*This summary aims to give you an overview of the information contained in this [REDACTED]. As it is a summary, it does not contain all information that may be important to you. You should read the whole [REDACTED] before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the "Risk Factors" section in this [REDACTED]. You should read that section carefully in full before you decide to invest in the [REDACTED].*

## BUSINESS OVERVIEW

We are principally engaged in pharmaceutical manufacturing in the PRC and the operation of chain pharmacies in Zhongshan in the Guangdong province, the PRC. We develop, manufacture and sell (i) Chinese patent medicines; and (ii) decoction pieces including both traditional decoction pieces and modern decoction pieces. Our products are sold under our core brands of "Zeus (中智)", "Liumian* (六棉牌)" and "Caojinghua* (草晶華)". According to the Ipsos Report, our "Zeus (中智)" chain pharmacies are the largest self-operated pharmaceutical chain in Zhongshan in terms of the number of pharmacies and revenue for three consecutive years from 2012 to 2014. As at the Latest Practicable Date, we have 201 self-operated chain pharmacies selling both our own-branded products and over 4,000 types of other pharmaceutical products, healthcare products and medical devices sourced from independent suppliers. During the Track Record Period, all our revenue was generated in the PRC. For each of the three years ended 31 December 2014, our revenue derived from the Guangdong province represented approximately 72.8%, 71.9% and 65.8% of our total revenue, respectively.

During the Track Record Period, we maintained satisfactory growth in both revenue and gross profit. Our total revenue and gross profit grew at a CAGR of approximately 20.5% and 30.3% respectively. On the other hand, our gross profit margin also increased from approximately 46% to 49.6% and 53.8% for each of the three years ended 31 December 2014, respectively. Our Directors believe that our success was mainly attributed to the well established reputation of our own brands for quality products.

### Our business segments

The table below sets forth our revenue by business segment and the percentage of total revenue for each business segment and their respective gross profit margin during the Track Record Period:

| | For the year ended 31 December | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | 2013 | | | 2014 | | |
| | Revenue | % of total revenue | Gross profit margin | Revenue | % of total revenue | Gross profit margin | Revenue | % of total revenue | Gross profit margin |
| | RMB'000 | | % | RMB'000 | | % | RMB'000 | | % |
| Pharmaceutical manufacturing | 172,240 | 42.0 | 50.3 | 207,262 | 42.9 | 52.6 | 294,840 | 49.5 | 58.6 |
| Operation of chain pharmacies | 237,812 | 58.0 | 42.9 | 275,543 | 57.1 | 47.3 | 300,725 | 50.5 | 49.0 |
| Total | 410,052 | 100.0 | 46.0 | 482,805 | 100.0 | 49.6 | 595,565 | 100.0 | 53.8 |

## Our products

As at the Latest Practicable Date, we sold over 30 types of own-branded Chinese patent medicines (of which 27 types are OTC medicines) and over 130 types of decoction pieces in the PRC market. Our major own-branded Chinese patent medicines include Cough Tablets* (克咳片), Cool Lozenges* (清涼喉片) and Yinhuang Granules* (銀黃顆粒). We attribute our satisfactory operating performance to our commitment to the research and development of new products. With an aim to enhance the functional effectiveness of traditional decoction pieces and for consumption convenience, we have developed our patented techniques for the production of modern decoction pieces, which was launched in the PRC market in 2011 and have received positive market response. Our modern decoction pieces are granules of ultra-fine pulverised decoction pieces, which can be readily used for oral consumption. For the year ended 31 December 2014, the sales of own-branded products accounted for approximately 61.5% of our total revenue and had a gross profit margin of approximately 61.9%.

