
HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Zhongzhi Pharmaceutical was established in March 1993 as a collective enterprise and was transformed into a limited liability company in September 1999. Mr. Lai was a manager of Zhongzhi Pharmaceutical prior to the transformation and became a shareholder of Zhongzhi Pharmaceutical when it was transformed into a limited liability company with a registered capital of RMB800,000. Mr. Lai contributed, from his personal wealth, RMB600,000 to the registered capital of Zhongzhi Pharmaceutical and was interested in 75% equity interest in Zhongzhi Pharmaceutical. The remaining equity interest of Zhongzhi Pharmaceutical was owned by Mr. Luo and other Independent Third Parties. At that time, Zhongzhi Pharmaceutical was engaged in the distribution of Chinese patent medicines and Western medicines to hospitals and pharmacies in Zhongshan, the PRC.

In 2001, to expand the distribution business, our Group set up its first pharmacy in Zhongshan called “Zeus Chain Pharmacy* (中智大藥房)”, which marked the launch of our Group’s brand “Zeus (中智)” among retail customers in Zhongshan. The pharmacy sold a variety of pharmaceutical products, traditional decoction pieces and Chinese patent medicines that the Group sourced from third party manufacturers and suppliers in the PRC. From 2001 onwards, our Group continued to expand the number of our self-operated chain pharmacies in Zhongshan.

Also in 2001, leveraged on our Group’s experience in the pharmaceutical industry, we started to manufacture traditional decoction pieces under the “Zeus (中智)” brand. In this connection, we established Zhongzhi Herb Pieces and acquired land properties in Zhongshan with an aggregate area of approximately 32,380 sq.m. at the consideration of approximately RMB4,870,000 for the construction of a factory thereon to manufacture traditional decoction pieces. In 2003, Zhongzhi Herb Pieces was recognised as a High and New Technology Enterprise* (高新技術企業) by the Guangdong Provincial Bureau for Science and Technology* (廣東省科學技術廳). In the same year, our Group began to research and develop the technology applied in the manufacturing of our modern decoction pieces. For further details of our modern decoction pieces, please refer to the paragraph headed “Business — Own-branded pharmaceutical manufacturing — Our own-branded products” in this [REDACTED].

On 30 August 2007, to expand our production capacity and strength, Zhongzhi Pharmaceutical acquired the majority interest in Honeson Pharmaceutical to expand into the production of Chinese patent medicines. Honeson Pharmaceutical is a limited liability company which owned a factory located in Zhongshan with a site area of approximately 32,400 sq.m. At that time, Honeson Pharmaceutical was engaged in the production of pharmaceutical products under the brand of “Liumian* (六棉牌)” and the major products were Cough Tablets* (克咳片), Seven Star Tea* (小兒七星茶口服液) and Shiqi Waigan Keli* (石岐外感顆粒). As at the Latest Practicable Date, we sold over 30 types of own-branded Chinese patent medicines and Honeson Pharmaceutical was our wholly owned subsidiary.

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In 2011, we launched our modern decoction pieces in the PRC market. Such products included red sage root modern decoction pieces* (丹參破壁飲片), American ginseng modern decoction pieces* (西洋參破壁飲片), sanchi modern decoction pieces* (三七破壁飲片), dendrobium modern decoction pieces* (石斛破壁飲片).

As at the Latest Practicable Date, our Group had 201 self-operated chain pharmacies in Zhongshan and an extensive distribution network covering 30 provinces, autonomous regions and municipality cities in the PRC.

The following sets forth the important milestones in the development of the business of our Group to date:

<u>Year</u>	<u>Event</u>
2001	We set up our first “Zeus Chain Pharmacy* (中智大藥房)” Zhongzhi Pharmaceutical acquired land properties in Zhongshan for the construction of a factory for the production of traditional decoction pieces
2003	Zhongzhi Herb Pieces was accredited as a High and New Technology Enterprise* (高新技術企業) by the Guangdong Provincial Bureau for Science and Technology* (廣東省科學技術廳) (Note 1) We commenced the research and development of the techniques in the manufacturing of our modern decoction pieces
2007	Zhongzhi Pharmaceutical acquired 60% equity interest in Honeson Pharmaceutical to expand our business into the production of Chinese patent medicines
2008	Honeson Pharmaceutical was accredited as a High and New Technology Enterprise* (高新技術企業) by the Guangdong Provincial Bureau for Science and Technology* (廣東省科學技術廳) (Note 2)

