 our Group.

THE CORNERSTONE PLACING

We and the Sole Global Coordinator have entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**") with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately HK$130 million (the "**Cornerstone Placing**"). Assuming an Offer Price of HK$1.50 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be approximately 86,664,000, representing approximately (i) 19.8% of the Offer Shares initially available under the Global Offering; and (ii) 4.9% of our Company's enlarged share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

To the best knowledge of the Company, each of the Cornerstone Investors is an Independent Third Party. Each of the Cornerstone Investors is not a connected person of our Company or the other Cornerstone Investors and is not an existing shareholder of our Company.

Depending on the final Offer Price, details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around Tuesday, September 20, 2016.

The Cornerstone Placing forms part of the International Offering. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective Cornerstone Investment Agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. Upon the completion of the Global Offering, the Cornerstone Investors will not have any board representation nor enjoy any special rights in our Company. None of them will become our substantial shareholders. Compared with public holders of Shares, none of the Cornerstone Investors have any preferential rights pursuant to their respective Cornerstone Investment Agreements.

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed "Structure of the Global Offering —The Hong Kong Public Offering" in this prospectus.

OUR CORNERSTONE INVESTORS

A brief description of the Cornerstone Investors is set out below:

New Heritage Healthcare Limited ("New Heritage Healthcare")

New Heritage Healthcare is a company incorporated under the laws of the British Virgin Islands with limited liability. New Heritage Healthcare is ultimately owned by Mr. Richard Tao, Mr. Paul Tao and other family members (collectively, the "**Tao Family**").

Tao Family was previously the controlling shareholder of New Heritage Holdings Ltd. having launched its initial public offering of its shares on the Main Board of the Stock Exchange in 2005 and successful divestment of its controlling interests in a general offer in 2014. Tao Family has had long term experience in real estate development and investment as well as current deals in finance, logistics and technology.

New Heritage Healthcare has agreed to subscribe for, at Offer Price, such number of International Offer Shares which is equivalent to HK$50 million, rounded down to the nearest whole board lot of 2,000 Shares. The table below sets out the total number of Shares New Heritage Healthcare would subscribe for in aggregate and the respective approximate percentages it represents of (i) the International Offer Shares; (ii) the Offer Shares; and (iii) the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme).

	Total number of Shares to be subscribed for by New Heritage Healthcare (rounded down to the nearest whole board lot of 2,000 Shares)	**Approximate percentages of the International Offer Shares**	**Approximate percentages of the Offer Shares**	**Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme)**
Assuming an Offer Price of HK$1.72 (being the high-end of the indicative Offer Price range stated in this prospectus)	29,068,000	7.4%	6.6%	1.7%
Assuming an Offer Price of HK$1.50 (being the mid-point of the indicative Offer Price range stated in this prospectus)	33,332,000	8.5%	7.6%	1.9%
Assuming an Offer Price of HK$1.28 (being the low-end of the indicative Offer Price range stated in this prospectus)	39,062,000	9.9%	8.9%	2.2%

Hong Kong Wing Wah Medicine Group Limited ("Hong Kong Wing Wah")

Hong Kong Wing Wah is a company incorporated under the laws of Hong Kong with limited liability. Hong Kong Wing Wah is ultimately owned by Mr. Cheng Chiu Hing, Mr. Cheng Chiu Ping and Mr. Cheng Kin Chi (collectively, the "**Chengs**") and the Chengs have been operating the retail business of Western and Chinese medicine as well as proprietary Chinese medicine in Hong Kong for years. The Chengs currently own a retail network in Hong Kong, including various Western and Chinese medicine as well as proprietary Chinese medicine shops and have accumulated extensive experience in this regard.

Hong Kong Wing Wah has agreed to subscribe for, at Offer Price, such number of International Offer Shares which is equivalent to HK$80 million, rounded down to the nearest whole board lot of 2,000 Shares. The table below sets out the total number of Shares Hong Kong Wing Wah would subscribe for in aggregate and the respective approximate percentages it represents of (i) the International Offer Shares; (ii) the Offer Shares; and (iii) the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme).

	Total number of Shares to be subscribed for by Hong Kong Wing Wah (rounded down to the nearest whole board lot of 2,000 Shares)	**Approximate percentages of the International Offer Shares**	**Approximate percentages of the Offer Shares**	**Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme)**
Assuming an Offer Price of HK$1.72 (being the high-end of the indicative Offer Price range stated in this prospectus)	46,510,000	11.8%	10.6%	2.7%
Assuming an Offer Price of HK$1.50 (being the mid-point of the indicative Offer Price range stated in this prospectus)	53,332,000	13.5%	12.2%	3.0%
Assuming an Offer Price of HK$1.28 (being the low-end of the indicative Offer Price range stated in this prospectus)	62,500,000	15.9%	14.3%	3.6%

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is conditional upon, among others, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated; and

(2) the Listing Committee having granted the listing of, and permission to deal in, the Shares and such approval not having been revoked.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Shares subscribed for by it pursuant to the applicable Cornerstone Investment Agreement (or any interests in any Shares or any other securities of the Company which are derived therefrom pursuant to any rights issue, capitalization issue or other form of capital reorganization) (together, the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares, nor will it agree or contract to (or enter into any transaction with the same economic effect), or publicly announce any intention to enter into a transaction for the disposal of the Relevant Shares. Each of the Cornerstone Investors may transfer all or part of the Shares so subscribed to any of its wholly-owned subsidiaries, provided that such wholly-owned subsidiary undertakes in writing in favour of the Company and the Sole Global Coordinator that it will, and the Cornerstone Investor undertakes in writing in favour of the Company and the Sole Global Coordinator prior to such transfer to procure that such wholly-owned subsidiary will, abide by the terms and restrictions in the respective Cornerstone Investment Agreements imposed on such Cornerstone Investor as if such wholly-owned subsidiary were itself subject to such terms and restrictions.

FUTURE PLANS

See the section headed "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$1.50 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$600.6 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 45% (or HK$270.3 million) for acquisitions, including:
  - approximately 35% (or HK$210.2 million) for potential future business or share acquisitions, joint ventures or other strategic arrangements to expand and enhance our product portfolio and to deepen our market penetration in Hong Kong, Macau, China, other strategically selected markets in the Asia Pacific region and globally and improve our pharmaceutical platform, including:
    - approximately 20% (or HK$120.1 million) will be used for targets (i) carrying out generic drug businesses which are complementary to our existing generic drug product portfolio in our key therapeutic categories, including cardiovascular, central nervous system, gastrointestinal, oral anti-diabetics and respiratory, (ii) with renowned proprietary brands of Chinese medicines or Western medicines or (iii) with technology or knowhow that could enhance our product formulation or production process; or combination of (i), (ii) or (iii); and
    - approximately 15% (or HK$90.1 million) will be used for targets with local distribution network in Macau, China and other strategically selected Asia Pacific markets to facilitate our further market penetration in these markets;
  - approximately 10% (or HK$60.1 million) for intangible asset acquisitions, including (i) registration dossiers, drug master files, product licenses, specialized formulation technologies or dosage form technologies related to Chinese medicines or patented drugs which will be coming off patent in the next five years to expedite the development process or (ii) brands with heritage which we can leverage to expand into strategically selected markets in the Asia Pacific region;
- approximately 18% (or HK$108.1 million) for capital investments in relation to acquiring, expanding, streamlining or upgrading our manufacturing plants, premises, facilities or capabilities, with the aim to (i) enhance our production efficiency or reduce our operating costs, for example, through automation of certain packaging lines, or (ii) expand our product portfolio of dosage forms. In particular, we have two new automated production facilities which are equipped with advanced equipment and machinery catering for larger output batch size to achieve high-volume production and specialized sterile formulation production of generic drugs mainly for solid and liquid dosage forms. Please see the section headed "Business — Our Competitive Strengths — State-of-the-art equipment crucial for manufacturing a wide range of complex drugs" of this prospectus for more details. We expect to incur additional capital expenditures of HK$23.5 million for these production facilities, of which HK$11.5 million will be funded by internal resources and HK$12.0 million will be funded by net proceeds from the Global Offering;

- approximately 15% (or HK$90.1 million) for pursuing bioequivalence clinical studies for specialized generic drugs and further elevating our product development and research capabilities, whether in-house or through collaboration with external parties, including HK$10.0 million for establishing a new advanced joint research and development center with HKIB. Please refer to the section headed "Business — Product Development" for details. In particular, with a host of originator drugs coming off patent in the next five years, we aim to capture the market potential brought by these originator drugs upon their patent expiry. In addition, whilst we expand into other strategically selected markets in the Asia Pacific region, we may need to perform additional clinical studies for these export markets to comply with the respective local regulatory requirements;

- approximately 12% (or HK$72.1 million) for bolstering our sales, marketing and advertising efforts for the next five years to enhance brand recognition and fortify brand loyalty for our products and businesses. In particular, we plan to stage consumer and advertising campaigns in Hong Kong, China and other strategically selected Asia Pacific markets through television, radio, billboards or other social media to promote our proprietary Chinese medicine products, which is in line with our strategy of become a leading proprietary Chinese medicine brand in these markets; and

- approximately 10% (or HK$60.1 million) for working capital and other general corporate purposes.

As of the Latest Practicable Date, we had not engaged in any negotiations or entered into any letter of intent or any definitive and finalized understanding, commitment or agreement, legally binding or not, in connection with any of the above potential acquisitions or business cooperation nor had we commenced any due diligence process in relation to the same. We may identify potential targets through our internal research, referral by our business partners, contacts or market agents with a focus on those which are sustainable and complementary to our business and in line with our business strategies from time to time. Currently, we do not set any monetary thresholds for potential targets. As of the Latest Practicable Date, we had not identified any specific target. Apart from proceeds from the Global Offering, we may resort to other fund raising methods including but not limited to equity financing or bank borrowings as and when further funds are needed for acquisitions or business cooperation. Our Board will review and, if it thinks fit, discuss, review and approve the relevant acquisition or business cooperation proposals and will also ensure that our acquisitions or business cooperation will be made in compliance with Listing Rules, applicable laws and regulations.

If the Offer Price is fixed at HK$1.72 per Offer Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$92.2 million. If the Offer Price is fixed at HK$1.28 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$92.2 million. The above allocation of the 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 midpoint of the estimated Offer Price range.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$108.1 million (assuming an Offer Price of HK$1.72 per Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK$94.3 million (assuming an Offer Price of HK$1.50 per Share, being the mid-point of the Offer Price range stated in this prospectus) and (iii) HK$80.5 million (assuming an Offer Price of HK$1.28 per Share, being the low-end of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits or money market instruments.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

HONG KONG UNDERWRITER

BOCI Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company agreeing to the final Offer Price), the Hong Kong Underwriter has agreed to subscribe or procure subscribers for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter), in its sole and absolute discretion by notice in writing to our Company at any time at or prior to 8:00 a.m. on the Listing Date if:

(a) there develops, occurs, exists or comes into force:

(i) any event or series of events resulting in or representing a calamity or crisis or a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, investment and credit markets and inter-bank markets) or currency exchange rate or controls (including without limitation any fluctuation in the Hong Kong dollar or Renminbi against any foreign currencies) in or affecting Hong Kong, Macau, the PRC, the United States, the European Union (or any member thereof), Singapore, the BVI the United Kingdom and the Cayman Islands (collectively the "**Relevant Jurisdictions**"); or

(ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, 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 any of the Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), epidemic, pandemic, outbreak of infectious disease (including without limitation SARS, MERS, H5N1, H7N9 or H1N1 or swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation or economic sanctions) in or affecting any of the Relevant Jurisdictions; or

(iv) without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) the imposition or declaration of (A) any moratorium, suspension, restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, NYSE Amex Equities, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange or the stock exchange in any other member of the European Union or (B) any moratorium on, or disruption in, banking activities (commercial or otherwise) or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or

(vi) any change or development involving a change or prospective change in taxation or foreign investment regulations in or affecting any of the Relevant Jurisdictions; or

(vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the U.S. or the European Union (or any member thereof) on any of the Relevant Jurisdictions; or

(viii) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollars or the value of the RMB is determined by reference to a basket of world currencies or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currency; or

(ix) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects, or any change in capital stock or long-term debt of our Company or any other member of our Group, or any loss or interference with the assets, operations or business of our Company or any other member of our Group, which (in any such case) is not set forth in this prospectus; or

(x) a demand by any tax authority for payment for any tax liability for any member of our Group; or

(xi) a demand by any creditor for repayment or payment of any indebtednesses of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Hong Kong Public Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(xiii) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or the Companies Ordinance or any applicable laws or regulations; or

(xiv) 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, except in each case as to Europharm; or

(xv) a significant portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, or the investment commitments by any corporate or cornerstone investors after signing of agreements with such corporate or cornerstone investors, have been withdrawn, terminated or cancelled; or

(xvi) the issue or requirement to issue by our Company of a supplemental prospectus or amendment to the Prospectus,

and which, in any such case (whether individually or in the aggregate) and in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter): (A) is or will or may be materially adverse to, or materially and prejudicially affect, the assets, liabilities, the business, general affairs, management, shareholder's equity, profit, losses, results of operations or financial or trading position or condition, or prospects of our Group as a whole or any present shareholder of our Company in its capacity as such; or (B) has or will or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of the Offer Share and/or make it impracticable, inadvisable, in expedient or not commercially viable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will or may make it impracticable, inadvisable, inexpedient or incapable to proceed with any part of the Hong Kong Public Offering and/or the Global Offering or the delivery of Shares on the terms and in the manner contemplated by this prospectus or to be performed or implemented as envisaged; or

(b) there has come to the notice of the Sole Global Coordinator after the date of the Hong Kong Underwriting Agreement or it has reasonable cause to believe:

(i) that any statement of a material fact contained in any of the formal notice in relation to the Hong Kong Public Offering, this prospectus or the Application Forms was or has become untrue or incorrect or incomplete or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in the Prospectus or any notice, advertisement or announcement issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom; or

(iii) that any of the Warranties (as defined in the Hong Kong Underwriting Agreement) given by our Company and our Controlling Shareholders under the Hong Kong Underwriting Agreement is (or would if repeated at that time be) breached or is untrue or incorrect in any respect or misleading; or

(iv) any matter, event, act or omission which gives or is likely to give rise to any material liability on the part of our Company and our Controlling Shareholders out of or in connection with any breach, inaccuracy and/or incorrectness of the Warranties (as defined in the Hong Kong Underwriting Agreement) given by our Company, our Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement; or

(v) any event, act or omission which gives rise or is likely to give rise to any material liability of our Company or our Controlling Shareholders pursuant to the indemnities under the Hong Kong Underwriting Agreement; or

(vi) any material breach of any of the obligations or undertakings of our Company or our Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(vii) any material adverse change in or any development involving a prospective material adverse change in any of the risks set out in the section headed "Risk Factors" in this prospectus, or a materialisation of any of the risks set out in the section headed "Risk Factors" in this prospectus which materially and adversely affects the Global Offering; or

(viii) that (A) any Director, chief executive officer or chief financial officer of our Company named in the Prospectus puts our Company on written notice of its intention to resign or retire, or is removed from office, or (B) any Director or any member of senior management as named in this prospectus is 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 (C) a judicial, regulatory, governmental or administrative authority (including any stock exchange) or law enforcement agency or a political body or organisation in any jurisdiction commencing any action, claim, proceeding, investigation or other action, or announcing an intention to take any such action, against any Director; or

(ix) any material litigation, legal action or claim being threatened or instigated against any member of our Group, our Directors or our Controlling Shareholders, save as to any prior threatened or instigated litigation, legal action or claim based on the current set of facts, grounds or information available to the Sole Global Coordinator; or

(x) a prohibition on our Company for whatever reason from allotting, issuing the Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xi) our Company withdraws this prospectus and/or the Application Forms; or

(xii) approval by the Listing Committee for the listing of, and permission to deal in, the Shares to be allotted or issued (including any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xiii) any expert whose consent is required for the issue of 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.

UNDERTAKINGS

Undertakings to the Hong Kong Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, the Global Offering, the Over-allotment Option and the Share Incentive Scheme as described and contained in this prospectus, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, 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 referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a Controlling Shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Hong Kong Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

(a) when it/he pledges or charges any Shares beneficially owned by it/him in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall also inform the Hong Kong Stock Exchange in writing as soon as it has been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a public announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Our Company has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, except pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months after the Listing Date (the "**First Six-Month Period**"), our Company will not, and will procure that the subsidiaries of our Company will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholder undertakes to each of the Sole Global Coordinator, the Hong Kong Underwriter and the Sole Sponsor to procure our Company to comply with the undertakings set out above.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, save as pursuant to the Stock Borrowing Agreement, the Global Offering, the Over-allotment Option and the Share Incentive Scheme as described and contained in this prospectus, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

(a) it/he will not, and will procure that none of the relevant registered shareholder(s) will, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) provided that the restriction shall not apply to any pledge or charge of Shares by him or it in favour of an authorized institution as defined in the Banking Ordinance (Cap.155 of the Laws of Hong Kong) for a bona fide commercial loan, or (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 Shares or any other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) it/he will not, and will procure that none of the relevant registered shareholder(s) will, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company;

(c) until the expiry of the Second Six-Month Period, in the event that it/he enters into any of the transactions specified in paragraph (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it/he will take all reasonable steps to ensure that it/he will not, and will procure that none of the relevant registered shareholder(s) will, create a disorderly or false market in the securities of our Company;

(d) within the period commencing on the date of this prospectus and ending on the date up to and including the expiry of the Second Six-Month Period, it/he will immediately inform our Company, the Sole Global Coordinator and the Sole Sponsor of: (A) any pledges or charges of any Shares or other securities of our Company beneficially owned by it/him, together with the number of Shares or other securities of our Company so pledged or charged and the purpose for which such pledge or charge is to be created; and (B) any indication received by it/him, either verbal or written, from the pledgee or chargee of any Shares or other securities of our Company pledged or charged that such Shares or other securities of our Company so pledged or charged will be sold, transferred or disposed of; and it/he undertakes that any such pledges or charges are in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

International Offering

In connection with the International Offering, it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Offer Shares being offered pursuant to the International Offering.

Our Company is expected to grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company to allot and issue up to an aggregate of 65,625,000 additional Shares, subject to the Underwriting Agreements becoming unconditional, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Offering to, among other things, cover over-allocations (if any) in the International Offering.

Underwriting Commission and Expenses

The Underwriters are expected to receive a commission of 3.2% of the Offer Price of all the Offer Shares (including any Shares to be issued pursuant to the Over-allotment Option), subject to a minimum underwriting commission, out of which they will pay any sub-underwriting commission. Such commission payable to the Underwriters, together with the Hong Kong Stock Exchange listing fees, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, is currently estimated to be approximately HK$67.1 million in aggregate (based on an Offer Price of HK$1.50 per Share, being the mid-point of the indicative Offer Price range of HK$1.28 to HK$1.72 per Share, and on the assumption that the Over-allotment Option is not exercised), which is to be borne by our Company.

In addition, our Company may, at our sole discretion, pay an incentive fee of up to 1.0% of the Offer Price of all the Offer Shares under the Global Offering to the Sole Global Coordinator in recognition of its services.

INDEMNITY

Each of our Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriter against certain losses which the Hong Kong Underwriter may suffer, including losses arising from its performance of its obligations under the Hong Kong Underwriting Agreement and any breach by our Company and each of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (the "Syndicate Members") and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on the Hong Kong Stock Exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering — Stabilization" in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.72 per Offer Share and is expected to be not less than HK$1.28 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$1.72 per Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee amounting to a total of HK$3,474.66 for one board lot of 2,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$1.72, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, September 13, 2016 and in any event, no later than Thursday, September 15, 2016.