The following table sets forth our revenue from pharmaceutical manufacturing by product category and the percentage of revenue from this segment for each product category during the Track Record Period:

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | |
| | RMB'000 | % of revenue | RMB'000 | % of revenue | RMB'000 | % of revenue |
| Chinese patent medicines | 157,289 | 91.3 | 158,575 | 76.5 | 159,614 | 54.2 |
| Decoction pieces | | | | | | |
| — Traditional decoction pieces | 2,463 | 1.4 | 2,326 | 1.1 | 3,325 | 1.1 |
| — Modern decoction pieces | 12,488 | 7.3 | 46,361 | 22.4 | 131,901 | 44.7 |
| Total revenue from pharmaceutical manufacturing | 172,240 | 100.0 | 207,262 | 100.0 | 294,840 | 100.0 |

## Our pricing policy

We generally price both our own-branded products and non-own branded products on a cost plus basis with reference to the prevailing market condition such as demands from customers, pricing and availability of comparable products in the market. However, as at the Latest Practicable Date, over 800 types of our non-own branded products and 18 types of our own-branded products were included on the National Medical Insurance Drugs Catalogue or Provincial Medical Insurance Drugs Catalogue, and/or National List of Essential Drugs and are therefore subject to PRC government's price control policies.

## Our production plants and production capacity

We produce all our own-branded products in our two GMP certified production plants in Zhongshan with an aggregate gross floor of approximately 46,700 sq.m. The following table sets forth information on the designed capacity, actual production volume and utilisation rates of our production facilities for each of the three years ended 31 December 2014, respectively:

| | | For the year ended 31 December | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2012 | | | 2013 | | | 2014 | | |
| | Unit | Designed capacity *(Note 1)* | Production volume | Utilisation rate *(Note 2)* | Designed capacity *(Note 1)* | Production volume | Utilisation rate *(Note 2)* | Designed capacity *(Note 1)* | Production volume | Utilisation rate *(Note 2)* |
| | | (approximate) | (approximate) | | (approximate) | (approximate) | | (approximate) | (approximate) | |
| **Chinese patent medicines** | | | | | | | | | | |
| Granule | bag | 270,000,000 | 234,184,000 | 87% | 270,000,000 | 214,228,000 | 79% | 270,000,000 | 191,824,000 | 71% |
| Capsule | capsule | 140,000,000 | 113,107,000 | 81% | 140,000,000 | 134,928,000 | 96% | 140,000,000 | 126,091,000 | 90% |
| Tablet | tablet | 1,280,000,000 | 1,046,442,000 | 82% | 1,280,000,000 | 1,074,688,000 | 84% | 1,280,000,000 | 993,597,000 | 78% |
| Oral solution(Note 3) | bottle | 15,000,000 | 9,642,000 | 64% | 15,000,000 | 10,965,000 | 73% | 15,000,000 | 16,026,000 | 107% |
| Tea bags | bag | 5,300,000 | 4,800,000 | 91% | 5,300,000 | 3,382,000 | 64% | 5,300,000 | 3,501,000 | 66% |
| **Decoction pieces** | | | | | | | | | | |
| Traditional decoction pieces | tonnes | 2,561 | 2,264 | 88% | 2,561 | 2,353 | 92% | 2,561 | 2,540 | 99% |
| Modern decoction pieces(Note 4) | tonnes | 53 | 30 | 57% | 159 | 75 | 47% | 212 | 165 | 78% |

*Notes:*

(1) Designed capacity is computed based on 252 effective production days per year and one shift of seven hours per day for each of the three years ended 31 December 2014.

(2) Utilisation rate is calculated by dividing the production volume by the designed capacity.

(3) The actual production activities for oral solution in 2014 were conducted occasionally over seven hours per day to meet the demand for the relevant products, which resulted in the utilisation rate for oral solution in 2014 exceeded 100%.

(4) The utilisation rate related to the production of modern decoction pieces decreased from 57% for the year ended 31 December 2012 to 47% for the year ended 31 December 2013, primarily due to the increase in the designed capacity resulting from the acquisition of one jet stream ultra-fine pulverisation machine and one granulating machine in 2013.

## Research and Development

As at the Latest Practicable Date, we had 29 invention patents, one utility model patent and 15 design patents registered in the PRC, 11 patents registered in Hong Kong and Macau, and 28, six and one patent applications submitted for and pending registration in the PRC, Taiwan and Hong Kong, respectively. We have developed and maintained a pool of 128 types of new pharmaceutical products, which have been approved for production by the relevant authorities but yet to be launched in the market.