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<u>Year</u>	<u>Event</u>
2010	Zhongzhi Pharmaceutical acquired the remaining 40% equity interest in Honeson Pharmaceutical which then became a wholly owned subsidiary of the Group
2011	<p>We launched our modern decoction pieces in the PRC market</p> <p>Zhongzhi Herb Pieces was accredited by the GFDA as the “Modern decoction pieces pilot production enterprise”* (中藥破壁飲片試點生產企業)</p>
2014	<p>The Group was approved by the State Administration of Traditional Chinese Medicine of the PRC (國家醫藥管理局) to set up the State-level laboratory in the PRC for the development of modern decoction pieces techniques and applications</p> <p>A total of 32 self-operated chain pharmacies of our Group were accredited as official preferential price pharmacies* (藥品平價商店) by the Price Control Administration of Guangdong Province (廣東省物價局), offering a wide range of pharmaceutical products to customers at preferential price</p> <p>A total of 85 self-operated chain pharmacies of our Group were designated as medical insurance designated pharmacies* (中山醫保指定藥店) allowing customers to purchase drugs listed in Zhongshan Outpatient Essential Medical Insurance Drugs Catalogue* (中山市門診基本醫療保險藥品目錄) by using their medical insurance cards</p>
	<p><i>Note 1:</i> The accreditation as a High and New Technology Enterprise* (高新技術企業) of Zhongzhi Herb Pieces was renewed upon expiry since 2003 and the current one is valid until 10 October 2017.</p> <p><i>Note 2:</i> The accreditation as a High and New Technology Enterprise* (高新技術企業) of Honeson Pharmaceutical was renewed upon expiry since 2008 and the current one is valid until 10 October 2017.</p>

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CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 September 2014 with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which 10,000 Shares were issued and allotted fully paid to Cheer Lik at par. On 2 February 2015, Cheer Lik entered into various share transfer agreements, pursuant to which Cheer Lik transferred 8,052 Shares to Crystal Talent at par, 1,000 Shares to Advance Keypath Global Investments Limited at par, 200 Shares to Metro Joy International Limited at par and 44 Shares to Aces Chess Global Limited at par. Such transfers were legally completed on the same date and as a result of which, Cheer Lik only held 704 Shares.

Windom Talent Company Limited

Windom Talent Company Limited was incorporated in the BVI on 16 September 2014. As at the date of incorporation, it had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which one share was issued and allotted fully paid to our Company at par and such allotment and issuance of share was legally completed on 16 September 2014. The share capital and shareholding of Windom Talent Company Limited has remained unchanged since its incorporation.

As at the Latest Practicable Date, Windom Talent Company Limited was an intermediate holding company which held the entire issued share capital of Grant Talent.

Grant Talent

Grant Talent was incorporated in Hong Kong on 1 August 2014 with a share capital of HK\$1 registered as fully paid under the name of the initial subscriber, and the same was transferred to Mrs. Lai on 25 August 2014 which was legally completed on the same date. On 14 October 2014, Windom Talent Company Limited acquired the entire share capital of Grant Talent at the consideration of HK\$1 from Mrs. Lai. The said acquisition was legally completed on 14 October 2014 and since then, Grant Talent became a wholly owned subsidiary of Windom Talent Company Limited.

As at the Latest Practicable Date, Grant Talent was an intermediate holding company which held the entire equity interest of Zhongzhi Pharmaceutical.

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Zhongzhi Pharmaceutical

Zhongzhi Pharmaceutical was established in the PRC as a collective enterprise on 5 March 1993 with a registered capital of RMB500,000 wholly owned by an Independent Third Party. On 1 September 1999, it was resolved that Zhongshan Pharmaceutical be transformed into a limited liability company with a registered capital of RMB800,000. The transformation was legally completed on 27 September 1999 and the equity interest of Zhongzhi Pharmaceutical was owned as to 75% by Mr. Lai, 5% by Mr. Luo and 20% by other Independent Third Parties.

On 1 March 2002, Mrs. Lai entered into various equity transfer agreements to acquire from the other shareholders an aggregate of 20% equity interest in Zhongzhi Pharmaceutical at the cash consideration of RMB160,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of the transferors in Zhongzhi Pharmaceutical. The acquisitions were legally completed on 1 March 2002 and as a result, Zhongzhi Pharmaceutical was owned as to 75% by Mr. Lai, 20% by Mrs. Lai and 5% by Mr. Luo.

On 6 October 2003, the registered capital of Zhongzhi Pharmaceutical was increased by RMB20,000,000 from RMB800,000 to RMB20,800,000. The additional registered capital was contributed in cash as to RMB15,000,000 by Mr. Lai, RMB1,504,000 by Mrs. Lai, RMB376,000 by Mr. Luo and RMB3,120,000 by Mr. Lai Zhi Ming (賴智明), who is a brother of Mr. Lai. The increase in the registered capital was legally completed on 30 October 2003 and as a result Zhongzhi Pharmaceutical was owned as to 75% by Mr. Lai, 8% by Mrs. Lai, 2% by Mr. Luo and 15% by Mr. Lai Zhi Ming.

On 18 May 2007, Mr. Lai entered into an equity transfer agreement with Mr. Lai Zhi Ming to acquire 15% equity interest in Zhongzhi Pharmaceutical at the cash consideration of RMB3,120,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of Mr. Lai Zhi Ming in Zhongzhi Pharmaceutical. The acquisition was legally completed on 6 June 2007 and as a result Zhongzhi Pharmaceutical was owned as to 90% by Mr. Lai, 8% by Mrs. Lai and 2% by Mr. Luo.