The Offer Price will not be more than HK$1.72 per Offer Share and is expected to be not less than HK$1.28 per Offer Share. The Offer Price will be determined within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is/are so reduced, such applications can subsequently be withdrawn.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.jacobsonpharma.com). Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with us, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics as currently set out in the section headed "Summary" of this prospectus and any other financial information which may change materially as a result of such reduction.

In the absence of any such notice, the number of Offer Shares and/or the Offer Price, if agreed by us, will under no circumstances be fewer than the number of Offer Shares or be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

If we are unable to reach agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Offer Price on or before Thursday, September 15, 2016, the Global Offering will not become unconditional and will lapse immediately.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the results of application and basis of allotment of the Hong Kong Offer Shares, on Tuesday, September 20, 2016.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering and the International Offering. We intend to make available initially up to 437,500,000 Shares under the Global Offering (assuming the Over-allotment Option is not exercised), of which 393,748,000 Shares will initially be conditionally placed pursuant to the International Offering and the remaining 43,752,000 Shares will initially be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described below under "Structure of the Global Offering — The Hong Kong Public Offering"). We will conditionally place our Shares in the International Offering with professional, institutional, corporate and other investors whom we anticipate to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

Investors may apply for our Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to professional, institutional, corporate and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate and other investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of our Shares pursuant to the International Offering will be determined by the Sole Global Coordinator 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, Shares, after the Listing. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for byapplicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 21,876,000 Hong Kong Offer Shares (being 50% of the 43,752,000 Shares initially comprised in the Hong Kong Public Offering are liable to be rejected.

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriter(s) pursuant to the International Underwriting Agreement, exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s). The Over-allotment Option gives the Sole Global Coordinator the right exercisable at any time from the date of the International Underwriting Agreement up to the thirtieth day from the last day for the lodging of applications under the Hong Kong Public Offering to require us to sell up to an aggregate of 65,625,000 existing Shares, subject to the Underwriting Agreements becoming unconditional, representing 15% of the initial size of the Global Offering at the Offer Price to, among other things, cover over-allocations in the International Offering if any. The Sole Global Coordinator may also cover such over-allocations by purchasing the Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, a press announcement will be made. For further details, please refer to the section headed "— The Over-allotment Option" in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter and the International Offering is expected to be fully underwritten by the International Underwriter(s) in each case on a several basis, each being subject to the conditions set out under "Structure of the Global Offering — Conditions of the Hong Kong Public Offering". We entered into the Hong Kong Underwriting Agreement and, subject to an agreement on the Offer Price between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), we expect to enter into the International Underwriting Agreement on or around Tuesday, September 13, 2016. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be conditional upon each other.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement) for the subscription in Hong Kong of initially 43,752,000 Shares at the Offer Price (representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering). Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole discretion of the Sole Global Coordinator.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment under the Listing Rules. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 131,252,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 175,000,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 218,752,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such proportion and amounts as they deem appropriate. Conversely, the Sole Global Coordinator may at its discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including anyShares which may be issued pursuant to the exercise of the Over-allotment Option, and any options which may be granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Hong Kong Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and we will notify the Hong Kong Stock Exchange immediately. We will publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse.

In case the Hong Kong Public Offering lapses, we will return all application monies, without interest, to the applicants on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares." In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banks or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE INTERNATIONAL OFFERING

The number of Offer Shares to be initially offered for subscription or purchase under the International Offering will be 393,748,000 Offer Shares to be offered by us, representing approximately 90.0% of the Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed by the International Underwriter(s), or through selling agents appointed by them, with professional, institutional, corporate and other investors anticipated to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of the Offer Shares under the Hong Kong Public Offering.

The total number of Offer Shares to be sold and issued pursuant to the International Offering may change as a result of the adjustment arrangement described in the paragraph headed "— The Hong Kong Public Offering" in this section, any exercise of the Over-allotment Option and/or any reallocation of unsold Offer Shares originally included in the Hong Kong Public Offering.

THE OVER-ALLOTMENT OPTION

In connection with the Global Offering, we intend to grant the Over-allotment Option to the Sole Global Coordinator on behalf of the International Underwriter(s). The Over-allotment Option gives the Sole Global Coordinator the right exercisable at any time from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 65,625,000 Shares, subject to the Underwriting Agreements becoming unconditional, representing 15% of the initial size of the Global Offering at the Offer Price to, among oher things, cover over-allocations in the International Offering, if any. The Sole Global Coordinator may also cover such over-allocations by purchasing Shares in the secondary market or by a combination of purchase in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional Shares will represent approximately 3.61% of our enlarged share capital following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, a press announcement will be made.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager may cover such over-allocation by (among other methods) using Shares purchased by the Stabilizing Manager in the secondary market or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including those in relation to stabilization and the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed 65,625,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate settlement of over-allocations in connection with the International Offering, if any, Kingshill and the Stabilizing Manager will enter into the Stock Borrowing Agreement, pursuant to which, Kingshill, one of our Controlling Shareholders, will, if requested by the Stabilizing Manager, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilizing Manager up to 65,625,000 Shares held by Kingshill by way of stock lending, in order to facilitate settlement of over-allocations in connection with the International Offering.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, provides that

(1) such stock borrowing arrangement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(2) the maximum number of Shares to be borrowed from Kingshill under the Stock Borrowing Agreement by Stabilizing Manager will be limited to the maximum number of Shares which may be issued upon full exercise of the Over- allotment Option;

(3) the same number of Shares so borrowed (if any) must be returned to Kingshill or its nominees (as the case may be) within three Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;

(4) borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws, rules and regulatory requirements; and

(5) no payments will be made to Kingshill by the Stabilizing Manager or any of the International Underwriters in relation to such stock borrowing arrangement.

STABILIZING ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimize and, if possible, prevent a decline in the market price of our Shares below the initial public offer prices. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws, rules and regulations of Hong Kong, over-allocate or effect any transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Such transactions will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager to conduct any stabilizing action. Such stabilization action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be sold upon exercise of the Over-allotment Option, being 65,625,000 existing Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or agreeing to purchase our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling or agreeing to sell our Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

The Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, which may include a decline in the market price of our Shares. Stabilization cannot be used to support the price of our Shares for longer than the stabilization period, which begins on the Listing Date and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Thursday, October 13, 2016. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore their market price, could fall. Any stabilizing action taken by the Stabilizing Manager may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilization period. Stabilization bids or market purchases effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares. A public announcement will be made within seven days after the end of the stabilizing period in accordance with the Securities and Futures (Price Stabilizing) Rules of the SFO.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, September 21, 2016, it is expected that dealings in our Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, September 21, 2016. Our Shares will be traded on the Main Board in board lots of 2,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and us on the Price Determination Date and subject to the other conditions set out in the section headed "— Conditions of the Hong Kong Public Offering" above.

We expect, shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Underwriting Agreement relating to the International Offering.

Underwriting Arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of China.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;

- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 8, 2016 until 12:00 noon on Tuesday, September 13, 2016 from:

(i) the following address of the Hong Kong Underwriter:

BOCI Asia Limited	26th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong

(ii) any of the following branches of the receiving banks:

(1) Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
New Territories	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long
	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1–15 Wang Pok Street, Sha Tin
	Tai Po Branch	68–70 Po Heung Street, Tai Po Market

(2) Hang Seng Bank Limited

District	Branch Name	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central
	North Point Branch	335 King's Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Yaumati Branch	363 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 8, 2016 until 12:00 noon on Tuesday, September 13, 2016 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "**Bank of China (Hong Kong) Nominees Limited — Jacobson Pharma 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:

Thursday, September 8, 2016 — 9:00 a.m. to 5:00 p.m.
Friday, September 9, 2016 — 9:00 a.m. to 5:00 p.m.
Saturday, September 10, 2016 — 9:00 a.m. to 1:00 p.m.
Monday, September 12, 2016 — 9:00 a.m. to 5:00 p.m.
Tuesday, September 13, 2016 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, September 13, 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers,employees, agents, affiliates or advisers or any other party involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h) (3) of Rule 902 of Regulation S.

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(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 chosen to collect the share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. 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 authorize 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** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9.00 a.m. on Thursday, September 8, 2016 until 11:30 a.m. on Tuesday, September 13, 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, September 13, 2016 or such later time under "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (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 Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 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 Centre
1/F, One & Two Exchange Square, 8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, 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 Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the 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 authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, September 8, 2016 — 9:00 a.m. to 8:30 p.m.[(1)]
Friday, September 9, 2016 — 8:00 a.m. to 8:30 p.m.[(1)]
Saturday, September 10, 2016 — 8:00 a.m. to 1:00 p.m.[(1)]
Monday, September 12, 2016 — 8:00 a.m. to 8:30 p.m.[(1)]
Tuesday, September 13, 2016 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, September 8, 2016 until 12:00 noon on Tuesday, September 13, 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, September 13, 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/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 Tuesday, September 13, 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure of the Global Offering — Determining the Offer Price" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone 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 Tuesday, September 13, 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, September 13, 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, September 20, 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at **www.jacobsonpharma.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.jacobsonpharma.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Tuesday, September 20, 2016;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, September 20, 2016 to 12:00 midnight on Monday, September 26, 2016; by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, September 20, 2016 to Friday, September 23, 2016 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, September 20, 2016 to Thursday, September 22, 2016 at all the receiving banks' designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, please refer to the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (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 or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the 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 our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.72 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, September 20, 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or around Tuesday, September 20, 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, September 21, 2016 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) 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 Tuesday, September 20, 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund check(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 Hong Kong Offer Shares, your refund check(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, September 20, 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on Tuesday, September 20, 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, September 20, 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 20, 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from 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 Tuesday, September 20, 2016, 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 checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, September 20, 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be 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 check(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, September 20, 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, September 20, 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 20, 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, September 20, 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, September 20, 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our 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 our 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 our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

September 8, 2016

The Directors
Jacobson Pharma Corporation Limited

BOCI Asia Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Jacobson Pharma Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") which comprise the consolidated statements of financial position of the Group as at March 31, 2014, 2015 and 2016, the statement of financial position of the Company as at March 31, 2016 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended March 31, 2014, 2015 and 2016 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (the "**Financial Information**"), for inclusion in the prospectus of the Company dated September 8, 2016 (the "**Prospectus**").

The Company was incorporated in the Cayman Islands on February 16, 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganization completed on March 18, 2016 (the "**Reorganization**") as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization.

As at the date of this report, no audited financial statements have been prepared for the Company as it is newly incorporated. The audited financial statements of the subsidiaries of the Group as of the date of this report for which there are statutory requirements have been prepared in accordance with the relevant accounting rules and regulations applicable to entities in the jurisdictions in which they were incorporated/established. The details of the statutory auditors of these companies are set out in note 1(b) of Section B.

Except for APT Pharma (China) Co., Ltd. which has adopted December 31 as the financial year end date, all companies comprising the Group have adopted March 31 as their financial year end date.

The directors of the Company have prepared the consolidated financial statements for the Relevant Periods (the "**Underlying Financial Statements**") on the same basis as used in the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended March 31, 2014, 2015 and 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") under separate terms of engagement with the Company.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to March 31, 2016.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the financial position of the Group as at March 31, 2014, 2015 and 2016 and the Company as at March 31, 2016 and of the Group's financial performance and cash flows for the Relevant Periods then ended.

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

1 Consolidated statements of profit or loss and other comprehensive income

	Section B Note	Year ended March 31, 2014	2015	2016
		HK$'000	HK$'000	HK$'000
Revenue	2	926,181	947,591	1,083,856
Cost of sales		(501,339)	(562,883)	(596,101)
Gross profit		424,842	384,708	487,755
Other income/(loss)	3	65,172	6,005	(465)
Selling and distribution expenses		(97,974)	(105,061)	(133,807)
Administrative and other operating expenses		(169,123)	(146,810)	(167,963)
Profit from operations		222,917	138,842	185,520
Finance costs	4(a)	(5,969)	(2,707)	(2,523)
Profit before taxation	4	216,948	136,135	182,997
Income tax	5(a)	(32,247)	(22,157)	(30,335)
Profit for the year		184,701	113,978	152,662
Item that may be reclassified to profit or loss:				
Exchange differences on translation of financial statements of operations outside Hong Kong		677	(110)	(2,355)
Other comprehensive income		677	(110)	(2,355)
Total comprehensive income for the year		185,378	113,868	150,307
Profit attributable to:				
Equity shareholders of the Company		172,357	101,904	145,610
Non-controlling interests		12,344	12,074	7,052
Total profit for the year		184,701	113,978	152,662
Total comprehensive income attributable to:				
Equity shareholders of the Company		173,034	101,794	143,255
Non-controlling interests		12,344	12,074	7,052
Total comprehensive income for the year		185,378	113,868	150,307
		HK cents	HK cents	HK cents
Earnings per share attributable to shareholders of the Company				
Basic and diluted	8	14.20	7.79	11.13

The accompanying notes form part of the Financial Information.

2 Consolidated statements of financial position

	Section B Note	The Group			The Company
		As at March 31,			As at March 31,
		2014	2015	2016	2016
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	10	412,878	610,690	815,323	—
Leasehold land	11	54,691	53,294	51,418	—
Intangible assets	12	372,917	422,924	426,681	—
Investment in a subsidiary	1(b)	—	—	—	223,512
Non-current assets	13	168,083	220,778	27,170	—
Deferred tax assets	20	3,300	3,490	1,469	—
		1,011,869	1,311,176	1,322,061	223,512
Current assets					
Inventories	14	160,368	169,087	196,915	—
Trade and other receivables	15	142,740	148,795	209,957	—
Amounts due from subsidiaries		—	—	—	1
Current tax recoverable		10,340	5,895	10,192	—
Cash and cash equivalents	17	131,492	70,258	82,925	—
		444,940	394,035	499,989	1
Current liabilities					
Trade and other payables	18	135,203	90,152	104,585	—
Bank loans, overdrafts and other loans	19	296,008	475,629	439,335	—
Obligations under finance leases	19	2,342	2,251	692	—
Amounts due to the Controlling Parties	16	30,740	53,192	36,202	—
Dividend payables	16	13,200	26,400	224,800	—
Loans from a company controlled by one of the Controlling Parties	16	2,780	—	—	—
Current tax payable		8,641	2,614	11,221	—
		488,914	650,238	816,835	—
Net current (liabilities)/assets		(43,974)	(256,203)	(316,846)	1
Total assets less current liabilities		967,895	1,054,973	1,005,215	223,513
Non-current liabilities					
Bank loans and other loans	19	3,568	—	—	—
Obligations under finance leases	19	2,972	867	522	—
Deferred tax liabilities	20	44,368	47,471	48,548	—
		50,908	48,338	49,070	—
NET ASSETS		916,987	1,006,635	956,145	223,513
CAPITAL AND RESERVES					
Share capital	21	2	2	13,125	13,125
Reserves	22	877,892	957,341	893,757	210,388
Total equity attributable to equity shareholders of the Company		877,894	957,343	906,882	223,513
Non-controlling interests		39,093	49,292	49,263	—
TOTAL EQUITY		916,987	1,006,635	956,145	223,513

The accompanying notes form part of the Financial Information.

3 Consolidated statements of changes in equity

	Section B Note	Attributable to equity shareholders of the Company							
		Share capital	Share premium	Capital reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
		(Note 21)	(Note 22(a))	(Note 22(b))	(Note 22(c))				
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At April 1, 2013		2	50,003	66,428	7,575	573,037	697,045	50,846	747,891
Profit for the year		—	—	—	—	172,357	172,357	12,344	184,701
Other comprehensive income		—	—	—	677	—	677	—	677
Total comprehensive income for the year		—	—	—	677	172,357	173,034	12,344	185,378
Issue of shares	21	—	28,002	—	—	—	28,002	—	28,002
Dividends declared in respect of the current year	9	—	—	—	—	(15,000)	(15,000)	—	(15,000)
Dividends paid by subsidiaries attributable to non-controlling interests		—	—	—	—	—	—	(1,059)	(1,059)
Acquisition of non-controlling interests	24	—	—	(5,187)	—	—	(5,187)	(23,038)	(28,225)
		—	28,002	(5,187)	—	(15,000)	7,815	(24,097)	(16,282)
At March 31, 2014		2	78,005	61,241	8,252	730,394	877,894	39,093	916,987
At April 1, 2014		2	78,005	61,241	8,252	730,394	877,894	39,093	916,987
Profit for the year		—	—	—	—	101,904	101,904	12,074	113,978
Other comprehensive income		—	—	—	(110)	—	(110)	—	(110)
Total comprehensive income for the year		—	—	—	(110)	101,904	101,794	12,074	113,868
Dividends declared in respect of the current year	9	—	—	—	—	(22,828)	(22,828)	—	(22,828)
Dividends paid by subsidiaries attributable to non-controlling interests		—	—	—	—	—	—	(992)	(992)
Acquisition of non-controlling interests	24	—	—	483	—	—	483	(883)	(400)
		—	—	483	—	(22,828)	(22,345)	(1,875)	(24,220)
At March 31, 2015		2	78,005	61,724	8,142	809,470	957,343	49,292	1,006,635
At April 1, 2015		2	78,005	61,724	8,142	809,470	957,343	49,292	1,006,635
Profit for the year		—	—	—	—	145,610	145,610	7,052	152,662
Other comprehensive income		—	—	—	(2,355)	—	(2,355)	—	(2,355)
Total comprehensive income for the year		—	—	—	(2,355)	145,610	143,255	7,052	150,307
Shares issued upon incorporation of the Company	21	1	—	—	—	—	1	—	1
Shares issued for share swap between the Company and JPG (BVI)	21	13,086	—	64,921	—	—	78,007	—	78,007
Elimination pursuant to the Reorganization		(2)	(78,005)	—	—	—	(78,007)	—	(78,007)
Dividends declared in respect of the current year	9	—	—	—	—	(200,200)	(200,200)	—	(200,200)
Dividends paid by subsidiaries attributable to non-controlling interests		—	—	—	—	—	—	(598)	(598)
Acquisition of non-controlling interests	24	38	6,445	—	—	—	6,483	(6,483)	—
At March 31, 2016		13,125	6,445	126,645	5,787	754,880	906,882	49,263	956,145

The accompanying notes form part of the Financial Information.