In recognition of our strong research and development capability, in April 2014, we were approved by the State Administration of Traditional Chinese Medicine of the PRC (國家中醫藥管理局) to set up a State-level laboratory for the development of the techniques and applications of modern decoction pieces. Each of our production plants in Zhongshan has been accredited as High and New Technology Enterprise* (高新技術企業) since 2003 and 2008 respectively.

## OUR SUPPLIERS

Our suppliers mainly include suppliers of Chinese herbs, packaging materials and ancillary materials for our pharmaceutical manufacturing as well as suppliers of non-own branded products for sale in our chain pharmacies. All our supplies are sourced in the PRC except a small amount of American ginseng from Canada. We entered into master agreements with some of our suppliers to ensure a reliable supply of goods which meet our quality standards. Purchases from our top five suppliers amounted to approximately RMB65.2 million, RMB89.3 million and RMB88.7 million, representing approximately 30%, 36.5% and 40% of our total costs of purchase for each of the three years ended 31 December 2014, respectively.

## OUR DISTRIBUTION CHANNEL AND CUSTOMERS

We sell and distribute own-branded products through our self-operated chain pharmacies in Zhongshan and an extensive distribution network comprising distributors and independent chain pharmacies covering 30 provinces, autonomous regions and municipality cities in the PRC. As at 31 December 2014, we sold to 381 independent chain pharmacies and had a total of 1,111 distributors which were categorised as (i) contractual distributors; and (ii) non-contractual distributors. We entered into distribution agreements with our contractual distributors and master agreements with independent chain pharmacies to ensure that they adhere to our sales policy. The major terms of these agreements include our restriction on distribution territories and the minimum prices set by us for their resale of our products.

With respect to our contractual distributors, we maintain a two-level distribution model which comprises upper-level and lower-level distributors. This enables us to reduce the inherent credit risk and save our delivery resources as our sales are made directly to upper-level distributors who are well established and reputable pharmaceutical distributors and wholesalers in the PRC. Our upper-level contractual distributors in turn sell and deliver our products to lower-level distributors who had entered into distribution agreements with us. Our non-contractual distributors are responsible for the distribution of an exclusive pool of our own-branded products which are not distributed by our contractual distributors or independent chain pharmacies. Although we do not enter into any distribution agreements with our non-contractual distributors, our sales and marketing team will closely monitor the sales of our products and check the selling prices in the market in order to reduce the risk of potential competition against themselves and to ensure that they do not sell our products below our desired retail prices. We require that all our distributors and independent chain pharmacies are GSP certified.

Our major customers during the Track Record Period included major pharmaceutical companies such as Guangdong Dongguan Guoyao Group Co., Ltd.* (廣東省東莞國藥集團有限公司), Jointown Pharmaceutical Group Co., Ltd.* (九州通醫藥集團股份有限公司), and major independent chain pharmacies such as Yunnan Hangxiang Yixintang Pharmaceutical Co., Ltd.* (雲南鴻翔一心堂藥業(集團)股份有限公司). Sales to our top five customers amounted to approximately RMB35.3 million, RMB42 million and RMB81.1 million, representing approximately 8.5%, 8.7% and 13.7% of our total revenue for each of the three years ended 31 December 2014, respectively.

## COMPETITIVE STRENGTHS

We believe that the following are our key competitive strengths that have contributed to our success and distinguish us from our competitors:

- "Zeus (中智)" is a well established brand in the pharmaceutical industry
- We have strong marketing capabilities and an extensive distribution network
- We are able to generate high profit margin from our own-branded products
- We maintain a stringent quality control system
- We have strong research and development capabilities
- We have an experienced and committed management team

## BUSINESS STRATEGIES

We aim to become a leading pharmaceutical company in the PRC. We intend to achieve our goal by pursuing the following principal strategies:

- Expand our chain pharmacies in the Guangdong province
- Expand the breadth and depth of our distribution network
- Expand our production capacity
- Further strengthen our research and development capacities and product range
- Further strengthen our brand recognition and awareness by enhancing our marketing and promotional activities

## OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are Mr. Lai, Mrs. Lai, Crystal Talent and Cheer Lik. Immediately after completion of the Capitalisation Issue and the [REDACTED], our Controlling Shareholders will own approximately [REDACTED] of the total issued share capital of our Company. We operate independently of our Controlling Shareholders. Please refer to the "Relationship with Our Controlling Shareholders" section in this [REDACTED] for details.

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our financial information for the Track Record Period and should be read in conjunction with our financial information included in the Accountants' Report, including the notes thereto:

### Selected information from combined statements of profit or loss

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | **RMB'000** | **RMB'000** | **RMB'000** |
| Revenue | 410,052 | 482,805 | 595,565 |
| Cost of sales | (221,365) | (243,430) | (275,290) |
| Gross profit | 188,687 | 239,375 | 320,275 |
| Profit before tax | 23,449 | 46,803 | 114,810 |
| Profit for the year | 17,254 | 37,638 | 86,688 |

For each of the three years ended 31 December 2014, our total revenue was approximately RMB410.1 million, RMB482.8 million and RMB595.6 million, respectively and the profit attributable to our Company's equity holders was approximately RMB17.3 million, RMB37.6 million and RMB86.7 million, respectively. The increasing trend of our total revenue and profit attributable to our Company's equity holders was primarily driven by the rising demand on pharmaceutical products.

Our gross profit margin increased from 46% for the year ended 31 December 2012 to 49.6% for the year ended 31 December 2013, and further to 53.8% for the year ended 31 December 2014, due to the increased sales of our own-branded products, which have higher gross profit margin than non-own branded products. Please refer to the paragraph headed "Financial Information — Management discussion and analysis" in this [REDACTED] for further details.

### Selected information from combined statements of financial position

| | As at 31 December | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | 91,440 | 98,835 | 107,547 |
| Current assets | 148,181 | 200,039 | 190,377 |
| Current liabilities | 139,537 | 157,766 | 163,631 |
| Net current assets | 8,644 | 42,273 | 26,746 |
| Total assets less current liabilities | 100,084 | 141,108 | 134,293 |
| Net assets | 92,571 | 130,210 | 120,897 |

### Key Financial Ratios

| | As at or for the year ended 31 December | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| Current ratio | 1.1 | 1.3 | 1.2 |
| Quick ratio | 0.5 | 0.6 | 0.6 |
| Gearing ratio | 27.0% | 12.3% | 12.4% |
| Debt to equity ratio *(Note)* | — | — | — |
| Interest coverage | 6.5 times | 34.8 times | 115.6 times |
| Return on equity | 18.6% | 28.9% | 71.7% |
| Inventory turnover days | 65.0 | 71.9 | 60.5 |
| Trade and notes receivables turnover days | 50.6 | 49.0 | 39.8 |
| Trade payables turnover days | 43.0 | 39.2 | 32.8 |

*Note:* We had a net cash position as at each of the three years ended 31 December 2014.

Please refer to the paragraphs headed "Financial Information — Major financial ratios" and "Financial Information — Description of certain items from our combined statements of financial position" in this [REDACTED] for further discussion on the above ratios and turnover days.

## RECENT DEVELOPMENT

Based on our unaudited management accounts, the unaudited revenue and gross profit for the one month ended 31 January 2015 was higher than those for the one month ended 31 January 2014.

In order to explore the possibility of expanding our business into the food market, we had submitted applications to the GFDA in 2014 in relation to the production and sale of food products to be made of decoction pieces. While our applications were still under process as at the Latest Practicable Date, we had commenced the initial set up of a new production line for manufacturing of food products in our Zhongshan production base. Our estimated capital expenditure for the acquisition of the machineries for such food products will be approximately RMB6 million. We intend to sell these products in supermarkets in the PRC.