4 Consolidated cash flow statements

	Section B Note	Year ended March 31, 2014	2015	2016
		HK$'000	HK$'000	HK$'000
Operating activities				
Profit before taxation		216,948	136,135	182,997
Adjustments for:				
Depreciation and amortization		43,996	52,945	69,928
Net (gain)/loss on disposals of property, plant and equipment and leasehold land	3	(61,071)	477	4,931
Finance costs	4(a)	5,969	2,707	2,523
Interest income from bank deposits	3	(58)	(46)	(8)
Other interest income	3	(2,916)	(3,040)	(3,169)
Insurance premium for key management insurance contracts		1,875	1,908	1,964
Operating profit before changes in working capital		204,743	191,086	259,166
Increase in inventories		(16,712)	(4,484)	(27,828)
Decrease/(increase) in trade and other receivables		1,739	(2,731)	(2,901)
(Decrease)/increase in trade and other payables		(4,067)	4,359	15,953
Cash generated from operations		185,703	188,230	244,390
Income tax paid		(35,431)	(26,476)	(22,940)
Net cash generated from operating activities		150,272	161,754	221,450
Investing activities				
Payment for purchase of property, plant and equipment and intangible assets		(200,391)	(339,612)	(134,143)
Proceeds from disposals of property, plant and equipment and leasehold land		90,277	671	412
Net cash outflow from acquisitions of non-controlling interests	24	(10,473)	(18,152)	—
Net cash outflow from acquisition of subsidiaries	23	(6,000)	(33,924)	—
Interest received		58	46	8
Net cash used in investing activities		(126,529)	(390,971)	(133,723)
Financing activities				
Capital element of finance lease rentals paid		(2,817)	(2,345)	(2,722)
Proceeds from bank and other loans		48,715	530,132	473,517
Repayment of bank and other loans		(80,633)	(365,190)	(503,513)
Increase/(decrease) in amounts due to the Controlling Parties		11,024	22,452	(16,990)
Borrowing costs paid		(10,179)	(13,576)	(15,480)
Proceeds from issue of shares	21	28,002	—	—
Dividends paid		(1,800)	(9,628)	(1,800)
Dividends paid to non-controlling interests		(1,059)	(992)	(598)
Net cash (used in)/generated from financing activities		(8,747)	160,853	(67,586)
Net increase/(decrease) in cash and cash equivalents		14,996	(68,364)	20,141
Cash and cash equivalents at the beginning of the year		116,778	131,492	63,005
Effect of foreign exchange rate changes		(282)	(123)	(221)
Cash and cash equivalents at the end of the year	17	131,492	63,005	82,925

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning April 1, 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning April 1, 2015 are set out in note 30.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of presentation

The Group is principally engaged in manufacturing and trading of generic drugs and proprietary Chinese medicines.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Jacobson Pharma Group (BVI) Limited ("**JPG (BVI)**") and its subsidiaries.

To rationalize the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company was incorporated in the Cayman Islands on February 16, 2016 and the Group underwent the Reorganization, as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. Upon completion of the Reorganization, the Company became the holding company of the Group. As JPG (BVI) was controlled by the same group of equity holders, Mr. Sum Kwong Yip, Derek and Mr. Lau Wing Hung (referred to as the "**Controlling Parties**") before and after the Reorganization and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganization only involved inserting a newly formed entity with no substantive operations as the new holding company of JPG (BVI), the former holding company of the Group, during the Relevant Periods. Accordingly, the Reorganization has been accounted for using a principle similar to that for a reverse acquisition, with JPG (BVI) treated as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the financial statements of JPG (BVI) with the assets and liabilities of JPG (BVI) recognized and measured at their historical carrying amounts prior to the Reorganization.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

The investment in a subsidiary in the statement of financial position of the Company as at March 31, 2016, represented the investment in JPG (BVI) arising from the Reorganization.

As at the date of this report, the Company has indirect interests in the following principal subsidiaries, all of which are private companies, particulars of which are set out below:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities	Name of statutory auditor (Note)
A-Pharm Medical Limited	Hong Kong January 3, 2003	160,000 ordinary shares	—	100%	Trading of pharmaceutical products	(iii)
APT Pharma (China) Co., Ltd. (note (i)) 雅柏藥業(中國)有限公司	The People's Republic of China (the "**PRC**" or "**China**") October 13, 1995	HK$108,600,000	—	100%	Manufacturing and sale of pharmaceutical products	(vi)
APT Pharma Limited	Hong Kong December 21, 1990	8,750,000 ordinary shares	—	100%	Manufacturing and sale of pharmaceutical products	(iii)
Carewell Pharma Limited	Hong Kong August 28, 2014	10,000 ordinary shares	—	100%	Sale of healthcare and herbal products	(iv)
Charmaine Pharmaceutical Company Limited	Hong Kong November 26, 1985	1,100,000 ordinary shares	—	100%	Holding of pharmaceutical product licenses	(ii)
Citi-Ascent Limited	Hong Kong September 1, 2015	1 ordinary share	—	100%	Procurement of packaging materials	(iv)
Emperor Kangxi (HK) Pharmaceutical Limited	Hong Kong November 25, 2013	10,000 ordinary shares	—	100%	Sale of healthcare and herbal products	(iv)
Europharm Laboratoires Company Limited ("Europharm")	Hong Kong February 28, 1986	18,000,009 ordinary shares	—	89.31%	Manufacturing and sale of pharmaceutical products	(iii)
Frankin Pharmaceutical Laboratories Company Limited	Hong Kong January 8, 1980	440,000 ordinary shares	—	100%	Holding of pharmaceutical product licenses	(ii)
Jacobson Group Management Limited	Hong Kong June 25, 2008	10,000 ordinary shares	—	100%	Provision of management services to group companies	(iii)
Jacobson Group Treasury Limited	Hong Kong March 20, 2014	10,000 ordinary shares	—	100%	Provision of treasury services to group companies	(iv)
Jacobson Medical (Hong Kong) Limited	Hong Kong October 15, 1996	26,628,000 ordinary shares	—	100%	Trading of medical supplies and pharmaceutical products	(iii)
Jacobson Pharma (China) Limited	Hong Kong June 25, 2008 Dissolved on October 31, 2014	10,000 ordinary shares	—	—	Investment holding	(viii)
Jacobson Research Laboratory Limited	Hong Kong January 29, 2016	10,000 ordinary shares	—	100%	Research and development	(ix)
Janker Limited	Hong Kong July 2, 1991	10,000 ordinary shares	—	100%	Trading of Chinese medicines	(v)
Jean-Marie Pharmacal Company Limited	Hong Kong February 21, 1978	48,193,657 ordinary shares	—	100%	Manufacturing and sale of pharmaceutical products	(ii)

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities	Name of statutory auditor (Note)
Jetstar Company Limited	Hong Kong October 8, 1991	10,000 ordinary shares	—	100%	Manufacturing and sale of Chinese medicines	(v)
Li Chung Shing Tong (Holdings) Limited ("LCST (Holdings)")	Hong Kong January 8, 1988	500,000 ordinary shares	—	55.20%	Manufacturing and sale of Chinese medicines	(iii)
Li Chung Shing Tong (S) Pte Limited	Singapore April 5, 2001	50,000 ordinary shares at S$1 each	—	100%	Trading of Chinese medical products	(vii)
Li Chung Shing Tong (Trading) Limited	Hong Kong August 21, 2013	10,000 ordinary shares	—	55.20%	Trading of Chinese medicines	(iv)
Marching Pharmaceutical Limited	Hong Kong May 1, 1981	10,000,000 ordinary shares	—	100%	Manufacturing and sale of pharmaceutical products	(iii)
Marching Pharmaceutical Trading Limited	Hong Kong September 28, 1998	10,000 ordinary shares	—	100%	Trading of pharmaceutical products	(iii)
Neochem Pharmaceutical Laboratories Limited	Hong Kong August 6, 1975	3,000,000 ordinary shares	—	100%	Manufacturing and sale of pharmaceutical products	(iii)
Nice Laboratories Limited	Hong Kong June 11, 1982	1,000,000 ordinary shares	—	100%	Holding of pharmaceutical product licenses	(ii)
Pharmason Company Limited	Hong Kong March 11, 2015	10,000 ordinary shares	—	100%	Trading of pharmaceutical products	(iv)
Singmalay Company Limited	Hong Kong July 29, 1998	10,000 ordinary shares	—	100%	Manufacturing and sale of Chinese medicines	(v)
Synco (H.K.) Limited	Hong Kong October 9, 1968	46,800 ordinary shares	—	100%	Manufacturing and sale of pharmaceutical products	(ii)
Tong Tai Chung Herbs Medicine Manufacturing Limited	Hong Kong September 19, 1997	10,000 ordinary shares	—	100%	Inactive	(v)
Universal Pharmaceutical Laboratories, Limited	Hong Kong June 19, 1940	5,000 ordinary shares	—	100%	Manufacturing and sale of pharmaceutical products	(iii)
Vickmans Laboratories Limited	Hong Kong May 9, 1975	661,650 ordinary shares	—	100%	Manufacturing and sale of pharmaceutical products	(ii)

Notes:

(i) The official name of the entity is in Chinese. The English name is for identification purpose only. The company was registered as a wholly foreign-owned enterprise under the PRC Law.

(ii) The statutory financial statements of this company for the years ended March 31, 2014, 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by KPMG.

(iii) The statutory financial statements of this company for the years ended March 31, 2014 and 2015 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by KPMG.

(iv) The statutory financial statements of these companies for the following financial periods were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by KPMG.

Company name	*Financial periods*
Carewell Pharma Limited	*Period from August 28, 2014 (date of incorporation) to March 31, 2015*
Citi-Ascent Limited	*Period from September 1, 2015 (date of incorporation) to March 31, 2016*
Emperor Kangxi (HK) Pharmaceutical Limited	*Period from November 25, 2013 (date of incorporation) to March 31, 2015 and year ended March 31, 2016*
Jacobson Group Treasury Limited	*Period from March 20, 2014 (date of incorporation) to March 31, 2015*
Li Chung Shing Tong (Trading) Limited	*Period from August 21, 2013 (date of incorporation) to March 31, 2014 and year ended March 31, 2015*
Pharmason Company Limited	*Period from March 11, 2015 (date of incorporation) to March 31, 2016*

(v) This company was acquired by the Group on June 30, 2014 and its results were included in the Financial Information since then. The statutory financial statements of this company for the years ended March 31, 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by KPMG.

(vi) The statutory financial statements of this company for the years ended December 31, 2013, 2014 and 2015 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and were audited by GP Certified Public Accountants (Zhongshan Branch) (廣東正中珠江會計師事務所(中山分所)).

(vii) The statutory financial statements of this company for the years ended March 31, 2014 and 2015 were prepared in accordance with Singapore Financial Reporting Standards and were audited by M E Lim & Co..

(viii) This company applied for deregistration during the year ended March 31, 2014 and was dissolved on October 31, 2014. No statutory financial statements have been prepared for this company since the last statutory financial statements for the year ended March 31, 2013.

(ix) No statutory financial statements have been prepared for this company since it is newly incorporated.

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at March 31, 2014, 2015 and 2016. The directors consider this basis of preparation is appropriate having regard to the following factors.

Among the current liabilities, there were bank loans contractually due for repayment after one year of HK$158,971,000, HK$311,012,000 and HK$227,299,000 as at March 31, 2014, 2015 and 2016, respectively, but have been classified as current liabilities because the loan agreements include a clause that gives the banks the unconditional right to call the bank loans at any time ("**repayment on demand clause**") (see note 19(a)).

The directors do not expect the banks will demand repayment of these bank loans before maturity as the Group has good repayment records and has complied with the relevant covenants related to such banking facilities. In addition, the directors of the Company have carried out a detailed review of the working capital forecast of the Group for the period ending September 30, 2017. Based on the review, the directors consider the Group will have the necessary liquid funds to finance its working capital requirements and it will be able to meet its financial obligations as and when they fall due.

(c) Accounting judgments and estimates

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 29.

(d) Basis of measurement

The Financial Information is presented in Hong Kong dollars ("**HK$**"). It is prepared on the historical cost basis.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those

returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parities) are considered.

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(n) or 1(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a cash generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.	
–	Machinery and equipment	10–20 years
–	Furniture, fixtures and office equipment	4–20 years
–	Motor vehicles	4–10 years
–	Leasehold improvements	Shorter of the lease term or 9–10 years

Where part of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Construction-in-progress

Construction-in-progress is stated at cost less impairment loss (see note 1(k)(ii)). Cost comprises direct costs of construction during the period of construction and installation. Capitalization of these costs ceases and the construction-in-progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete.

No depreciation is provided in respect of construction-in-progress until it is substantially complete and ready for its intended use.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)). Amortization of intangible assets with finite lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

–	Unpatented drugs	30 years
–	Customer relationship	20 years
–	Capitalized development costs	30 years
–	Software	5–10 years

Both the period and method of amortization are reviewed annually.

Memberships represent a capital note certificate of a school and a club membership. Memberships and trademarks which useful lives are assessed to be indefinite, are not amortized and are stated at cost less impairment losses (see note 1(k)(ii)). Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if it can be demonstrated that the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(v)). Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see note 1(k)(ii)). Other development expenditure is recognized as an expense in the period in which it is incurred.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in the property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

The cost of acquiring land held under an operating lease and land use rights are amortized on a straight-line basis over the period of the lease term, ranging from 20 to 107 years.

(k) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. the effective interest rate computed at initial recognition of these assets, where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors included within trade and other receivables, the recovery of which is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except to the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased.

– property, plant and equipment;

– leasehold land; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less cost 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(l) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first in first out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(m) Trade and other receivables and investments in key management insurance contracts

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

The investments in key management insurance contracts are initially recognised at fair value and thereafter stated at amortized cost using effective interest method, based on the expected life of the contracts, less impairment (see note 1(k)(i)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fee payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

Salaries, annual bonuses, staff welfare costs and contributions to defined contribution retirement schemes are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. The employee benefits are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the

case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized in profit or loss when goods are delivered and the related risks and rewards of ownership are passed to customers. Revenue excludes value added tax or other sales taxes and is after

deduction of any trade discounts and sales returns. Accumulated experience is used to estimate and provide for sales returns at time of sales.

(ii) Commission income

Commission income is recognized in profit or loss when the services are rendered.

(iii) Interest income

Interest income is recognized in profit or loss as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation outside Hong Kong is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(1) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 (1).

(vii) A person identified in (1)(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and trading of generic drugs and proprietary Chinese medicines.

Revenue represents the sales value of goods supplied to customers less returns and sales rebates and is after deduction of any trade discounts.

(b) Segment reporting

The Group manages its businesses by divisions, which are organized by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Generic drugs: this segment develops, manufactures and distributes a host of off-patent medicine for various therapeutic use. Currently the activities in this regard are primarily carried out in Hong Kong.

– Proprietary Chinese medicines: this segment develops, manufactures and distributes Chinese medicines. Currently the activities in this regard are primarily carried out in Hong Kong.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortization", where "interest" is regarded as including interest income and interest expenses and "depreciation and amortization" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for non-recurring items not attributable to the operations of individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable assets and liabilities have not been presented in the Financial Information.

(i) Segment revenue and results

Information regarding the Group's reportable segments as provided to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the years ended March 31, 2014, 2015 and 2016 is set out below.

	Generic drugs			Proprietary Chinese medicines			Total		
	Year ended March 31,			Year ended March 31,			Year ended March 31,		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	823,734	839,011	944,753	102,447	108,580	139,103	926,181	947,591	1,083,856
Reportable segment profit (adjusted EBITDA)	180,054	168,270	232,949	25,746	23,471	22,491	205,800	191,741	255,440

(ii) Reconciliations of reportable segment revenue and profit or loss

	Year ended March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Revenue			
Revenue from external customers	926,181	947,591	1,083,856
Profit			
Reportable segment profit derived from Group's external customers	205,800	191,741	255,440
Interest income from bank deposits	58	46	8
One-off gain on disposal of buildings and leasehold land	61,055	—	—
Depreciation and amortization	(43,996)	(52,945)	(69,928)
Finance costs	(5,969)	(2,707)	(2,523)
Consolidated profit before taxation	216,948	136,135	182,997

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are distributed to the ultimate customers by the Group, the consignees or the distributors.

	Revenue from external customers		
	Year ended March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	851,566	879,109	994,206
China	34,078	28,834	40,850
Macau	21,862	19,868	27,743
Singapore	9,251	4,683	11,943
Others	9,424	15,097	9,114
	926,181	947,591	1,083,856

The following table sets out information about the geographical location of the Group's property, plant and equipment, leasehold land, intangible assets and prepayment for purchase of non-current assets ("**specified non-current assets**"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and leasehold land and the location of the operation to which they are allocated, in the case of intangible assets and non-current prepayments.

	Specified non-current assets		
	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	885,524	1,188,743	1,266,309
China	51,919	45,800	37,486
Singapore	4	2	1
	937,447	1,234,545	1,303,796

(iv) Information about major customers

For the years ended March 31, 2014, 2015 and 2016, the Group's customer base includes one customer of the generic drugs segment with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs to this customer, including sales to entities which are known to the Group to be under common control amounted to approximately HK$292,134,000, HK$281,844,000 and HK$303,345,000 respectively.

3 OTHER INCOME/(LOSS)

	Year ended March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Commission income	1,219	898	463
Interest income from bank deposits	58	46	8
Other interest income	2,916	3,040	3,169
Net foreign exchange (loss)/gain	(691)	1,557	243
Net gain/(loss) on disposal of property, plant and equipment and leasehold land (note)	61,071	(477)	(4,931)
Others	599	941	583
	65,172	6,005	(465)

Note: During the year ended March 31, 2014, the Group has disposed of certain old production premises and recorded an one-off gain on disposal of HK$61,055,000.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		Year ended March 31,		
		2014	2015	2016
		HK$'000	HK$'000	HK$'000
(a)	**Finance costs**			
	Interest on bank loans, overdrafts and other loans	10,723	14,265	16,241
	Finance charges on obligations under finance leases	317	172	100
		11,040	14,437	16,341
	Less: Interest expenses capitalized into construction-in-progress and prepayment for acquisition of non-current assets*	(5,071)	(11,730)	(13,818)
		5,969	2,707	2,523

* *The borrowing costs have been capitalized at a rate of 3.17% per annum, 3.07% per annum and 3.14% per annum for the years ended March 31, 2014, 2015 and 2016 respectively.*

		Year ended March 31,		
		2014	2015	2016
		HK$'000	HK$'000	HK$'000
(b)	**Staff costs**			
	Salaries, wages and other benefits	302,350	309,386	328,635
	Contributions to defined contribution retirement schemes	10,205	12,907	14,249
		312,555	322,293	342,884

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each

required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "**Schemes**") organized by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Schemes at 20% of the standard wages determined by the relevant authorities in the PRC.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

		Year ended March 31,		
		2014	2015	2016
		HK$'000	HK$'000	HK$'000
(c)	**Other items**			
	Amortization			
	— leasehold land (note 11)	1,481	1,397	1,388
	— intangible assets (note 12)	10,434	13,322	14,560
	Depreciation (note 10)	32,081	38,226	53,980
	Impairment losses on trade and other receivables	10	51	66
	Operating lease charges in respect of properties	38,644	49,557	57,939
	Auditors' remuneration			
	— audit services	4,059	4,592	5,683
	— other services	516	680	1,818
	Research and development costs (other than amortization of capitalized development costs)	3,516	5,727	5,637
	Cost of inventories[#] (note 14(b))	501,339	562,883	596,101

[#] *Cost of inventories includes HK$211,660,000, HK$249,435,000 and HK$279,116,000 for the years ended March 31, 2014, 2015 and 2016, respectively, relating to staff costs, operating lease charges, depreciation and amortization, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.*

5 INCOME TAX

(a) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Current tax			
Provision for the year	32,609	26,589	27,463
Under/(over)-provision in respect of prior years	220	(2,143)	(202)
	32,829	24,446	27,261
Deferred tax			
Origination and reversal of temporary differences	(582)	(2,289)	3,074
	32,247	22,157	30,335

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Profit before taxation	216,948	136,135	182,997
Notional tax on profit before taxation calculated at the rate applicable to profits in the tax jurisdiction concerned	35,660	22,389	29,806
Effect of non-deductible expenses	2,251	2,052	4,088
Effect of non-taxable income	(7,334)	(301)	(297)
Effect of tax concessions obtained	(224)	(466)	(240)
Effect of temporary differences not recognized	1,299	508	(2,934)
Recognition of deferred tax previously not recognized	375	118	114
Under/(over)-provision in prior years	220	(2,143)	(202)
Actual tax expense	32,247	22,157	30,335

Notes:

(i) The provision for Hong Kong Profits Tax for the year is calculated at 16.5% of the estimated assessable profit.