## HISTORICAL NON-COMPLIANCE

During the Track Record Period, our Group was subject to administrative penalties by the Zhongshan Food and Drug Administration for the production and sale of sub-standard products namely "Ganoderma" ("靈芝") and "Agarwood ("沉香"). We were fined for a total amount of approximately RMB4,300 and confiscated the amount and products for a total sum of approximately RMB3,000. After these incidences, we have strengthened our quality control to ensure compliance with the prevailing standards set out in the prevailing Chinese Pharmacopoeia before we commence production and perform a second quality check on the products before we launched them in the market. Our Directors confirm that apart from the above incidences, no penalties had been imposed on us by the relevant food and drug administration authorities in the PRC during the Track Record Period and up to the Latest Practicable Date.

Our PRC subsidiaries (being Zhongzhi Pharmaceutical, Zhongzhi Chain Pharmacies, Zhongzhi Herb Pieces and Honeson Pharmaceutical) did not make adequate contributions to the social insurance fund and housing fund for our employees during the Track Record Period. From 1 July 2014 onwards, our PRC subsidiaries have been paying adequate contributions to the social insurance and housing fund for our employees. Furthermore, we have made provisions for the underpaid social insurance fund contributions and housing fund contributions of approximately RMB1.9 million, RMB1.9 million and RMB0.5 million for each of the three years ended 31 December 2014, respectively. As at the Latest Practicable Date, we did not receive any notifications from the relevant government authorities requiring us to make the outstanding social insurance and housing fund contributions. Our PRC Legal Advisors are of the view that (i) the non-compliance relating to such underpaid contributions is not material to our Group; and (ii) the risks of being penalised for such historical non-compliances are low in practice. For details, please refer to the paragraph headed "Business — Legal and compliance" in this [REDACTED].

## [REDACTED] EXPENSES

The total estimated [REDACTED] expenses in connection with the [REDACTED] (excluding underwriting commission) was approximately RMB[REDACTED]. For the year ended 31 December 2014, our Group incurred [REDACTED] expenses of approximately RMB[REDACTED], of which RMB[REDACTED] was charged to profit and loss and the remaining RMB[REDACTED] was recognised as prepayment. For the year ending 31 December 2015, we estimate that the [REDACTED] expenses to be incurred will amount to RMB[REDACTED], of which RMB[REDACTED] will be charged to profit and loss in the year and the remaining RMB[REDACTED] will be charged against equity upon successful [REDACTED] under relevant accounting standards.

## NO MATERIAL ADVERSE CHANGE

The total indebtedness of our Group, as at 31 January 2015, being the latest practicable date for determining the amount of our indebtedness in this [REDACTED], was approximately RMB15 million. Our Directors confirm that since 31 December 2014 and up to the date of this [REDACTED], there has been no material adverse change in the financial or trading position or prospects of our Group and there is no event which would materially affect the information shown in our combined financial statements included in the Accountant's Report.

## USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK$[REDACTED] (assuming an [REDACTED] of HK$[REDACTED], being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED] per [REDACTED]), after deducting the underwriting fees and commissions and estimated expenses payable by the Company in connection with the [REDACTED].

We intend to use the net proceeds we will receive from the [REDACTED] for the following purposes:

(i) approximately HK$[REDACTED] (equivalent to approximately [REDACTED] of our total estimated net [REDACTED]) will be used for the expansion of our pharmaceutical chain in the Guangdong province. We plan to establish 30 self-operated pharmacies in each of Jiangmen and Zhuhai in 2016, 40 self-operated pharmacies in each of Fosun and Dongguan in 2017 and 60 self-operated pharmacies in other cities of the Guangdong province in 2018;

(ii) approximately HK$[REDACTED] (equivalent to approximately [REDACTED] of our total estimated net [REDACTED]) will be used for the expansion of our distribution networks. This will include:

— the recruitment of additional sales staff to increase our sales and marketing activities such as organisation of seminars and conferences to consolidate our relationship with our existing distributors and independent chain pharmacies and explore new relationship with other distributors and independent chain pharmacies, with a focus on the Eastern and Southern China;