(ii) Income tax for entities incorporated in other jurisdictions is charged at the appropriate rates of taxation ruling in the relevant jurisdictions.

6 DIRECTORS' REMUNERATION

Directors' remuneration is disclosed as follows:

	Year ended March 31, 2014				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Sum Kwong Yip, Derek	—	29,154	36,435	192	65,781
Mr. Yim Chun Leung	350	—	—	—	350
Mr. Lo Chun Bun	—	2,165	—	15	2,180
	350	31,319	36,435	207	68,311

	Year ended March 31, 2015				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Sum Kwong Yip, Derek	—	21,921	3,315	215	25,451
Mr. Yim Chun Leung	250	—	—	—	250
Mr. Lo Chun Bun	—	1,916	—	18	1,934
	250	23,837	3,315	233	27,635

	Year ended March 31, 2016				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Sum Kwong Yip, Derek	—	10,569	551	219	11,339
Mr. Yim Chun Leung	250	—	—	—	250
Mr. Lo Chun Bun	—	973	—	18	991
	250	11,542	551	237	12,580

The directors of the Company were appointed on the following dates:

	Date of appointment	Date of resignation
Executive directors		
Mr. Sum Kwong Yip, Derek	February 16, 2016	N/A
Mr. Yim Chun Leung	April 1, 2016	N/A
Mr. Lo Chun Bun	February 16, 2016	N/A
Non-executive director		
Professor Lam Sing Kwong, Simon	April 11, 2016	N/A
Independent non-executive directors		
Professor Chow Hee Lum, Albert	August 30, 2016	N/A
Dr. Lam Kwing Tong, Alan	August 30, 2016	N/A
Mr. Young Chun Man, Kenneth	August 30, 2016	N/A

The directors' remuneration represented the amounts paid or payable for their services rendered to the Group during the Relevant Periods.

During the Relevant Periods, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. And there was no arrangement under which a director has waived or agreed to waive any remuneration during the Relevant Periods.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 2, 2, 1 are directors for the years ended March 31, 2014, 2015 and 2016 respectively whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Salaries and other emoluments	4,482	4,820	7,155
Discretionary bonuses	1,768	605	912
Retirement scheme contributions	49	67	87
	6,299	5,492	8,154

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended March 31,		
	2014	2015	2016
	Number of individuals	Number of individuals	Number of individuals
HK$1,500,001 – HK$2,000,000	1	2	2
HK$2,000,001 – HK$2,500,000	2	1	1
HK$2,500,001 – HK$3,000,000	—	—	1

8 EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity shareholders of the Company of HK$172,357,000, HK$101,904,000 and HK$145,610,000 for each of the years ended March 31, 2014, 2015 and 2016, and the deemed weighted average ordinary shares in issue for the Relevant Periods, calculated as follows:

	Year ended March 31,		
	2014	2015	2016
	'000	'000	'000
Deemed weighted average number of ordinary shares:			
Shares of JPG (BVI) issued at the beginning of the year adjusted by the effect of share swap between the Company and JPG (BVI) (note (i) and note 21)	1,189,678	1,308,646	1,308,646
Effect of shares of JPG (BVI) issued during the year adjusted by the effect of share swap between the Company and JPG (BVI) (note (ii) and note 21)	24,120	—	—
Effect of shares issued upon incorporation (note 21)	—	—	12
Effect of shares issued for acquisition of non-controlling interests (note 21)	—	—	144
Deemed weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	1,213,798	1,308,646	1,308,802

Notes:

(i) The amounts represent the shares of JPG (BVI) issued at April 1, 2013, 2014 and 2015 of 20,000, 22,000 and 22,000 ordinary shares respectively, adjusted by a conversion ratio of 1 JPG (BVI) share for 59,483.9 ordinary shares of the Company.

(ii) The deemed weighted average ordinary shares in issue for the year ended March 31, 2014 reflects an adjustment for 2,000 ordinary shares issued during the year, taking into account for time-weighting factor and the effect of share swap between the Company and JPG (BVI). No new ordinary shares were issued by JPG (BVI) during the years ended March 31, 2015 and 2016.

There were no dilutive potential ordinary shares during the Relevant Periods and therefore, diluted earnings per share are the same as the basic earnings per share.

9 DIVIDENDS

No dividend has been declared by the Company since its incorporation.

During the years ended March 31, 2014, 2015 and 2016, the former holding company of the Group prior to the completion of the Reorganization declared an interim dividend of HK$15,000,000, HK$22,828,000 and HK$200,200,000, respectively. The outstanding balance is included as dividend payables.

The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Construction-in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At April 1, 2013	79,633	168,489	76,170	9,780	28,042	81,994	444,108
Additions	—	17,773	20,968	1,076	5,375	124,777	169,969
Disposals	(16,031)	(2,279)	(4,141)	(2,119)	(5,716)	—	(30,286)
Exchange difference	463	1,357	40	9	186	—	2,055
At March 31, 2014	64,065	185,340	93,037	8,746	27,887	206,771	585,846
Accumulated depreciation:							
At April 1, 2013	20,046	70,582	38,578	5,853	20,639	—	155,698
Charge for the year	3,045	15,691	8,623	1,724	2,998	—	32,081
Written back on disposals	(2,844)	(2,027)	(4,080)	(1,389)	(5,707)	—	(16,047)
Exchange difference	190	880	31	8	127	—	1,236
At March 31, 2014	20,437	85,126	43,152	6,196	18,057	—	172,968
Net book value:							
At March 31, 2014	43,628	100,214	49,885	2,550	9,830	206,771	412,878

	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Construction-in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At April 1, 2014	64,065	185,340	93,037	8,746	27,887	206,771	585,846
Additions	—	16,728	12,036	2,863	3,526	201,737	236,890
Acquisition of subsidiaries (note 23)	—	79	218	—	—	—	297
Disposals	—	(4,320)	(1,130)	(253)	—	—	(5,703)
Exchange difference	—	—	(2)	—	—	—	(2)
At March 31, 2015	64,065	197,827	104,159	11,356	31,413	408,508	817,328
Accumulated depreciation:							
At April 1, 2014	20,437	85,126	43,152	6,196	18,057	—	172,968
Charge for the year	2,815	18,484	11,653	1,502	3,772	—	38,226
Written back on disposals	—	(3,548)	(770)	(237)	—	—	(4,555)
Exchange difference	—	—	(1)	—	—	—	(1)
At March 31, 2015	23,252	100,062	54,034	7,461	21,829	—	206,638
Net book value:							
At March 31, 2015	40,813	97,765	50,125	3,895	9,584	408,508	610,690

	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Construction-in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At April 1, 2015	64,065	197,827	104,159	11,356	31,413	408,508	817,328
Additions	—	15,292	19,714	2,688	11,894	215,800	265,388
Disposals	—	(8,955)	(7,905)	(927)	(3,133)	—	(20,920)
Transfers	—	45,531	43,716	—	17,286	(106,533)	—
Exchange difference	(1,042)	(3,016)	(87)	(19)	(542)	—	(4,706)
At March 31, 2016	63,023	246,679	159,597	13,098	56,918	517,775	1,057,090
Accumulated depreciation:							
At April 1, 2015	23,252	100,062	54,034	7,461	21,829	—	206,638
Charge for the year	2,737	25,988	15,048	1,543	8,664	—	53,980
Written back on disposals	—	(8,093)	(3,513)	(839)	(3,132)	—	(15,577)
Exchange difference	(464)	(2,268)	(73)	(18)	(451)	—	(3,274)
At March 31, 2016	25,525	115,689	65,496	8,147	26,910	—	241,767
Net book value:							
At March 31, 2016	37,498	130,990	94,101	4,951	30,008	517,775	815,323

At March 31, 2014, 2015 and 2016, certain buildings, machinery and equipment were pledged against bank loans granted to the Group as disclosed in note 19(a)(i).

The Group leases certain motor vehicles and office equipment under finance leases expiring from 1 to 5 years. During the years ended March 31, 2014, 2015 and 2016, the Group entered into finance leases contracts in respect of certain motor vehicles and office equipment with capital value at the inception of the contracts HK$6,286,000 and HK$465,000 and HK$818,000, respectively. At March 31, 2014, 2015 and 2016, the net book value of assets held under finance leases amounted to HK$6,718,000 and HK$4,953,000 and HK$4,663,000, respectively.

11 LEASEHOLD LAND

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Cost:			
At April 1	79,698	63,995	63,995
Disposals	(16,031)	—	—
Exchange difference	328	—	(734)
At March 31	63,995	63,995	63,261
Accumulated amortization:			
At April 1	8,792	9,304	10,701
Charge for the year	1,481	1,397	1,388
Written back on disposals	(1,064)	—	—
Exchange difference	95	—	(246)
At March 31	9,304	10,701	11,843
Net book value:			
At March 31	54,691	53,294	51,418

At March 31, 2014, 2015 and 2016, certain bank borrowings were secured by certain leasehold land as disclosed in note 19(a)(i).

12 INTANGIBLE ASSETS

	Goodwill	Memberships	Trademarks	Unpatented drugs	Customer relationship	Capitalized development costs	Software	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:								
At April 1, 2013	108,507	1,300	49,960	123,787	124,168	—	—	407,722
Additions	—	—	2,808	9,000	—	—	—	11,808
At March 31, 2014	108,507	1,300	52,768	132,787	124,168	—	—	419,530
Accumulated amortization:								
At April 1, 2013	—	—	—	15,523	20,656	—	—	36,179
Charge for the year	—	—	—	4,226	6,208	—	—	10,434
At March 31, 2014	—	—	—	19,749	26,864	—	—	46,613
Net book value:								
At March 31, 2014	108,507	1,300	52,768	113,038	97,304	—	—	372,917

	Goodwill	Memberships	Trademarks	Unpatented drugs	Customer relationship	Capitalized development costs	Software	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:								
At April 1, 2014	108,507	1,300	52,768	132,787	124,168	—	—	419,530
Additions	—	1,220	—	—	—	—	30,580	31,800
Acquisition of subsidiaries (note 23)	—	—	2,630	13,817	15,082	—	—	31,529
At March 31, 2015	108,507	2,520	55,398	146,604	139,250	—	30,580	482,859
Accumulated amortization:								
At April 1, 2014	—	—	—	19,749	26,864	—	—	46,613
Charge for the year	—	—	—	4,772	6,774	—	1,776	13,322
At March 31, 2015	—	—	—	24,521	33,638	—	1,776	59,935
Net book value:								
At March 31, 2015	108,507	2,520	55,398	122,083	105,612	—	28,804	422,924

	Goodwill	Memberships	Trademarks	Unpatented drugs	Customer relationship	Capitalized development costs	Software	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:								
At April 1, 2015	108,507	2,520	55,398	146,604	139,250	—	30,580	482,859
Additions	—	—	—	12,545	—	5,529	243	18,317
At March 31, 2016	108,507	2,520	55,398	159,149	139,250	5,529	30,823	501,176
Accumulated amortization:								
At April 1, 2015	—	—	—	24,521	33,638	—	1,776	59,935
Charge for the year	—	—	—	5,038	6,963	—	2,559	14,560
At March 31, 2016	—	—	—	29,559	40,601	—	4,335	74,495
Net book value:								
At March 31, 2016	108,507	2,520	55,398	129,590	98,649	5,529	26,488	426,681

The amortization charge of unpatented drugs, customer relationship and software is included in "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses"

respectively in the consolidated statements of profit or loss and other comprehensive income for the years ended March 31, 2014, 2015 and 2016.

In assessing the useful life of unpatented drugs, due consideration is given to the expected usage by the Group, typical product life cycles, technology obsolescence and level of maintenance expenditure. The useful life of customer relationship is assessed based on the historical attrition rate of the customers.

In assessing the useful life of trademarks, due consideration is given to the existing longevity of trademarks, the indefinite life cycle of the industry in which the Group operates and the expected usage of the trademarks in the future. In light of these considerations, no factor could be identified that would result in the trademarks having a finite useful life and accordingly the trademarks have been assessed as having an indefinite useful life.

Impairment tests for cash generating units containing goodwill and trademarks

Goodwill and trademarks are allocated to the Group's cash-generating units ("**CGU**") in the following business segments:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Goodwill			
Generic drugs	96,779	96,779	96,779
Proprietary Chinese medicines	11,728	11,728	11,728
	108,507	108,507	108,507
Trademarks			
Generic drugs	2,808	2,808	2,808
Proprietary Chinese medicines	49,960	52,590	52,590
	52,768	55,398	55,398

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	As at March 31,		
	2014	2015	2016
Gross margin	13%–61%	17%–59%	14%–55%
Growth rate	3%	3%	3%
Discount rate	14%–18%	14%–15%	14%–15%

Management determined budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The memberships represent a capital note certificate of a school and a club membership. The directors consider that the recoverable amounts of these intangible assets exceed their carrying amounts and therefore no impairment is necessary. The recoverable amounts of these intangible assets are estimated by reference to their current open market value less cost to sell as at March 31, 2014, 2015 and 2016.

13 NON-CURRENT ASSETS

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Investments in key management insurance contracts	71,122	73,141	16,796
Prepayment for purchase of non-current assets	96,961	147,637	10,374
	168,083	220,778	27,170

At March 31, 2014, 2015 and 2016, the investments in key management insurance contracts represent life insurance policies with investment elements relating to the Controlling Parties. The beneficiaries are certain subsidiaries of the Group. The Group may request a full surrender of the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal.

At March 31, 2014, 2015 and 2016, certain bank borrowings were secured by the benefits of the investments in key management insurance contracts as disclosed in note 19(a)(i).

14 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Raw materials	77,809	80,030	74,969
Work in progress	20,395	16,716	20,109
Finished goods	62,164	72,341	101,837
	160,368	169,087	196,915

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Carrying amount of inventories sold	491,284	555,162	589,727
Write-down of inventories	10,055	7,721	6,374
	501,339	562,883	596,101

15 TRADE AND OTHER RECEIVABLES

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Trade receivables	110,316	110,120	108,055
Other receivables	2,758	3,048	3,005
Amount due from a company controlled by a Controlling Party (note 28(b))	314	342	—
Investments in key management insurance contracts (note 13)	—	—	58,452
Deposits and prepayments	29,352	35,285	40,445
	142,740	148,795	209,957

At March 31, 2014, 2015 and 2016, the deposits and prepayments expected to be recovered after more than one year amounted to HK$14,370,000 and HK$14,568,000 and HK$17,474,000, respectively. The remaining trade and other receivables (including the amount due from a company controlled by a Controlling Party) are expected to be recovered within one year.

At March 31, 2016, certain bank borrowings were secured by trade receivables of HK$66,870,000 and the benefits of the investments in key management insurance contracts as disclosed in note 19(a)(i).

The Group normally allows a credit period of 0–90 days to its customers. Further details on the Group's credit policy are set out in note 25(a).

The amount due from a company controlled by a Controlling Party is unsecured, interest-free and repayable on demand.

(a) Aging analysis

As at the end of the reporting period, the aging analysis of trade receivables (which are includes in trade and other receivables) based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Less than 1 month	51,390	50,709	61,141
1 to 6 months	49,216	58,151	46,604
Over 6 months	9,710	1,260	310
	110,316	110,120	108,055

(b) Impairment of trade receivables

As at March 31, 2014, 2015 and 2016, none of the Group's trade receivables were determined to be impaired.

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	62,914	69,849	73,943
Less than 1 month past due	28,126	27,440	22,819
1 to 3 months past due	8,802	10,815	10,270
Over 3 months past due	10,474	2,016	1,023
	110,316	110,120	108,055

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16 BALANCES WITH RELATED PARTIES

(a) Amounts due to and dividend payables to the Controlling Parties

The amounts due to and dividend payables to the Controlling Parties are interest-free, unsecured and repayable on demand. These balances were subsequently fully settled in August 2016.

(b) Loans from a company controlled by one of the Controlling Parties

The loans from a company controlled by one of the Controlling Parties were unsecured, repayable within one year from March 31, 2014 and interest bearing at rate of 2% per annum. The loan was settled during the year ended March 31, 2015.

17 CASH AND CASH EQUIVALENTS

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Cash at bank and in hand	131,492	70,258	82,925
Bank overdrafts (note 19)	—	(7,253)	—
Cash and cash equivalents in the consolidated cash flow statements	131,492	63,005	82,925

18 TRADE AND OTHER PAYABLES

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Trade payables	29,605	24,679	26,303
Salary and bonus payables	30,362	30,422	40,639
Payables and accruals for addition of property, plant and equipment	41,822	9,755	8,235
Other payables and accruals	32,732	17,707	23,323
Receipts in advance	682	7,589	6,085
	135,203	90,152	104,585

All of the other trade and other payables are expected to be settled within one year.

As at the end of reporting period, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within 1 month	15,735	13,438	13,441
1 to 6 months	12,905	10,972	12,504
Over 6 months	965	269	358
	29,605	24,679	26,303

19 BORROWINGS

An analysis of the carrying amount of borrowings is as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Current liabilities:			
Bank overdrafts (notes 17 and 19(a))	—	7,253	—
Current portion of bank loans and other loans (note 19(a))	137,037	157,364	212,036
Non-current portion of bank loans with repayable on demand clause (note 19(a))	158,971	311,012	227,299
Bank loans, overdrafts and other loans	296,008	475,629	439,335
Obligations under finance leases (note 19(b))	2,342	2,251	692
Amounts due to the Controlling Parties (notes 16(a) and 28(c))	30,740	53,192	36,202
Loans from a company controlled by one of the Controlling Parties (notes 16(b) and 28(c))	2,780	—	—
	331,870	531,072	476,229
Non-current liabilities:			
Non-current portion of bank loans and other loans (note 19(a))	3,568	—	—
Obligations under finance leases (note 19(b))	2,972	867	522
	6,540	867	522
	338,410	531,939	476,751

(a) Bank loans, overdrafts and other loans

(i) Bank loans, overdrafts and other loans were analyzed as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Secured bank overdrafts (note 17)	—	7,253	—
Bank loans and other loans			
— secured	282,490	224,327	189,318
— unsecured	17,086	244,049	250,017
	299,576	475,629	439,335

As at March 31, 2014, 2015 and 2016, the secured bank facilities were secured by the land and buildings and other fixed assets of the Group, trade receivables, benefits of key management insurance contracts, the Controlling Parties' personal guarantees and corporate guarantees from certain subsidiaries. The unsecured facilities were guaranteed by the Controlling Parties' personal guarantees, corporate guarantees from certain subsidiaries and guarantees from the Government of the Hong Kong Special Administrative Region and the Hong Kong Mortgage Corporation Limited. These facilities amounted to HK$440,045,000 and HK$606,581,000 and HK$660,413,000 as of March 31, 2014, 2015 and 2016, respectively. These facilities were utilized to the extent of HK$318,042,000 and HK$487,096,000 and HK$450,907,000, respectively.

The directors have confirmed that the Controlling Parties' personal guarantees will be released and replaced by a corporate guarantee provided by the Company upon the listing of the Company's shares on the Stock Exchange of Hong Kong Limited.

The carrying value of assets pledged against bank loans and overdrafts as at the end of reporting period is analyzed as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	128,736	125,524	121,810
Leasehold land	54,264	52,885	51,027
Investments in key management insurance contracts	71,122	73,141	75,248
Trade receivables	—	—	66,870
	254,122	251,550	314,955

(ii) As at March 31, 2014, 2015 and 2016, the bank loans, overdrafts and other loans were repayable as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within 1 year or on demand	296,008	475,629	439,335
After 1 year but within 2 years	3,568	—	—
	299,576	475,629	439,335

All the Group's banking facilities are subject to the fulfillment of covenants based on the financial information of the Group and certain of its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at March 31, 2014, 2015 and 2016, none of the covenants relating to drawn down facilities had been breached. Further details of the Group's management of liquidity risk are set out in note 25(b).