— advertisement through television, newspapers and medical journals;

(iii) approximately HK$[REDACTED] (equivalent to approximately [REDACTED] of our total estimated net [REDACTED]) will be used to continue our research and development activities with a focus on the application of modern decoction pieces production techniques and strengthening our product portfolio thereof in order to support our long-term growth. This will include:

— the recruitment of additional experts and staff for different aspects of research and development; and

— the purchase of new equipment required for our research and development activities;

(iv) approximately HK$[REDACTED] (equivalent to approximately [REDACTED] of our total estimated net [REDACTED]), will be used for the purchase of machineries for our manufacturing of modern decoction pieces and to upgrade our existing production facilities in anticipation of the increase in demand for our products; and

(v) approximately HK$[REDACTED] (equivalent to approximately [REDACTED] of our total estimated net [REDACTED]) will be used for working capital and other general corporate purposes.

In the event that the [REDACTED] is set at the low-end or high-end of the [REDACTED], the net proceeds from the [REDACTED] will decrease or increase by approximately HK$[58] million. Under such circumstances, we will adjust our allocation of the net proceeds in the same proportion as set out above.

Please refer to the "Future Plans and Use of [REDACTED]" section in this [REDACTED] for further details.

## DIVIDEND POLICY

Dividends may be paid by way of cash or by other means we consider appropriate. For each of the three years ended 31 December 2014, our Group declared dividends of nil, nil and RMB96 million, respectively. All the dividends declared during the Track Record Period had been fully settled as at the Latest Practicable Date. [Our Group intended to declare and pay out a dividend of approximately RMB30 million in April 2015.] Payment of any future dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant.

[REDACTED]

## RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business, industry, region in which we operate, and the [REDACTED]. We believe a few of the more significant risks we face include:

- Our success is dependent on our core brand of "Zeus (中智)" and any negative publicity of "Zeus (中智)" would adversely affect our operating results and financial condition.

- Our revenue was mainly generated from the Guangdong province, the PRC. Any adverse change in the economic, political or social conditions in the region may materially and adversely affect our business, financial condition and results of operations.

- Our profit margin could be adversely affected by the decrease in the proportion of the sales of our own-branded products in the PRC market.

- We may not be able to maintain our historical growth rates or profit margins, and our results of operations may fluctuate significantly.

- If we are unable to develop and introduce new products or gain market acceptance of our new products, our business, financial condition and results of operations may be adversely affected.

- Our status of modern decoction pieces pilot production enterprise may be subject to revocation, termination, suspension or alteration any time by the relevant authorities in the PRC.

- We rely heavily on our distribution network comprising distributors and independent chain pharmacies for the sales of our own-branded products.

- We have limited control over our distributors.

- The PRC government may determine that the Contractual Arrangements are not in compliance with applicable PRC laws, rules, regulations or policies.

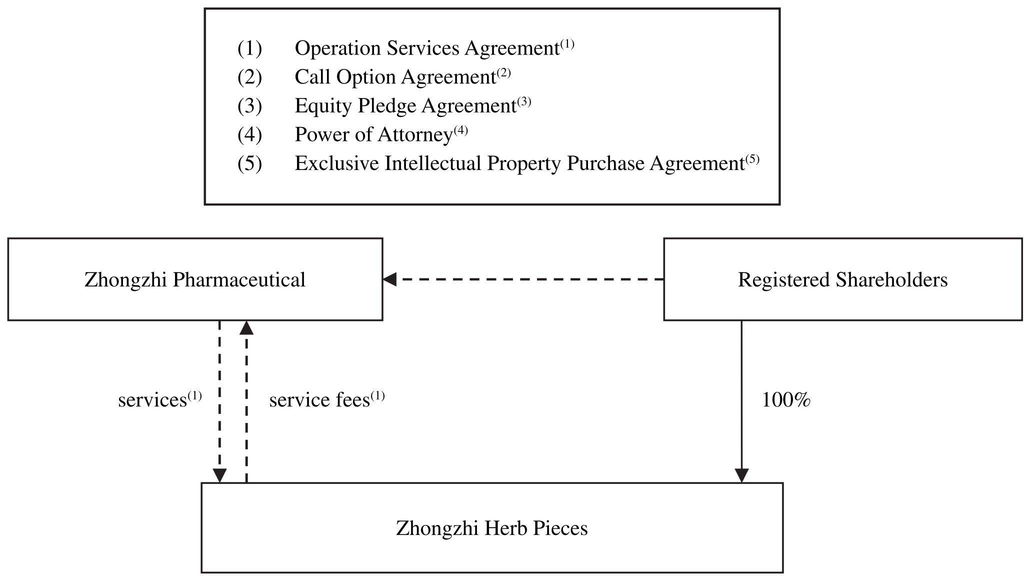
- Our Contractual Arrangements may not be as effective in providing operational control over Zhongzhi Herb Pieces as direct ownership.