Notwithstanding the specified repayment schedules as stated in the facilities letters ("**specific repayment terms**") which allow the loans to be repaid over a period of more than one year, certain banking facilities granted to the Group include a clause that gives the banks the unconditional rights to call the bank loans at any time ("**repayment on demand clause**"). These bank loans as at March 31, 2014, 2015 and 2016 were classified as current liabilities in the consolidated statements of financial position.

However, management expects that the bank loans, overdrafts and other loans are to be repaid as follows based on the specific repayment terms:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Bank loans, overdrafts and other loans due for repayment within one year or on demand:			
Overdrafts repayable on demand	—	7,253	—
Bank loans and other loans due for repayment within one year	137,037	157,364	212,036
	137,037	164,617	212,036
Bank loans and other loans due for repayment after one year (note):			
After 1 year but within 2 years	105,522	106,315	112,422
After 2 years but within 5 years	50,342	198,983	111,450
After 5 years	6,675	5,714	3,427
	162,539	311,012	227,299
	299,576	475,629	439,335

Note: The amounts due are based on the specific repayment terms set out in the facilities letters and ignore the effect of any repayment on demand clause.

(b) Obligations under finance leases

As at March 31, 2014, 2015 and 2016, the Group had obligations under finance leases repayable as follows:

	As at March 31,					
	2014		2015		2016	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	2,342	2,520	2,251	2,361	692	736
After 1 year but within 2 years	2,244	2,349	635	680	149	187
After 2 years but within 5 years	728	805	232	327	373	466
	2,972	3,154	867	1,007	522	653
	5,314	5,674	3,118	3,368	1,214	1,389
Less: Total future interest expense		(360)		(250)		(175)
Present value of lease obligations		5,314		3,118		1,214

20 DEFERRED TAX

(a) Deferred tax liabilities/(assets) recognized

The components of deferred tax liabilities/(assets) recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Property, plant and equipment	Intangible assets	Unused tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At April 1, 2013	8,541	34,943	(1,852)	41,632
Charged/(credited) to profit or loss	2,571	(1,705)	(1,448)	(582)
Exchange difference	18	—	—	18
At March 31, 2014	11,130	33,238	(3,300)	41,068
At April 1, 2014	11,130	33,238	(3,300)	41,068
Charged/(credited) to profit or loss	1,455	2,897	(6,641)	(2,289)
Acquisition of subsidiaries (note 23)	—	5,202	—	5,202
At March 31, 2015	12,585	41,337	(9,941)	43,981
At April 1, 2015	12,585	41,337	(9,941)	43,981
Charged/(credited) to profit or loss	6,329	(2,428)	(827)	3,074
Exchange difference	24	—	—	24
At March 31, 2016	18,938	38,909	(10,768)	47,079

Reconciliation to the consolidated statements of financial position

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Deferred tax assets recognized in the consolidated statements of financial position	(3,300)	(3,490)	(1,469)
Deferred tax liabilities recognized in the consolidated statements of financial position	44,368	47,471	48,548
	41,068	43,981	47,079

The directors are of the view that future taxable profits will probably be available to utilize the deferred tax assets.

(b) Deferred tax assets not recognized

As at March 31, 2014, 2015 and 2016, in accordance with the accounting policy set out in note 1(r), the Group has not recognized deferred tax assets in respect of cumulative tax losses of HK$12,108,000 and HK$15,234,000 and HK$22,204,000, respectively as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. Tax losses as at March 31, 2014, 2015 and 2016 have no expiry dates under current tax legislation.

21 SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
Authorized:		
Ordinary shares of HK$0.01 each at February 16, 2016 (date of incorporation) and March 31, 2016	5,000,000	50,000
Issued:		
At February 16, 2016 (date of incorporation)	100	1
Issue of ordinary shares for share swap between the Company and JPG (BVI)	1,308,646	13,086
Issue of ordinary shares for acquisition of non-controlling interests (note 24)	3,754	38
At March 31, 2016	1,312,500	13,125

The Company was incorporated in the Cayman Islands on February 16, 2016. At the time of incorporation, the Company had an authorized share capital of HK$50,000,000 divided into 5,000,000,000 shares. The Company issued and allotted 51,000 shares, 37,000 shares and 12,000 shares to Kingshill Development Limited, Queenshill Development Limited and Longjin Investments Limited respectively.

On March 18, 2016, the Company further issued and allotted 667,410,000 shares, 484,198,000 shares and 157,038,000 shares to Kingshill Development Limited, Queenshill Development Limited and Longjin Investments Limited respectively in exchange for the equity in JPG (BVI). On the same day, the Company also issued and allotted 3,754,000 shares to a non-controlling shareholder of Po Chai Herbal Technology Limited ("PCHT") in exchange for the remaining 7.6% shareholding of PCHT, which holds

55.2% of LCST (Holdings). Details of the changes in the Company's equity for the period from February 16, 2016 to March 31, 2016 are set out below:

	Share capital	Share premium	Capital reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At February 16, 2016 (date of incorporation) ...	1	—	—	1
Issue of ordinary shares for share swap between the Company and JPG (BVI).....	13,086	—	203,943	217,029
Issue of ordinary shares for acquisition of non-controlling interests (note 24)	38	6,445	—	6,483
At March 31, 2016.....	13,125	6,445	203,943	223,513

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the company's residual assets.

The share capital prior to the Reorganization represented the capital of JPG (BVI). On January 17, 2014, 2,000 shares of JPG (BVI), each of US$0.01 ranking pari passu in all aspects, were allotted and issued to the Controlling Parties.

22 RESERVES

The nature and purpose of reserves are set out below:

(a) Share premium

Prior to the incorporation of the Company on February 16, 2016, the share premium account represented the difference between the par value of the shares of JPG (BVI), the former holding company of the Group prior to the completion of the Reorganization and proceeds received from the issuance of the shares of JPG (BVI). After the completion of the Reorganization, it represents the difference between the consideration and the par value of the issued shares of the Company.

(b) Capital reserve

The capital reserve comprises the following:

- shareholders' loans capitalized;
- the difference between the considerations paid by the Group and the share of net assets value of the subsidiaries acquired from non-controlling interests; and
- the difference between the par value of the Company's shares issued and the equity of JPG (BVI) acquired during the Reorganization. Pursuant to the Reorganization, the Company issued 1,308,646,000 ordinary shares of HK$0.01 each to the then shareholders of JPG (BVI) in consideration of acquiring their equity interests held in JPG (BVI). The difference between the then shareholders' equity JPG (BVI) over the par value of the shares issued by the Company was transferred to the capital reserve in the Financial Information as at the date of Reorganization.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(u).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to externally imposed capital requirements.

23 BUSINESS COMBINATION

On June 30, 2014, the Group acquired the entire equity interest of four companies, Janker Limited, Jetstar Company Limited, Singmalay Company Limited and Tong Tai Chung Herbs Medicine Manufacturing Limited, which are engaged in trading and manufacturing of Chinese herbs medicine at a consideration of HK$38,592,000 in order to increase the market share in the local Chinese medicines market. These entities contributed revenue of HK$17,585,000 and profit of HK$3,132,000 to the Group for the period from June 30, 2014 to March 31, 2015. If the acquisition had occurred on April 1, 2014, the Group's revenue and profit for the year ended March 31, 2015 would have been increased by HK$5,100,000 and HK$1,180,000 respectively.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognized values on acquisition
	HK$'000
Property, plant and equipment	297
Intangible assets	31,529
Inventories	4,235
Trade and other receivables	3,994
Current tax recoverable	44
Cash and cash equivalents	4,668
Trade and other payables	(468)
Current tax payable	(505)
Deferred tax liabilities	(5,202)
Net identifiable assets acquired	38,592
Analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition	
Cash consideration paid	38,592
Less: Cash and cash equivalents acquired	(4,668)
	33,924

Acquisition-related costs

The Group incurred acquisition-related costs of HK$449,000 relating to the external legal fee and due diligence costs. These costs have been included in "administrative and other operating expenses" in the consolidated statement of profit of loss and other comprehensive income for the year ended March 31, 2015.

24 ACQUISITION OF NON-CONTROLLING INTERESTS

In February 2014, the Group acquired an additional 13.76% interest in Europharm at a cash consideration of HK$28,225,000, increasing its ownership in Europharm and its subsidiaries ("**Europharm group**") from 75% to 88.76%. The Group recognized:

- a decrease in non-controlling interests of HK$23,038,000; and
- a decrease in capital reserve of HK$5,187,000.

The carrying amount of Europharm group's net assets in the Group's Financial Information on the date of the acquisition was HK$167,428,000.

The following summarizes the changes in the Group's ownership interest in Europharm group:

	HK$'000
Group's ownership interest at April 1, 2013	113,569
Effect of increase in Group's ownership interest	23,038
Share of comprehensive income	9,909
Group's ownership interest at March 31, 2014	146,516

As approved in December 2014 and completed in January 2015, the Group acquired an additional 0.55% interest in Europharm at a consideration of HK$400,000, increasing its ownership in Europharm group from 88.76% to 89.31%. The Group recognized:

- a decrease in non-controlling interests of HK$883,000; and
- an increase in capital reserve of HK$483,000.

The carrying amount of Europharm group's net assets in the Group's Financial Information on the date of the acquisition was HK$160,571,000.

The following summarizes the changes in the Group's ownership interest in Europharm group:

	HK$'000
Group's ownership interest at April 1, 2014	146,516
Effect of increase in Group's ownership interest	883
Share of comprehensive income	4,172
Dividend declared	(7,828)
Group's ownership interest at March 31, 2015	143,743

In March 2016, the Group acquired an additional 7.6% interest in PCHT, which holds 55.2% of LCST (Holdings), by issuing 3,754,000 shares of the Company, increasing its ownership in PCHT from 92.4% to 100%. The Group recognized a decrease in non-controlling interests of HK$6,483,000.

The carrying amount of the net assets of PCHT and its subsidiaries in the Group's Financial Information on the date of the acquisition was HK$85,306,000.

The following summarizes the changes in the Group's ownership interest in PCHT group:

	HK$'000
Group's ownership interest at April 1, 2015	75,469
Effect of increase in Group's ownership interest	6,483
Share of comprehensive income	3,938
Dividend paid by PCHT's subsidiaries	(514)
Group's ownership interest at March 31, 2016	85,376

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, trade and other receivables and derivative financial instruments. Cash and cash equivalents are normally placed at financial institutions that have sound credit ratings and the Group considers the credit risk to be insignificant. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at March 31, 2014, 2015 and 2016, 8.7%, 8.3% and 7.7% of the total trade and other receivables was due from the Group's largest debtor and 28.4%, 25.1% and 14.1% was due from the five largest debtors respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Given that bank loans subject to repayment on demand clause are classified as current liabilities as set out in note 19, the contractual undiscounted cash outflows of all the financial liabilities as at March 31, 2014, 2015 and 2016 are due within 1 year or on demand and equal their carrying value at the end of the reporting period, except for bank loans and other loans not subject to repayment on demand clause, loans from a company controlled by a Controlling Party and the obligations under finance leases which are disclosed in notes 16 and 19.

The following tables show the remaining contractual maturities at the end of the reporting period of the Company's bank loans and other loans, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period).

As the directors do not expect the banks would exercise the rights to demand repayment, the bank loans subject to repayment on demand clause are expected to be repayable based on the specific repayment terms. Hence, for these bank loans, the following tables show the contractual undiscounted cash outflows according to the specific repayment terms and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	As at March 31, 2014						
	Contractual undiscounted cash outflow						
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans subject to repayment on demand clauses: scheduled repayments	—	130,721	105,414	55,441	8,355	299,931	283,161
Other bank loans and other loans	—	13,448	3,684	—	—	17,132	16,415
Loans from a company controlled by a Controlling Party	—	2,805	—	—	—	2,805	2,780
	—	146,974	109,098	55,441	8,355	319,868	302,356
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	283,161	(130,721)	(105,414)	(55,441)	(8,355)	(16,770)	—
	283,161	16,253	3,684	—	—	303,098	302,356

	As at March 31, 2015						
	Contractual undiscounted cash outflow						
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans subject to repayment on demand clauses: scheduled repayments	—	165,914	115,556	206,664	7,422	495,556	464,808
Other bank loans and other loans	—	3,684	—	—	—	3,684	3,568
	—	169,598	115,556	206,664	7,422	499,240	468,376
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	464,808	(165,914)	(115,556)	(206,664)	(7,422)	(30,748)	—
	464,808	3,684	—	—	—	468,492	468,376

	As at March 31, 2016						
	Contractual undiscounted cash outflow						
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans subject to repayment on demand clauses: scheduled repayments	—	222,792	117,687	114,145	3,620	458,244	439,335
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	439,335	(222,792)	(117,687)	(114,145)	(3,620)	(18,909)	—
	439,335	—	—	—	—	439,335	439,335

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	As at March 31,					
	2014		2015		2016	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		HK$'000		HK$'000		HK$'000
Fixed rate borrowings:						
Bank and other loans	6.54%–8.4%	13,675	6.54%–8.4%	5,886	5.57%–5.82%	2,410
Obligations under finance leases	2%–9.15%	5,314	2%–9.15%	3,118	2%–9.15%	1,214
Loans from a company controlled by a Controlling Party	2%	2,780	—	—	—	—
		21,769		9,004		3,624
Variable rate borrowings:						
Bank loans and overdrafts	1.69%–3.98%	285,901	1.7%–5.25%	469,743	1.69%–5%	436,925
Total interest-bearing borrowings		307,670		478,747		440,549
Fixed rate borrowings as a percentage of total net borrowings		7%		2%		1%

(ii) Sensitivity analysis

As at March 31, 2014, 2015 and 2016, it is estimated that a general increase/decrease of 10 basis points in interest rates with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$249,000 and HK$431,000 and HK$403,000, respectively.

The sensitivity analysis above indicates the annualized impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and

had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the Financial Information. The analysis is performed on the same basis for the Relevant Periods.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars and Renminbi. The Group manages this risk as follows:

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	As at March 31,								
	2014			2015			2016		
	United States dollars	Euros	Great British Pounds	United States dollars	Euros	Great British Pounds	United States dollars	Euros	Great British Pounds
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other receivables	1,720	970	33	848	1,538	—	2,018	439	2
Trade and other payables	(3,406)	(3,931)	(1,385)	(2,083)	(3,173)	(461)	(1,972)	(3,967)	—
Net exposure arising from recognized assets and liabilities	(1,686)	(2,961)	(1,352)	(1,235)	(1,635)	(461)	46	(3,528)	2

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	As at March 31,					
	2014		2015		2016	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		HK$'000		HK$'000		HK$'000
Euros	8%	(237)	21%	(343)	3%	(106)
	(8)%	237	(21)%	343	(3)%	106
Great British Pounds	10%	(135)	11%	(51)	5%	—
	(10)%	135	(11)%	51	(5)%	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis throughout the Relevant Periods.

(e) Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at March 31, 2014, 2015 and 2016.

26 CAPITAL COMMITMENTS

Capital commitments outstanding at the end of each reporting period not provided for in the Financial Information were as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Authorized and contracted for			
— Purchase of non-current assets	195,075	25,413	19,980

27 OPERATING LEASE COMMITMENTS

The total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings are payable as follows:

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within 1 year	39,190	40,725	46,637
After 1 year but within 5 years	33,910	39,245	52,117
	73,100	79,970	98,754

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

28 MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Periods, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Sum Kwong Yip, Derek	Executive director and one of the Controlling Parties
Mr. Lau Wing Hung	One of the Controlling Parties
Sinostar (Far East) Limited ("**Sinostar**")	Controlled by Mr. Lau Wing Hung

In additions to the transactions and balances disclosed elsewhere in the Financial Information, particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

(a) Transactions with a related party

	Year ended March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Interest expenses to Sinostar	92	25	—

The directors consider that the above related party transactions during the Relevant Periods were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(b) Amount due from a related party

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Amount due from Sinostar	314	342	—

(c) Amounts due to related parties

	As at March 31,		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Amounts due to the Controlling Parties	30,740	53,192	36,202
Dividend payables	13,200	26,400	224,800
Loans from Sinostar	2,780	—	—

(d) Key management personnel emoluments

All members of key management personnel are directors of the Company and their compensation is disclosed in note 6.

Total remuneration is included in "staff costs" (see note 4(b)).

(e) Guarantee issued by related parties

As at March 31, 2014, 2015 and 2016, bank loans and overdrafts guaranteed by the personal guarantees given by the Controlling Parties amounting to HK$263,079,000 and HK$444,214,000 and HK$436,925,000, respectively (see note 19(a)).

The directors have confirmed that the Controlling Parties' personal guarantees will be released and replaced by a corporate guarantee provided by the Company upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

29 ACCOUNTING JUDGMENTS AND ESTIMATES

Key sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(a) Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are depreciated and amortized on a straight-line basis over the estimated useful life of each asset, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset, depreciation method and its residual value, if any. The depreciation and amortization expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairment of property, plant and equipment and intangible assets

In considering the impairment losses that may be required for the Group's property, plant and equipment and intangible assets (including goodwill), the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgment relating to items such as the level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling prices and amount of operating costs.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

(c) Provision of contingency and product warranty

In the normal course of business, the Group is subject to contingencies, including legal proceedings and claims arising out of business that relate to a wide range of matters, including among others, product liability. The Group records accruals for such contingency based upon the assessment of the probability of occurrence and, where determinable, an estimate of the liability. The Group may consider many factors in making these assessments including past history and the specifics of each matter. Any increase or decrease in the provision would affect profit or loss in future years.

Accounting judgements

Going concern

The directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$43,974,000 and HK$256,203,000 and

HK$316,846,000, respectively as at March 31, 2014, 2015 and 2016. The directors consider that it is appropriate to prepare the Financial Information using a going concern basis. Further details are set out in note 1(b).

Should the Group be unable to continue as a going concern, all of the Group's assets and liabilities would have to be stated at net realizable value. In particular, the non-current assets and non-current liabilities would have to be reclassified as current assets and current liabilities respectively.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of the Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended March 31, 2016 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	January 1, 2016
Amendments to HKAS 1, *Disclosure initiative*	January 1, 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortization*	January 1, 2016
Amendments to HKAS 7, *Disclosure initiative*	January 1, 2017
Amendments to HKAS 12, *Recognition of deferred tax assets for unrealized losses*	January 1, 2017
HKFRS 9, *Financial instruments*	January 1, 2018
HKFRS 15, *Revenue from contracts with customers*	January 1, 2018
HKFRS 16, *Leases*	January 1, 2019

The Group does not plan to early adopt any of the above new standards or amendments. The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

HKFRS 9, *Financial instruments*

HKFRS 9 replaces the existing guidance in HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39. The directors anticipate that the application of HKFRS 9 in the future will not have significant impact on the Group's results of operations and financial position.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including HKAS 18, *Revenue,* HKAS 11, *Construction contracts* and HK(IFRIC)-Int 13, *Customer Loyalty Programmes*. It also includes guidance on when to capitalize costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

The directors are in the process of the performing assessment on the impact of HKFRS 15. Under HKFRS 15, an entity normally recognizes revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. The directors do not identify this circumstance based on the current operation of the Group and anticipate no material impact on the financial performance.

HKFRS 16, *Leases*

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognized for all leases, subject to limited exceptions. It replaces HKAS 17, *Leases* and the related interpretations including HK(IFRIC)-Int 4, *Determining whether an arrangement contains a lease*.

Based on the preliminary assessment, the directors are of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognized on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognized under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a significant impact on the Group's results of operations and financial position upon adoption. The new standard is not expected to apply until the financial year ending March 31, 2020.

C SUBSEQUENT EVENTS

In June 2016, a subsidiary of the Group declared dividend of HK$4,860,000, of which HK$520,000 was attributable to non-controlling interests.

D SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to March 31, 2016. Save as disclosed in the Financial Information, no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to March 31, 2016.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to equity shareholders of the Company as at March 31, 2016 as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets of our Group attributable to equity shareholders of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated financial position of the Group had the Global Offering been completed as at March 31, 2016 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at March 31, 2016	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**
	(Note 1)	**(Note 2)**		**(Note 3)**
	HK$'000	**HK$'000**	**HK$'000**	**HK$**
Based on an Offer Price of HK$1.28 per share	480,201	508,400	988,601	0.56
Based on an Offer Price of HK$1.72 per share	480,201	692,800	1,173,001	0.67

Notes:

1. *The consolidated net tangible assets attributable to the equity shareholders of the Company as at March 31, 2016 have been based on the consolidated net assets attributable to equity shareholders of the Company of HK$906,882,000 as at March 31, 2016 after deduction of intangible assets of HK$426,681,000.*

2. *The estimated net proceeds from the Global Offering are based on the estimated offer prices of HK$1.28 per Share (being the minimum Offer Price) or HK$1.72 per Share (being the maximum Offer Price), after deduction of the estimated underwriting fees and other listing expenses (excluding listing expenses of approximately HK$11.4 million that we incurred during the track record period), and 437,500,000 Shares expected to be issued under the Global Offering, assuming the Over-allotment Option is not exercised and excluding any Shares which may be issued upon the exercise of share options granted under the Share Option Scheme.*

3. *The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,750,000,000 Shares are in issue.*

4. *No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2016, in particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for the effect of dividends declared by a subsidiary of the Group subsequent to March 31, 2016, as disclosed in the Financial Information as set out in "Appendix I — Accountants' Report".*

5. *Our property interests at 7 Dai Shun Street, Tai Po Industrial Estate as of June 30, 2016, have been valued by DTZ Cushman & Wakefield Limited, an independent property valuer, and the relevant property valuation report is set out in "Appendix III — Property Valuation Report." The above unaudited pro forma adjusted net tangible assets does not take into account the deficit arising from the revaluation of our property interests at 7 Dai Shun Street, Tai Po Industrial Estate amounting to approximately HK$321.8 million. Revaluation deficit has not been recorded in the Financial Information as set out in "Appendix I — Accountants' Report" as such property which will subsequently be used as our production plant is included as "Leasehold land" and "Construction-in-progress" and is stated at cost less impairment loss, if any, at March 31, 2016. Our Directors considered no impairment is necessary based on the value-in-use calculation and no additional depreciation would be charged against the statement given the current condition of the property.*

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

September 8, 2016

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the directors of Jacobson Pharma Corporation Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jacobson Pharma Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at March 31, 2016 and related notes as set out in Part A of Appendix II to the prospectus dated September 8, 2016 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at March 31, 2016 as if the Global Offering had taken place at March 31, 2016. As part of this process, information about the Group's financial position as at March 31, 2016 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at March 31, 2016 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus and received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property of the Group as at June 30, 2016.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

September 8, 2016

The Directors
Jacobson Pharma Corporation Limited
Unit 2313-2318, 23/F, Tower 1,
Millennium City 1
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with the instructions from Jacobson Pharma Corporation Limited (the "Company") for us to value the property in which Jacobson Pharma Corporation Limited and its subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong, we confirm that we have inspected the property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property as at June 30, 2016.

Basis of Valuation

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined 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 where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Assumptions

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuation of the property excludes any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Method of Valuation

We have used the direct comparison approach assuming sale of the property in its existing state by making reference to comparable sales transactions as available in the relevant market and we have also

referred to the conditions in the lease held from Hong Kong Science and Technology Parks Corporation regarding alienation and calculation of surrender consideration and assessed the amount of consideration payable by Hong Kong Science and Technology Parks Corporation.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and the Company's legal adviser regarding the title to the property.

We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have caused searches to be made at the Land Registry in Hong Kong regarding the property. However, we have not searches the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us.

Site Inspection

Our Thomas Tam and Joanna Cheung, Assistant Managers of our Hong Kong office inspected the exterior and, wherever possible, the interior of the property on March 4, 2016. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Our valuation certificate is hereby enclosed.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan

Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Regional Director, Valuation & Advisory Services, Greater China

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Note: Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 29 years' experience in the valuation of properties in Hong Kong and the PRC.

Property held for owner occupation

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at June 30, 2016
7 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories Sub-section 7 of Section D of Tai Po Town Lot No. 1 and the Extension thereto	The property comprises a 4-story building with mezzanine completed in 1982 which accommodates workshops, offices, laboratories, storage and car parking spaces on the ground floor. The property has a total gross floor area of approximately 97,414 sq.ft. (9,050.02 sq.m.). The property has a registered site area of approximately 37,177 sq.ft. (3,453.80 sq.m.). The property is held by Hong Kong Science and Technology Parks Corporation from the Government for a term of years expiring on June 30, 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently occupied by the Group.	HK$3,418,000 (100% interest attributable to the Group: HK$3,418,000) *(see Note (5))*

Notes:

(1) The property is held by Jean-Marie Pharmacal Company Limited (the "Lessee") under an assignment lease of July 22, 2011 for an original lease dated May 3, 2007 (the "Lease") for a term from May 7, 2003 to June 27, 2047 leased by Hong Kong Science and Technology Parks Corporation (formerly The Hong Kong Industrial Estates Corporation) (the "Corporation"). The lessee is a wholly owned subsidiary company of the Group.

(2) The Lease made between the Corporation and the Lessee prohibits assignment of the property. In the event that the Lessee desires to assign the property at any time during the term of the lease, the Lessee shall first offer to surrender its interest to the Corporation free from encumbrances and with vacant possession at a consideration calculated in accordance with a formula set down in the lease. In the event that the offer is not accepted by the Corporation within a period of six weeks, it shall be deemed to have been rejected and the Lessee may dispose of the property by way of assignment subject to the conditions set out in the Lease.

(3) Whereas, if the Corporation accepts the surrender of the property offered by the Lessee, the consideration payable by the Corporation as provided in the Lease will be the lesser of either (A) or (B) of the following:

(A) The total of the following two amounts reduced by ten percent:

(I) in respect of the said land, a sum equivalent to the fraction of 1/t (one over "t") of eighty percent (80%) of the premium notionally attributable to the said land (as referred to in the Lease) multiplied by the number of complete years in the unexpired portion of the said term at the date of completion of the surrender where the symbol "t" means or represents the number of complete year or years and any fraction thereof, comprised in the period from the commencement date to the 27th day of June 2047, which fraction of a year shall be deemed to be a complete year, and

(II) in respect of the said building (including any fixtures and fittings therein) granted under the said Agreement for Lease the amount of HK$1,939,669 attributable thereto (as referred to in the Lease) but discounted for depreciation at the rate of HK$193,966.90 per annum or part thereof from the date of the said Agreement for Lease to the date of the Corporation's acceptance of the surrender (if accepted) or, in the event of redevelopment after the date of the said Agreement for Lease whereby all the building(s) on the said land has been replaced by new building(s) in accordance with the provisions of the said Agreement for Lease or this Lease, the replacement cost of such new building(s) as at the date of the Corporation's acceptance of the surrender (if

accepted) to be determined in the manner provided by the First Schedule in the Lease and discounted for depreciation which shall be calculated at the rate of five percent (5%) per annum or part thereof on the said replacement cost from the date of the occupation permit or temporary occupation permit (whichever shall be the earlier) for the first new building on the said land pursuant to such redevelopment to the date of the Corporation's acceptance of the surrender (if accepted).

OR

(B) in respect of both the said land and the building then existing thereon (including any fixtures and fittings therein), the market value thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined in the manner provided by the First Schedule of the Lease but reduced by ten percent.

(4) The property falls within the zone of "Other Specified Uses (Industrial Estate)" under Tai Po Outline Zoning Plan No. S/TP/26 dated September 8, 2015.

(5) In arriving at our valuation of the market value, we have assumed that the property is surrendered to and accepted by the Corporation at the date of valuation at a consideration calculated in accordance with the provisions on surrender consideration as referred to in (3) above.

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 16, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its amended and restated memorandum of association (the "**Memorandum**") and its amended and restated articles of association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on August 30, 2016. 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) 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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 will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed 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 transferee. 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 in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) 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 requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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, notwithstanding, remain liable to pay to the Company all monies 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed 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.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) 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) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) 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), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange 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 are 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 is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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.

(iv) Borrowing powers

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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only 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 held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration 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 and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any 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 ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(i) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(ii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for 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 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 contract or arrangement 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 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; or

(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 associates 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 accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

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, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution 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 corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons 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 authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, 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 shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an 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 and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) 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, but the absence of a quorum shall not preclude the appointment of a chairman.

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.

(vi) 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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts 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 property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

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 but 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 according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) 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 is 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, 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 is 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company 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's operations must be conducted mainly outside the Cayman Islands. 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 authorized share capital.

(b) Share capital

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 of the 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 arrangement in consideration of the acquisition or cancelation 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 (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 authorized 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 shareholder and the Companies Law expressly provides that 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association 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

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. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, 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 interests 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

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of 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.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from March 15, 2016.

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 for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) 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. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

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 sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(s) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the 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 OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on February 16, 2016. We have established a principal place of business in Hong Kong at Unit 2313-18, 23/F, Tower 1, Millennium City 1, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 30, 2016 under the same address. The address for service of process on our Company in Hong Kong is the same as the principal place of business in Hong Kong set out above.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Law and to our constitution comprising our Memorandum and the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

2. Changes in our share capital

Our Company was incorporated in the Cayman Islands on February 16, 2016 to be the ultimate holding company of our Group and the issuer in the Global Offering. Our authorized share capital is HK$50,000,000 divided into 5,000,000,000 Shares of HK$0.01 each. Upon incorporation, one Share was issued and allotted to the initial subscriber which was transferred to Kingshill on February 16, 2016. On the same day, our Company issued and allotted (i) 50,999 Shares, representing approximately 51% of the issued share capital of our Company, to Kingshill; (ii) 37,000 Shares, representing 37% of the issued share capital of our Company, to Queenshill; and (iii) 12,000 Shares, representing 12% of the issued share capital of our Company, to Longjin.

On March 18, 2016, Kingshill, Queenshill and Longjin transferred 51%, 37% and 12% of their respective shareholdings in JPG (BVI) to our Company and in exchange, our Company further issued and allotted 667,410,000 Shares, 484,198,000 Shares and 157,038,000 Shares to Kingshill, Queenshill and Longjin, respectively, on March 18, 2016.

On March 18, 2016, we acquired 464 shares in PCHT, representing 7.6% of the issued share capital of PCHT, from Mrs. Karen Lee (directly and through her investment holding company), an Independent Third Party save as being a Shareholder of our Company and a non-controlling shareholder and/or director of certain subsidiary of PCHT after our Reorganization. In consideration, our Company allotted 3,754,000 Shares to Mrs. Karen Lee.

Immediately following completion of the Global Offering (assuming that the Over-allotment Option has not been exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), our issued share capital will be HK$17,500,000 divided into 1,750,000,000 Shares, all fully paid or credited as fully paid and 3,250,000,000 shares will remain unissued.

Save as disclosed above and as mentioned in the paragraphs headed “Corporate reorganization” and “Resolutions in writing of our Shareholders passed on August 30, 2016” below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganization, please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus.

4. Changes in the share capital of our subsidiaries

Our principal subsidiaries are set out in the Accountants' Report set out in Appendix I to this prospectus. The following alterations in the share capital or registered capital (as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Citi-Ascent Limited ("Citi-Ascent")

Citi-Ascent was incorporated in Hong Kong on September 1, 2015. On its incorporation, one ordinary share was issued and allotted to the initial subscriber and on October 2, 2015, the initial subscriber transferred the one share in Citi-Ascent to Koman Services Limited.

Pharmason Company Limited ("Pharmason")

Pharmason was incorporated in Hong Kong on March 11, 2015. On its incorporation, Pharmason issued and allotted 10,000 shares to Majestic Path Limited.

Jacobson Group Treasury Limited ("Jacobson Group Treasury")

Jacobson Group Treasury was incorporated in Hong Kong on March 20, 2014. On its incorporation, Jacobson Group Treasury issued and allotted 10,000 shares to JPG (BVI).

Po Chai Herbal Technology Limited ("PCHT")

On March 18, 2016, PCHT Herbal Sciences Limited, a wholly owned subsidiary of our Company acquired the 464 shares in PCHT, representing 7.6% of the issued share capital of PCHT, from Mrs. Karen Lee (directly and through her investment holding company), an Independent Third Party save as being a Shareholder of our Company and a non-controlling shareholder and/or director of certain subsidiary of PCHT after our Reorganization. In consideration, our Company allotted 3,754,000 Shares to Mrs. Karen Lee.

Carewell Pharma Limited ("Carewell")

Carewell was incorporated in Hong Kong on August 28, 2014. On its incorporation, Carewell issued and allotted 10,000 shares to Golden Jade Finance Limited.

Emperor Kangxi (HK) Pharmaceutical Limited ("Emperor Kangxi")

Emperor Kangxi was incorporated in Hong Kong on November 25, 2013. On its incorporation, Emperor Kangxi issued and allotted 10,000 shares to Fountain Good Inc.. On December 31, 2015, Fountain Good Inc. transferred the 10,000 shares it held to Janson Holdings Limited.

Li Chung Shing Tong (Trading) Limited ("LCST (Trading)")

LCST (Trading) was incorporated in Hong Kong on August 21, 2013. On its incorporation, LCST (Trading) issued and allotted 10,000 shares to Li Chung Shing Tong (Holdings) Limited.

Jacobson Research Laboratory Limited ("Jacobson Research")

Jacobson Research was incorporated in Hong Kong on January 29, 2016. On its incorporation, Jacobson Research issued and allotted 10,000 shares to Magic Fountain Inc.

5. Resolutions in writing of our Shareholders passed on August 30, 2016

On August 30, 2016, among other resolutions, the following resolutions in writing were passed by our Shareholders:

(i) our Company approved and adopted its new Articles of Association with effect from the Listing Date;

(ii) conditional upon the conditions for completion of the Global Offering being fulfilled:

a. the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;

b. the rules of the Share Option Scheme were approved and adopted and our Directors were authorized to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the options which may be granted under the Share Option Scheme;

c. the rules of the Share Incentive Scheme were approved and adopted and the Award Committee (as defined in the Share Incentive Scheme), which is to be established, was authorized to implement the same and to offer Grantees (as defined in the Share Incentive Scheme) to participate in the Share Incentive Scheme and to offer Grantees the Share Incentive Scheme Shares as determined by the Award Committee at its sole discretion pursuant to the Share Incentive Scheme;

(iii) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

a. 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering (excluding Shares which may be sold pursuant to the Over-allotment Option and options to be granted under the Share Option Scheme); and

b. the aggregate nominal amount of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in sub-paragraph (iv) below.

Such mandate will expire:

— at the conclusion of the next annual general meeting of our Company;

— at the end of the period within which the next annual general meeting of our Company is required to be held by the Memorandum and Articles of Association, the Cayman Companies Law or other applicable laws of the Cayman Islands; and

— when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company;

whichever occurs first;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering (excluding Shares which may be sold pursuant to the Over-allotment Option and options to be granted under the Share Option Scheme).

(v) This mandate only relates to repurchase made on the Hong Kong Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

— at the conclusion of the next annual general meeting of our Company;

— at the end of the period within which the next annual general meeting of our Company is required to be held by the Memorandum and Articles of Association, the Cayman Companies Law or other applicable laws of the Cayman Islands; and

— when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company;

whichever occurs first.

(vi) the Service Contracts between the Company and the Executive Directors and the appointment letters between the Company and the Non-executive directors and the Independent non-executive directors were approved and adopted.

6. Repurchases of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on August 30, 2016, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing any repurchase by us of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(iii) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be canceled and destroyed.

(v) Suspension of repurchase

Pursuant to the Listing Rules, we may not make any repurchases of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive

information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our 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 us to publish an announcement of our 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 in each case ending on the date of the results announcement, we may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of us and Shareholders for our Directors to have general authority from the Shareholders to enable our 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 asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. Our Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 1,750,000,000 Shares in issue immediately following the completion of the Global Offering, could accordingly result in 175,000,000 Shares being repurchased by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(d) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) the deed of indemnity dated August 30, 2016, granted by Kingshill Development Limited, Longjin Investments Limited, Sum Kwong Yip, Derek, Lau Wing Hung and Kingshill Development Group Inc. to give certain joint and several indemnities in favor of our Company;

(b) the share swap agreement dated March 18, 2016, entered into Kingshill Development Limited, Queenshill Development Limited, Longjin Investments Limited and our Company, details of which are included in the section headed "History, Reorganization and Corporate Structure — Reorganization — Share Swap of JPG (BVI)" of this prospectus;

(c) the shares transfer agreement in respect of the shares of Po Chai Herbal Technology Limited dated March 16, 2016, entered into between Bio System Technology Limited, Karen Lee, PCHT Herbal Sciences Limited and our Company, details of which are included in the section headed "History, Reorganization and Corporate Structure — Reorganization — Acquisition of the Remaining 7.6% of Shareholdings in Po Chai Herbal Technology Limited ("**PCHT**")" of this prospectus;

(d) the Deed of Non-competition;

(e) a cornerstone investment agreement dated September 2, 2016 entered into among our Company, New Heritage Healthcare Limited and BOCI Asia Limited, details of which are included in the section headed "Cornerstone Investors" of this prospectus;

(f) a cornerstone investment agreement dated September 2, 2016 entered into among our Company, Hong Kong Wing Wah Medicine Group Limited and BOCI Asia Limited, details of which are included in the section headed "Cornerstone Investors" of this prospectus; and

(g) the Hong Kong Underwriting Agreement

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1		1146702	Jetstar	5	The PRC	January 28, 1998	January 27, 2018
2		1136717	Jetstar	5	The PRC	December 21, 1997	December 20, 2017
3		N/10831	Jetstar	5	Macau	April 9, 2003	April 9, 2017
4		1995B10099	Jetstar	5	Hong Kong	December 29, 1993	December 29, 2024
5	李眾勝堂	1122315	Quinwood Limited	5	The PRC	October 28, 1997	October 27, 2017
6	PO CHAI	352767	Quinwood Limited	5	The PRC	June 30, 1989	June 29, 2019
7		1118211	Quinwood Limited	5	The PRC	October 14, 1997	October 13, 2017
8		4368304	Quinwood Limited	5	The PRC	February 14, 2008	February 13, 2018
9		4368301	Quinwood Limited	5	The PRC	September 21, 2009	September 20, 2019
10 ...		4368282	Quinwood Limited	5	The PRC	September 7, 2009	September 6, 2019
11 ...		6574659	Quinwood Limited	5	The PRC	April 7, 2010	April 6, 2020