## CONTRACTUAL ARRANGEMENTS

Zhongzhi Herb Pieces is a major PRC operating subsidiary within our Group and is engaged in the production of decoction pieces in the PRC, which is a prohibited category for foreign investors to conduct business in through directly-held equity interests. Foreign investors are prohibited from holding any equity interest in Zhongzhi Herb Pieces under the applicable PRC laws and regulations.

In order to achieve our business purposes, the Contractual Arrangements were entered into in order for our Group to manage the business of Zhongzhi Herb Pieces with all economic benefits derived from the business, financial and operating activities of Zhongzhi Herb Pieces transferred to Zhongzhi Pharmaceutical by means of service fees payable by Zhongzhi Herb Pieces to Zhongzhi Pharmaceutical. Our PRC Legal Advisors are of the opinion that the Contractual Arrangements are, valid, legal and binding on the parties to the agreements under the Contractual Arrangements, save for dispute resolution clauses of the Contractual Arrangements in connection with injunctive relief as disclosed in the "Contractual Arrangements" section in this [REDACTED].

The following diagram illustrates the operation of the Contractual Arrangements which results in the flow of economic interests from Zhongzhi Herb Pieces to our Group stipulated under the Contractual Arrangements:




Please refer to the "Contractual Arrangements" section in this [REDACTED] for details.

*Notes:*

(1) Pursuant to the Operation Services Agreement, Zhongzhi Pharmaceutical was engaged exclusively to provide Zhongzhi Herb Pieces with, *inter alia*, management and consultancy services in consideration of service fees payable by Zhongzhi Herb Pieces to Zhongzhi Pharmaceutical.

(2) Pursuant to the Call Option Agreement, the Registered Shareholders have granted an irrevocable and exclusive option to Zhongzhi Pharmaceutical to purchase all or any part of their entire equity interests in Zhongzhi Herb Pieces according to the terms contained therein.

(3) Pursuant to the Equity Pledge Agreement, the Registered Shareholders have pledged their entire equity interests in Zhongzhi Herb Pieces (together with the rights derived therefrom) in favour of Zhongzhi Pharmaceutical as security for the performance of all the contractual obligations by Zhongzhi Herb Pieces and the Registered Shareholders under the Operation Services Agreement, the Call Option Agreement, the Power of Attorney and the Exclusive Intellectual Property Purchase Agreement.

(4) Pursuant to the Power of Attorney, the Registered Shareholders jointly and severally and irrevocably appointed Zhongzhi Pharmaceutical as their attorney to exercise their shareholders' rights in Zhongzhi Herb Pieces.

(5) Pursuant to the Exclusive Intellectual Property Purchase Agreement, Zhongzhi Herb Pieces and the Registered Shareholders jointly and severally granted an irrevocable and exclusive option to Zhongzhi Pharmaceutical to purchase all or any of the intellectual property that Zhongzhi Herb Pieces has or will have according to the terms contained therein.

(6) "—" denotes direct legal and beneficial ownership in the equity interest and "- - - " denotes contractual relationship.