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
12 ...		6565644	Quinwood Limited	5	The PRC	January 7, 2012	January 6, 2022
13	PU JI WAN	4309872	Quinwood Limited	5	The PRC	November 21, 2007	November 20, 2017
14	LI CHUNG SHING TONG	4309870	Quinwood Limited	5	The PRC	November 21, 2007	November 20, 2017
15	李众胜堂普济丸	3973356	Quinwood Limited	5	The PRC	February 21, 2007	February 20, 2017
16	保濟丸	19390370	Quinwood Limited	5	Hong Kong	September 15, 1939	September 15, 2019
17	李眾勝堂	300063945	Quinwood Limited	5, 30	Hong Kong	August 15, 2003	August 14, 2023
18	LI CHUNG SHING TONG	300063954	Quinwood Limited	5, 30	Hong Kong	August 15, 2003	August 14, 2023
19	**Po Chai Pills** Po Chai Pills PO CHAI PILLS po chai pills	300128862	Quinwood Limited	5, 30	Hong Kong	December 17, 2003	December 16, 2023
20	A 李衆勝堂普濟丸 B 李众胜堂普济丸	300165456	Quinwood Limited	5, 30	Hong Kong	February 25, 2004	February 24, 2024
21	PU JI WAN	300298422	Quinwood Limited	5, 30	Hong Kong	October 8, 2004	October 7, 2024
22	A  B 	301700658	Quinwood Limited	5, 30	Hong Kong	August 27, 2010	August 26, 2020
23		P/2488	Quinwood Limited	5	Macau	September 10, 1991	September 10, 2022
24	PO CHAI PILLS	N/63011	Quinwood Limited	5	Macau	November 12, 2012	November 12, 2019
25	LI CHUNG SHING TONG	N/63012	Quinwood Limited	5	Macau	November 12, 2012	November 12, 2019
26	李眾勝堂	N/63014	Quinwood Limited	5	Macau	November 12, 2012	November 12, 2019
27	APT-R	300690831	APT Pharma	5	Hong Kong	July 31, 2006	July 30, 2026

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
28	(A) APT-R PHARMA (B) APT-R PHARMA	301038825	APT Pharma	5	Hong Kong	January 24, 2008	January 23, 2018
29	雅柏	4635910	APT Pharma	5	The PRC	September 28, 2008	September 27, 2018
30	雅柏	1174343	APT Pharma	5	The PRC	May 14, 1998	May 13, 2018
31	歐化	2004B01573	Europharm	5	Hong Kong	May 30, 2002	May 30, 2019
32	ATROFIN·A	200312343	Europharm	5	Hong Kong	November 6, 2002	November 6, 2019
33	EuRoPharm	200316565	Europharm	5	Hong Kong	November 29, 2002	November 29, 2019
34	DEQACOMP	300093645	Europharm	5	Hong Kong	October 14, 2003	October 13, 2023
35	A 歐飛鷹化 B 欧飞鹰化	300093654	Europharm	5	Hong Kong	October 14, 2003	October 13, 2023
36	A FLYING EAGLE B FLYING EAGLE	300093672	Europharm	5	Hong Kong	October 14, 2003	October 13, 2023
37	歐百痛敵化	300121878	Europharm	5	Hong Kong	December 3, 2003	December 2, 2023
38	ALTADERM	300310814	Europharm	5	Hong Kong	October 30, 2004	October 29, 2024
39	TRANKAL	300315855	Europharm	5	Hong Kong	November 9, 2004	November 8, 2024
40	強固力	300383085	Europharm	5	Hong Kong	March 10, 2005	March 9, 2025
41	MONTRA-S	300520299	Europharm	5	Hong Kong	October 29, 2005	October 28, 2025
42	TRANKAL	302398852	Europharm	5, 30	Hong Kong	October 8, 2012	October 7, 2022

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
43		302398014	Europharm	5	Hong Kong	October 5, 2012	October 4, 2022
44	TUROSKA-E	302999882	Europharm	5	Hong Kong	May 19, 2014	May 18, 2024
45	泰濕治	303051945	Europharm	5	Hong Kong	June 30, 2014	June 29, 2024
46	TUROSKA-E	N/86348	Europharm	5	Macau	December 10, 2014	December 10, 2021
47	泰濕治	N/88098	Europharm	5	Macau	December 29, 2014	December 29, 2021
48	DEQACOMP	904751	Europharm	5	The PRC	November 28, 1996	November 27, 2016
49	欧博士	3666145	Europharm	5	The PRC	December 14, 2005	December 13, 2025
50		199916432	Frankin	5	Hong Kong	June 11, 1998	June 11, 2025
51		199910594AA	Jean-Marie	5, 35	Hong Kong	June 29, 1998	June 29, 2025
52		2002B00992	Jean-Marie	5	Hong Kong	September 20, 2000	September 20, 2017
53	PETINA	300953019	Jean-Marie	5	Hong Kong	September 12, 2007	September 11, 2017
54		301038924	Jean-Marie	5	Hong Kong	January 24, 2008	January 23, 2018
55	正 美	301038933	Jean-Marie	5	Hong Kong	January 24, 2008	January 23, 2018
56	A Clozole B Clozole C CLOZOLE	302736793	Jean-Marie	5	Hong Kong	September 13, 2013	September 12, 2023

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
57	[A] 正美汀 [B] 正美汀	302744398	Jean-Marie	5	Hong Kong	September 24, 2013	September 23, 2023
58	屈 剛	302822346	Jean-Marie	5	Hong Kong	December 2, 2013	December 1, 2023
59	WARTGONE 屈剛	302851092	Jean-Marie	5	Hong Kong	December 27, 2013	December 26, 2023
60		4082334	Jean-Marie	5	The PRC	October 21, 2007	October 20, 2017
61		4082448	Jean-Marie	5	The PRC	October 21, 2007	October 20, 2017
62		4082330	Jean-Marie	5	The PRC	December 21, 2007	December 20, 2017
63		4082335	Jean-Marie	3	The PRC	February 7, 2008	February 6, 2018
64		7099802	Jean-Marie	5	The PRC	August 7, 2010	August 6, 2020
65	COCI-FEDRA	19880308	Marching	5	Hong Kong	December 11, 1986	December 11, 2017
66	CALIBO	19881096	Marching	5	Hong Kong	December 9, 1986	December 9, 2017
67	MARSEDYL	19893913	Marching	5	Hong Kong	March 19, 1988	March 19, 2019
68		1999B12515	Marching	5	Hong Kong	May 20, 1998	May 20, 2025
69		199912516	Marching	5	Hong Kong	May 20, 1998	May 20, 2025
70	MARCHING	199912517	Marching Trading	5	Hong Kong	May 20, 1998	May 20, 2025
71	MPT	1999B15500	Marching Trading	5	Hong Kong	December 29, 1998	December 29, 2025

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
72		300071333	Marching	5	Hong Kong	September 1, 2003	August 31, 2023
73	GENTRISONE	301892269	Neochem Pharmaceutical Laboratories Limited	5	Hong Kong	April 18, 2011	April 17, 2021
74	奇特生	1760546	Neochem Pharmaceutical Laboratories Limited	5	The PRC	May 7, 2002	May 6, 2022
75	GENTRISONE	9360439	Neochem Pharmaceutical Laboratories Limited	5	The PRC	May 7, 2012	May 6, 2022
76	SYNCO GMP Pharmaceutical Manufacturer	200406233	Synco	5	Hong Kong	August 26, 1999	August 26, 2026
77	新科	301038915	Synco	5	Hong Kong	January 24, 2008	January 23, 2018
78	VICKMANS	300119709	Vickmans	5	Hong Kong	November 29, 2003	November 28, 2023
79		300483318	Vickmans	5	Hong Kong	August 24, 2005	August 23, 2025
80		301038834	Vickmans	5	Hong Kong	January 24, 2008	January 23, 2018
81 ...		303456450	Jacobson Group Management Limited	5, 30, 35, 38, 39, 42, 44	Hong Kong	June 29, 2015	June 28, 2025

As of the Latest Practicable Date, we have applied for the registration of the following trademarks:

No.	Trademark	Applicant	Application Number	Class	Place of Registration	Application Date
1 ..	A) Jacobson Pharma Corporation B) Jacobson Pharma Corporation	Jacobson Group Management Limited	303701510	5, 38, 44	Hong Kong	March 2, 2016
2 ..	A) Jacobson B) Jacobson	Jacobson Group Management Limited	303701538	5, 38, 44	Hong Kong	March 2, 2016

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which is material to our Group's business:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1	jacobsonpharma.net	Jacobson Group Management Limited	January 16, 2014	January 16, 2019
2	jacobsonpharma.com.hk	Jacobson Medical (Hong Kong) Limited	April 3, 2012	April 5, 2017
3	jacobsonpharma.hk	Jacobson Medical (Hong Kong) Limited	April 3, 2012	April 3, 2017
4	jacobsonpharma.cn	Jacobson Medical (Hong Kong) Limited	April 11, 2012	April 11, 2017
5	jacobsonmedical.com.hk	Jacobson Medical (Hong Kong) Limited	November 10, 1999	April 24, 2021
6	jacobsonpharma.com	Jacobson Medical (Hong Kong) Limited	March 6, 2009	March 6, 2021
7	pochaipills.com	LCST (Holdings)	January 6, 1998	January 5, 2026

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(a) Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Global Offering (without taking into account the Shares that may be issued pursuant to the Over-allotment Option or any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under

the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), once the Shares are listed will be as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of Shareholding in our Company immediately following the Global Offering [1]
Mr. Sum[2][3]	Interested in controlled corporation Settlor of trusts Beneficiary of trusts	1,308,746,000	74.78%

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Sum is the sole shareholder of The Jacobson Pharma (PTC) Limited, being the trustee of the trust established for the purpose of holding the Shares under the Share Incentive Scheme. Queenshill is the settlor of such trust. By virtue of the SFO, Mr. Sum and Queenshill are deemed to be interested in the 39,262,000 Shares held by The Jacobson Pharma (PTC) Limited. Mr. Sum is also the sole shareholder of Queenshill.

(3) UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, holds the entire issued share capital of Trust Co through its nominee, UBS Nominees Limited. Trust Co holds the entire issued share capital of Kingshill. Kingshill in turn holds 850,684,000 Shares in our Company. The Kingshill Trust is a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries (directly and through The Queenshill Trust). By virtue of the SFO, Mr. Sum, as the settlor and a discretionary beneficiary of The Kingshill Trust and The Queenshill Trust, is deemed to be interested in the 850,684,000 Shares held by Kingshill.

(b) Interests and short positions of the Substantial Shareholders in the Shares and underlying shares of our Company

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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 our Company.

(c) Interests of the substantial shareholder of any member of our Group (other than our Company)

So far as our Directors are aware, immediately following the completion of the Global Offering, no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any members of our Group (other than us).

2. Particulars of Service Contracts

(a) Executive Directors

Each of Mr. Sum and Mr. Yim Chun Leung has entered into a service contract with us dated August 30, 2016, under which he agreed to act as an executive Director which shall continue for a period of three years from August 30, 2016, which may be terminated by a prior notice in writing of at least three months served by either the executive Director or us and in accordance with the terms therein. Mr. Lo Chun Bun has entered into a service contract with us dated August 30, 2016, under which he agreed to act as an executive Director which shall continue for a period of one year from August 30, 2016, which may be terminated by a prior notice in writing of at least one month served by either the executive Director or us and in accordance with the terms therein.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Non-executive Director and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with us dated August 30, 2016 for a term of three years from August 30, 2016 which may be terminated by a prior notice in writing of at least one month served by the non-executive Director/independent non-executive Director or us and in accordance with the terms therein. Under their respective appointment letters, each of the independent non-executive Directors and the non-executive director is entitled to a fixed Director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and the applicable Listing Rules.

(c) Others

(a) Save as disclosed above, none of our Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) During the years ended March 31, 2014, 2015 and 2016, the aggregate of the remuneration and benefits in kind payable to our Directors was approximately HK$68.3 million, HK$27.6 million and HK$12.6 million respectively. Details of our Directors' remuneration are also set out in Note 6 to Section B of the Accountants' Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the years ended March 31, 2014 and 2015 and 2016 by us to our Directors.

(c) Under the arrangements currently in force, the estimated aggregate remuneration and benefits in kind payable of our Directors for the year ending March 31, 2017, excluding discretionary bonus, is estimated to be approximately HK$17 million.

(d) None of our Directors or any past Directors of any members of our Group has been paid any sum of money for the years ended March 31, 2014, 2015 and 2016 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(e) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the years ended March 31, 2014, 2015 and 2016.

(f) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the section headed "— D. Other Information — 10. Consent of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or

will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;

(b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 our Group;

(c) none of our Directors nor any of the parties listed in the section headed "— D. Other Information — 9. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed "— D. Other Information — 9. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "— D. Other Information — 9. Qualification of experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. OTHER INFORMATION

1. Share Option Scheme

Summary of Terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by a written resolution passed by our Shareholders on August 30, 2016. The terms of the Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants (as defined in paragraph (b) below) to work with commitment towards enhancing the value of our Company and its Shares for the benefit of its shareholders, and to maintain or attract business relationship with the Qualified Participants whose contributions are or may be beneficial to the growth of our Group.

The Board is of the view that the Share Option Scheme may provide the Qualified Participants with the opportunity of participating in the growth of our Group by acquiring Shares in our Company which may in turn assist in the attraction and retention of the Qualified Participants. To ensure the achievement of the purpose of the Share Option Scheme, its rules do not specify any minimum holding period and/or performance targets as a condition for the exercise of an option but subject to the determination of the Board. The Board is given the authority under the Share Option Scheme rules to determine and state in the offer letter of grant any minimum holding period and/or performance targets as conditions for exercise of an option. In addition, the Board has the authority under the Share Option Scheme rules to determine the

basis of eligibility of any Qualified Participant and the grant of an option on a case by case basis as the Board in its sole discretion considers appropriate. Hence, the Board believes that the rules of the Share Option Scheme will serve to achieve its purpose as well as protect the value of our Company.

(b) Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to:

(i) any executive director, or employee (whether full time or part time) of our Company, any subsidiary or any entity in which our Company or any subsidiary holds any equity interest;

(ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any entity in which our Company or any subsidiary holds any equity interest (together with (i) above, "**Eligible Participant**");

(iii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of our Company, any subsidiary or any entity in which our Company or any subsidiary holds any equity interest who is an individual; or

(iv) any full-time employee of any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent, customer or service provider of our Company or any subsidiary or any entity in which our Company or any subsidiary holds any equity interest,

who the Board considers, in its sole discretion, has contributed or will contribute to our Company or any subsidiary or any entity in which our Company or any subsidiary holds any equity interest (collectively, the "**Qualified Participant**").

(c) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate**"), excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company, provided that:

(i) our Company may seek approval by the Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company under the Scheme Mandate as refreshed must not exceed 10% of the total number of Shares in issue as at the date of such shareholder approval. For these purposes, options previously granted under the Share Option Scheme and any other share option schemes of our Company, whether outstanding, canceled, lapsed in accordance with its applicable rules or already exercised, will not be counted. Our Company shall send to the Shareholders a circular containing the information required under Chapter 17 of the Listing Rules;

(ii) our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought. A circular will be sent by our Company to the Shareholders in accordance with the Listing Rules; and

(iii) the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed such number of Shares as shall represent 30 per cent of the Shares in issue from time to time. No options may be granted if such grant will result in this 30 per cent limit being exceeded.

The maximum number of Shares in respect of which options may be granted shall be adjusted in such manner as the auditors of our Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of our Company but shall not in any event exceed the limits imposed by the Listing Rules.

(d) Maximum entitlement of each Qualified Participant

Unless approved by shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

(e) Grant of options to connected persons

Any grant of options to a Director, chief executive officer or substantial Shareholder of our Company or any of their respective associates under the Share Option Scheme must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a grantee of the options).

Any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, canceled or outstanding) in the 12 month period up to and including the proposed date of grant:

(i) would represent in aggregate more than 0.1 per cent of the Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

At the general meeting to approve such proposed grant of options, the grantee, his associates and all core connected persons of our Company must abstain from voting unless they intend to vote against the proposed grant and that intention has been stated in the circular to be dispatched to Shareholders in accordance with the Listing Rules. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules. Our Company shall send to the Shareholders a circular containing the details and information required under Chapter 17 of the Listing Rules.

(f) Acceptance of an offer of options

An offer of the grant of an option shall be made to a Qualified Participant by letter in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. The offer shall remain open for such period (not exceeding 30 days, inclusive of, and from, the date of offer) as the Board may determine and notify to the Qualified Participant.

An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favor of our Company of HK$1 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Qualified Participant.

(g) Subscription price

The subscription price shall be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the date of offer;

(ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

(h) Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective from the date on which the last of the conditions (as set out in paragraph (x) below) is fulfilled (the "**Adoption Date**") until the end of the period of ten years commencing on the Adoption Date (the "**Scheme Period**"), after which time no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of the Scheme Period shall continue to be valid and exercisable after the end of the Scheme Period in accordance with the terms of the Share Option Scheme.

(i) Performance target and minimum holding period

There is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by a grantee before the option can be exercised unless the Board otherwise determined and stated in the offer letter of the grant of options.

(j) Restriction on the time of grant of options

Our Company may not grant any option after inside information has come to its knowledge until it 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 Hong Kong Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year or 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. Without prejudice to the foregoing, no option shall be granted during the period specified in the Listing Rules as being a period during which no option may be granted.

No grant of options shall be made to a Qualified Participant who is a Director during a period in which our 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 our Company's own equivalent code.

(k) Ranking of the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of allotment. Accordingly

the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

(l) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable (except for the transmission of an option on the death of any grantee to a person who of succession is entitled to the option). No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so (except that the grantee may nominate a nominee, of which the grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the grantee and the nominee has been provided to the satisfaction of the Board).

(m) Rights on ceasing employment/death

If the grantee who is an Eligible Participant ceases to be so engaged by reason other than his death or the termination of his employment on one or more of the grounds under subparagraph (s)(v) below or retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement, the grantee shall be entitled to exercise the option up to his entitlement at the date of cessation (to the extent exercisable but not already exercised) within a period of l month from the date of such cessation, which date shall be the last day on which the grantee was at work with our Company, the relevant subsidiary or any entity in which our Company or any subsidiary holds any equity interest (whether salary is paid in lieu of notice or not) (or within such longer period as the Board may determine).

In the event of death of the grantee (being an individual) before exercising the option in full, and none of the events which would be a ground for termination of his employment under subparagraph (s)(v) below has arisen in case such grantee is an Eligible Participant, 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.

(n) Rights on retirement

If the grantee being an Eligible Participant ceases to be so engaged by reason of retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his employment as specified in subparagraph (s)(v) below has arisen, the grantee shall be entitled within a period of 12 months from the date of retirement (or such longer period as the Board may determine) to exercise the option up to the grantee's entitlement (to the extent exercisable but not already exercised).

(o) Rights on termination of business relationship with our Group

In the event that the grantee being a non-Eligible Participant in the absolute opinion of the Board ceases to be qualified as a Qualified Participant by reason of termination of its business relation with the relevant member of our Group or otherwise, such grantee shall be entitled within a period of 1 month from the date of termination (or such other period as the Board may determine) to exercise the option up to its entitlement (to the extent exercisable but not already exercised).

(p) Rights on take-over

If a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the Shareholders (or all Shareholders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the option period of an outstanding option, the grantee (or his legal personal representatives) shall be entitled to exercise the

option (to the extent not already exercised but whether vested or not) at any time before the expiry of the period of 10 business days following the date on which the offer becomes or is declared unconditional.

(q) Rights on winding-up

If a resolution is proposed for the voluntary winding-up of our Company, a grantee may in respect of outstanding options by notice in writing to our Company within 15 business days before the date of such resolution, elect to be treated as if the option (to the extent not already exercised but whether vested or not) had been exercised immediately before the passing of the resolution. The notice must state the number of Shares in respect of which the election is made and be accompanied by a remittance for the full amount of the subscription price for the relevant Shares.

(r) Rights on company reconstructions

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all grantees on the same day as it gives notice of the meeting to its Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on the earlier of:

(i) the date 2 calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court;

exercise the option (to the extent not already exercised but whether vested or not) (whether in full or in part), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms present to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(s) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period which must expire not more than 10 years from the date of grant;

(ii) the expiry of the periods referred to in paragraphs (m), (n), (o), (p), (q) or (r) above;

(iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in paragraph (q) above;

(iv) the date the scheme or compromise referred to in paragraph (r) above becomes effective;

(v) the date on which the grantee being an Eligible Participant ceases to be a Qualified Participant by reason of the termination of his employment on the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally, or has been convicted of a criminal

offense involving his integrity or honesty, or on any other ground on which an employer would be entitled to terminate his employment forthwith pursuant to applicable laws or under the grantee's employment contract;

(vi) the date on which the grantee commits a breach of paragraph (l) above;

(vii) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the grantee has failed to satisfy or comply with such conditions, restrictions or limitation;

(viii) in respect of the grantee being a consultant or adviser (whether individual or corporation), the date on which the Board resolves that the consultant or adviser fails to comply with any provisions of the relevant contracts, or breaches its fiduciary duty under the common law; and

(ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

(t) Alteration of capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), the Board shall make (and shall notify to the grantee) such corresponding alterations (if any) in (i) the number of Shares subject to any option so far as such option remains unexercised; (ii) the subscription price; (iii) the method of exercise of the option; and/or (iv) the number of Shares subject to the Share Option Scheme, as the auditors of our Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that are required to give each grantee the same proportion of the share capital as that to which the grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a grantee at less than its nominal value.

(u) Cancelation of options

Unless the grantee agrees, the Board may only cancel an option (which has been granted but no yet exercised) if, at the election of the Board, either:

(i) our Company pays to the grantee an amount equal to the fair market value of the option at the date of cancelation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board;

(ii) the Board offers to grant to the grantee replacement options (or options under any other share option scheme) provided that such replacement options are granted under a scheme with available unissued options (excluding the canceled options) within the limit mentioned in paragraph (c) above, or makes such arrangements as the grantee may agree to compensate him for the loss of the option; or

(iii) the Board makes such arrangements as the grantee may agree to compensate him for the cancelation of the option.

(v) Termination of the Share Option Scheme

Our Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the Shareholders in general meeting 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. In particular, all options granted and accepted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(w) Alteration of the Share Option Scheme

The Board may by resolution amend any of the provisions of the Share Option Scheme except the following, which shall be approved by the Shareholders in general meeting:

(i) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee;

(iii) any change to the authority of the Board or the scheme administrator;

(iv) any amendments to the terms of options granted to a grantee who is a substantial Shareholder of our Company or an independent non-executive Director, or any of their respective associates. The resolution to approve the amendment must be taken on a poll and the grantee, his associates and all core connected persons of our Company must abstain from voting on the resolution to approve such amendment, except that such persons may vote against such resolution; and

(v) any change to the Scheme rules governing the amendment of the rules of the Share Option Scheme;

provided that any amendments of the Scheme provisions or terms of the options shall comply with the requirements of the Listing Rules.

(x) Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional upon:

(i) the approval of the Shareholders for the adoption of the Share Option Scheme; and

(ii) the approval by the Hong Kong Stock Exchange of the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme.

If the permission referred to in subparagraph (ii) above is not granted within six months after the date of the Share Option Scheme was conditionally adopted:

(iii) the Share Option Scheme will forthwith determine;

(iv) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(v) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option; and

(vi) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

2. Share Incentive Scheme

Summary of Terms

The following is a summary of the principal terms of the Share Incentive Scheme conditionally approved and adopted by a written resolution passed by our Shareholders on August 30, 2016. The Share Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Share Incentive Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purpose of the Share Incentive Scheme

The purpose of the Share Incentive Scheme is to recognize the contributions by certain Eligible Persons (as defined in paragraph (b) below) and to give incentives in order to motivate and retain them for the continuing operation, development and long-term growth of our Group and to attract suitable personnel for further development of our Group.

(b) Who may join

An award committee, comprising of executive Directors only (the "**Award Committee**") may, from time to time, at its absolute discretion offer:

(i) any employee (whether full time or part time) (an "**Employee**"), Director, executive or officer of our Company or any subsidiaries or any entity in which our Company or any subsidiary holds any equity interest (the "**Eligible Person**"); or

(ii) an Eligible Person's wholly owned company or trust (the beneficiaries of which include such Eligible Person and/or his immediate family members) selected by the Award Committee or a person or persons who, in accordance with the laws of succession applicable in respect of the death of such Eligible Person, is or are entitled to be vested with the SIS Shares to the extent that the terms and conditions of the Offer Letter can be satisfied by such person or persons in accordance with the applicable laws of succession (together with (i), the "**Grantee**"),

for participation in the Scheme and offer the Grantee such Share Incentive Scheme Shares (the "**SIS Shares**") as determined by the Award Committee at its sole discretion pursuant to the Share Incentive Scheme.

(c) Acceptance of SIS Shares

The Award Committee shall issue to each Grantee an offer letter (the "**Offer Letter**") in such form as the Award Committee may from time to time determine setting out, among other things, the Grantee's name and address, the offer date (the "**Offer Date**"), the acceptance date, the purchase payment date (the "**Purchase Payment Date**"), the vesting date (the "**Vesting Date**"), the number of SIS Shares, the purchase price (the "**Purchase Price**"), the payment method and other terms and conditions (if any) applicable to the offer (the "**Offer**"). A Grantee shall fully execute the offer letter (and any schedule thereto) to confirm his acceptance of the Offer on or before the acceptance date and fully pay the purchase price in accordance with the payment method on or before the purchase payment date. An Offer may only be accepted in full and not in part. Any Offer not accepted on or before the acceptance date or not fully paid for on or before the purchase payment date shall be deemed to have been irrevocably declined by the Grantee. After the Award Committee determines in its absolute discretion and issues a letter to the Grantee that the terms and conditions set out in the Offer Letter are fully satisfied, the SIS Shares shall be deemed to be accepted shares (the "**Accepted Shares**") and the Award Committee shall give directions to The Jacobson Pharma (PTC) Limited, being the trustee of the trust established for the purpose of holding the Shares under the Share Incentive Scheme (the "**Trustee**"), and the Trustee shall follow such directions, to transfer and deliver, or cause the transfer and delivery of, the Accepted Shares to the Grantee on the vesting date.

(d) Vesting of SIS Shares

After the Award Committee determines in its absolute discretion and issues a letter to the Grantee that the terms and conditions set out in the Offer Letter are fully satisfied, the Accepted Shares granted to a given Grantee shall be vested on the Vesting Date. The Accepted Shares shall be transferred to the Grantee only to the extent that they are vested. The Offer Shares shall be vested only if the relevant Grantee returns his duly executed transfer documents for the SIS Shares to the Trustee or instructing the Trustee in writing the details of the Grantee's nominee security account to which the SIS Shares shall be transferred in accordance with the Offer Letter and satisfies other terms and conditions thereunder. After the Trustee receives the direction in respect of the transfer and deliver of the Accepted Shares to the Grantee, the Trustee shall transfer and deliver, or cause the transfer and delivery of, the Accepted Shares to the Grantee or his designated nominees and procure the completion of the registration of the Grantee or his designated nominees as holder of the relevant number of such Accepted Shares on the Vesting Date.

(e) Maximum number of Shares in respect of which SIS Shares may be granted

The maximum number of Shares under this Scheme shall not exceed 39,262,000 Shares ("**Scheme Mandate**"), provided that (i) the Award Committee may give instruction to the Trustee to purchase from the market such number of Shares and within such price limits using the funds in the account maintained under the Share Incentive Scheme (the "**Account**") to refresh the Scheme Mandate; and (ii) at any time during the Scheme Period, the Controlling Shareholders of our Company may refresh the Scheme Mandate by way of contributions to the Account (a) cash for the purpose of purchasing from the market such number of Shares and within such price limits as it has been instructed by the Award Committee; or (b) additional Shares.

The maximum number of Shares in respect of which an Offer may be granted shall be adjusted in such manner as the auditors of our Company shall certify in writing to the Award Committee to be fair and reasonable in the event of any alteration to the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of our Company.

(f) Maximum entitlement of each Grantee

Unless approved by the Board, the Award Committee shall not grant any SIS Shares to any Grantee if the vesting of such SIS Shares would result in the total number of SIS Shares vested or to be vested in that Grantee during any 12 month period exceeding 0.5 per cent of the total Shares then in issue.

(g) Purchase Price

The Purchase Price shall equal to a price calculated at a discount to the closing price of the Shares on the Business Date immediately preceding the Offer Date. The Award Committee shall determine such discount at its absolution discretion.

(h) Duration of the Share Incentive Scheme

The Share Incentive Scheme shall be valid and effective from the date of Listing for a period of ten years (the "**Scheme Period**").

(i) Restriction on the time of offer of SIS Shares

Our Company may not offer any SIS Shares after inside information has come to its knowledge until it has announced the information. In particular, it may not offer any SIS Shares 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 Hong Kong Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year or 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 SIS Shares may be offered during any period of delay in publishing a results announcement. Without prejudice to the foregoing, no SIS Shares shall be offered during the period specified in the Listing Rules as being a period during which no SIS Shares may be granted.

No offer of SIS Shares shall be made to a Grantee who is a Director during a period in which our 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 our Company's own equivalent code.

(j) Rights are personal to the Grantee

All rights of the Grantees under the Share Incentive Scheme shall be personal to the Grantees and shall not be assignable, sold, transferred, charged, mortgaged, encumber or create any interest in favor of any persons over the SIS Shares on or before the Vesting Date.

(k) Rights on ceasing employment/death

If the Grantee who is a Director or an Employee ("**Eligible Employee**") ceases to be so engaged by reason other than his death or the termination of his employment on one or more of the grounds under subparagraph (p)(vi) below or retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement, the Grantee shall be vested with all of his SIS Shares (subject to the terms and conditions set out in the relevant Offer Letter having been fully satisfied as determined by the Award Committee's absolute discretion) and Accepted Shares within a period of 1 month from the date of such cessation, which date shall be the last day on which the Grantee was at work with our Company or the relevant subsidiary or Invested Entity (whether salary is paid in lieu of notice or not) (or within such longer period as the Award Committee may determine).

In the event of death of the Grantee (being an individual) before the Vesting Date, and none of the events which would be a ground for termination of his employment under subparagraph (p)(vi) below has arisen in case such Grantee is an Eligible Employee, his legal personal representatives may be vested with all of the Grantee's SIS Shares (subject to the terms and conditions set out in the relevant Offer Letter having been fully satisfied as determined by the Award Committee's absolute discretion) and Accepted Shares within the period of 12 months following his death or such longer period as the Award Committee may determine.

(l) Rights on retirement

if the Grantee being an Eligible Employee ceases to be so engaged by reason of retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his employment as specified in subparagraph (p)(vi) has arisen, the Grantee shall be vested with all of his SIS Shares (subject to the terms and conditions set out in the relevant Offer Letter having been fully satisfied as determined by the Award Committee's absolute discretion) and Accepted Shares within a period of 12 months from the date of retirement or such longer period as the Award Committee may determine.

(m) Rights on take-over

if a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the holders of Shares (or all holders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional before the Vesting Date, the Grantee (or his legal personal representatives) shall be entitled to be vested with all of his SIS Shares (subject to the terms and conditions set out in the relevant Offer Letter having been fully satisfied as determined by the Board's absolute discretion) and Accepted Shares at any time before the expiry of the period of ten business days following the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

If a resolution is proposed for the voluntary winding-up of our Company, a Grantee may in respect of his SIS Shares (subject to the terms and conditions set out in the relevant Offer Letter having been fully satisfied as determined by the Award Committee's absolute discretion) and Accepted Shares by notice in writing to our Company within 15 business days before the date of such resolution or court order, elect to be treated as if such SIS Shares and Accepted Shares had been vested immediately before the passing of the resolution. The notice must state the number of Shares in respect of which the election is made.

(o) Rights on company reconstructions

If a compromise or arrangement between our Company and the Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all Grantees on the same day as it gives notice of the meeting to its shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

(i) the date two calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court;

be vested with all of his SIS Shares (subject to the terms and conditions set out in the relevant Offer Letter having been fully satisfied as determined by the Board's absolute discretion) and Accepted Shares, conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to be vested with such SIS Shares and Accepted Shares shall forthwith be suspended. Our Company may require the Grantee to transfer or otherwise deal with the Shares transferred as a result of the vesting of such SIS Shares and Accepted Shares in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms present to the court or upon any other terms as may be approved by such court) the rights of Grantees to be vested with such SIS Shares and Accepted Shares shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of this Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

(p) Lapse of offer

An offer of SIS Shares (the "**Offer**") shall be deemed to be declined and lapsed automatically on the earliest of:

(i) the Acceptance Date if such Offer is not accepted on or before such date;

(ii) the Purchase Payment Date if such Offer is not paid on or before such date;

(iii) the expiry of the periods referred to in paragraphs (m), (n), (o), (p) or (q) above;

(iv) the date of commencement of the winding-up of our Company in respect of the situation contemplated in paragraph (p) above;

(v) the date the scheme or compromise referred to in paragraph (q) above becomes effective;

(vi) the date on which the Grantee being an Eligible Employee ceases to be a Eligible Participant by reason of the termination of his employment on the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally, or has been convicted of a criminal offense involving his integrity or honesty, or on any other ground on which an Employer would be entitled to terminate his employment forthwith pursuant to applicable laws or under the Grantee's employment contract;

(vii) the date on which the Grantee commits a breach of paragraph (l) above;

(viii) if an Offer was granted subject to certain terms and conditions as set out in the relevant Offer Letter, the date on which the Award Committee resolves that the Grantee has failed to satisfy or comply with such terms and conditions;

(ix) in respect of the Grantee being a consultant or adviser (whether individual or corporation), the date on which the Award Committee resolves that the consultant or adviser fails to comply with any provisions of the relevant contracts, or breaches its fiduciary duty under the common law; and

(x) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

In the event of deemed decline or lapse of an Offer and the Grantee has made full or partial payment of the Purchase Price, the Trustee shall refund such payment to the Grantee as soon as practicable after:

(a) the Grantee has given written notice to the Award Committee with proof of such payment; and

(b) the Award Committee determines and directs the Trustee that refund of such payment be made to the Grantee.

(q) Alteration of capital

In the event of any alteration in the capital structure of our Company whilst any SIS Shares or Accepted Shares remains unvested before the Vesting Date, whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), the Award Committee shall make (and shall notify to the grantee) such corresponding alterations (if any) in (i) the number of Shares subject to any SIS Shares or Accepted Shares so far as such SIS Shares or Accepted Shares remain unvested before the Vesting Date; (ii) the purchase price; and/or (iii) the number of Shares subject to the Share Incentive Scheme, as the auditors of our Company shall certify in writing to the Award Committee to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that are required to give each grantee the same proportion of the share capital as that to which

the Grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value.

(r) Termination of the Share Incentive Scheme

The Share Incentive Scheme shall terminate on the earlier of:

(i) on the 10th anniversary date of the date of Listing; and

(ii) such date of early termination as determined by the Board of Directors of our Company;

provided that such termination shall not affect any subsisting rights of any Grantee thereunder.

(s) Alteration of the Share incentive Scheme

The Share Incentive Scheme may be altered in any respect by a resolution of the Award Committee provided that no such alteration shall operate to affect adversely any subsisting rights of any Grantee thereunder.

(t) Conditions of the Share Incentive Scheme

The Share Incentive Scheme shall be conditional and take effect upon Listing.

Present status of the Share Incentive Scheme

As at the date of this prospectus, no SIS Shares has been offered or agreed to be offered under the Share Incentive Scheme.

3. Indemnities

Our Controlling Shareholders (the "**Indemnifiers**") have entered into the deed of indemnity (the "**Deed of Indemnity**") with our Company in favor of us (being the contract referred to in paragraph (d) of the section headed "— B. Further Information about our Business — 1. Summary of Material Contracts" above) to provide, inter alia, the following indemnity:

The Indemnifiers will jointly and severally indemnify us against any claims, costs, penalties, fines, damages, losses, fees, expenses and liabilities which may be incurred or suffered by our Group in connection with the leased properties and owned properties and all building orders described in "Business — Property — Building Orders in respect of a number of our Owned Properties and Leased Properties in Hong Kong."

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, (a) full provision has been made for such taxation in the audited accounts of our Group; (b) the 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 Listing Date; (c) the taxation is caused by the act of omission of, or transaction voluntarily effected by, our Group which is carried out otherwise than in the ordinary course of business after the Listing Date; and (d) any provision or reserve made for such taxation in the audited accounts of our Group for each of the three years ended March 31, 2016, which is established to be an over-provision or an excessive reserve.

4. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

5. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees to the Sole Sponsor were approximately HK$7.0 million and were paid by us.

6. Preliminary expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately HK$75,700 and were paid by us.

7. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of the PRC or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares and there is no taxation in the nature of inheritance tax or estate duty.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

BOCI Asia Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants, Hong Kong
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan	Industry consultant
Commerce & Finance Law Offices	PRC legal adviser
DTZ Cushman & Wakefield Limited	Property Valuer
Lam Rachel Y.K.	Barrister-at-law in Hong Kong

10. Consent of Experts

Each of the experts named in paragraph 9 has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, 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 insofar as applicable.

12. Reserves available for distribution

Our Company was incorporated on February 16, 2016 and has not carried out any business since the date of incorporation.

13. Estate Duty

We have been advised that no material liability for estate duty under the laws of the PRC or Hong Kong would be likely to fall upon any member of our Group.

E. MISCELLANEOUS

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.

(b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since March 31, 2016 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) Our Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Cayman Companies Law.

(h) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 10. Consent of Experts" in Appendix V to this prospectus;

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Shearman & Sterling at 12th Floor Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Company for the years ended March 31, 2014, 2015 and 2016;

(e) the note of advice in respect of certain building orders prepared by Lam Rachel Y.K., barrister-at-law, legal counsel to our Company as to the Hong Kong law;

(f) the note of advice in respect of the Competition Ordinance prepared by Lam Rachel Y.K.;

(g) the legal opinion issued by Commerce & Finance Law Offices, our PRC legal advisers in respect of certain aspects of our Group;

(h) the legal opinion issued by Conyers Dill & Pearman, our Cayman legal advisers, summarizing the constitution of our Company and certain aspects of the Cayman Companies Law referred to in the section headed "Summary of the Constitution of the Company and Cayman Company Law" in Appendix IV to this prospectus;

(i) the Cayman Companies Law;

(j) copies of material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus;

(k) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 10. Consent of Experts" in Appendix V to this prospectus;

(l) service contracts and letters of appointment entered into between our Company and each of our Directors;

(m) the property valuation report prepared by DTZ Cushman & Wakefield Limited, the text of which is set in Appendix III to this prospectus; and

(n) the Frost & Sullivan Report.

Jacobson
Pharma Corporation

Jacobson Pharma Corporation Limited
雅各臣科研製藥有限公司