On 7 August 2012, Mr. Lai entered into an equity transfer agreement with Mr. Luo to acquire 1.5% equity interest in Zhongzhi Pharmaceutical at the cash consideration of approximately RMB358,000, which was approximately equivalent to the unaudited net asset value of Zhongzhi Pharmaceutical as at 30 June 2012. The acquisition was legally completed on 23 August 2012 and as a result Zhongzhi Pharmaceutical was owned as to 91.5% by Mr. Lai, 8% by Mrs. Lai and 0.5% by Mr. Luo.

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According to the Group Companies Registration Guidelines* (企業集團登記指南) promulgated by Guangdong Province Administration for Industry & Commerce (廣東省工商管理局), any company having the word “group” in its name shall have not less than RMB30,000,000 as its registered capital and to have at least three subsidiaries. Hence, Zhongzhi Pharmaceutical increased its registered capital from RMB20,800,000 to RMB30,000,000 through Reorganisation as follows:

1. On 9 October 2012, Zhongzhi Pharmaceutical’s registered capital was increased by RMB2,364,000 from RMB20,800,000 to RMB23,164,000. The additional registered capital was contributed in cash by Zhongshan Yu Xin, which was formed by Mr. Lai, Ms. Mou, Mr. Cao and 18 present/former employees of our Group, which represented an opportunity for our present/former employees to participate in the growth and return of our Group in light of their past or future contribution. As a result, Zhongzhi Pharmaceutical was owned as to 82.16% by Mr. Lai, 7.18% by Mrs. Lai, 0.45% by Mr. Luo and 10.21% by Zhongshan Yu Xin;
2. On 19 October 2012, Zhongzhi Pharmaceutical’s registered capital was increased by RMB472,400 from RMB23,164,000 to RMB23,636,400. The additional registered capital was contributed in cash by Guangdong Jun Ke, which was an investment company decided to invest in Zhongzhi Pharmaceutical in light of the growth potential and prospects of the company. As a result, Zhongzhi Pharmaceutical was owned as to approximately 80.52% by Mr. Lai, 7.04% by Mrs. Lai, 0.44% by Mr. Luo, 10% by Zhongshan Yu Xin and 2% by Guangdong Jun Ke; and
3. On 26 October 2012, Zhongzhi Pharmaceutical’s registered capital was increased by RMB6,363,600 from RMB23,636,400 to RMB30,000,000. The additional registered capital was funded by the capital reserve of Zhongzhi Pharmaceutical proportional to the then equity interest held by each shareholder. As a result, the ownership of Zhongzhi Pharmaceutical remained unchanged and was owned as to 80.52% by Mr. Lai, 7.04% by Mrs. Lai, 0.44% by Mr. Luo, 10% by Zhongshan Yu Xin and 2% by Guangdong Jun Ke.

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As part of the Reorganisation, Mr. Lai, Mrs. Lai and Mr. Luo entered into the following equity transfer agreements for the transfer of their respective equity interests in Zhongzhi Pharmaceutical:

<u>Date of equity transfer agreements</u>	<u>Transferor</u>	<u>Transferee</u>	<u>% of equity interest transferred</u>	<u>Cash consideration (approximate) (RMB)</u>
29 July 2014	Mr. Lai	Zhongshan Zhi Ying Capital Investment Limited* (中山市智穎股權投資有限公司) (“ Zhongshan Zhi Ying ”), a company wholly owned by Mr. Lai	80.52%	24,156,000
29 July 2014	Mr. Luo	Zhongshan Rui Qi Investment Management Limited* (中山市瑞琪投資管理有限公司) (“ Zhongshan Rui Qi ”), a company wholly owned by Mr. Luo	0.44%	132,000
1 December 2014	Mrs. Lai	Grant Talent, a company wholly owned by Mrs. Lai	7.04%	6,309,000

The cash consideration for each of the equity transfer agreement dated 29 July 2014 was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferor in Zhongzhi Pharmaceutical; whereas the cash consideration for the equity transfer agreement dated 1 December 2014 was determined with reference to the valuation as conducted by an independent valuer who valued Zhongzhi Pharmaceutical at approximately RMB89,610,000 as at 30 September 2014. The transfers by Mr. Lai and Mr. Luo were completed on 30 July 2014 whereas the transfer by Mrs. Lai was completed on 19 January 2015. As a result of the transfers, Zhongzhi Pharmaceutical was owned as to 80.52% by Zhongshan Zhi Ying, 7.04% by Grant Talent, 10% by Zhongshan Yu Xin, 2% by Guangdong Jun Ke and 0.44% by Zhongshan Rui Qi.

Various equity transfer agreements were entered into by Grant Talent with Zhongshan Zhi Ying, Zhongshan Yu Xin, Guangdong Jun Ke and Zhongshan Rui Qi to acquire their respective equity interests of 80.52%, 10%, 2% and 0.44% in Zhongzhi Pharmaceutical at the cash consideration of RMB72,154,000, RMB8,961,000, RMB1,792,000 and RMB394,000 respectively, which were determined with reference to the valuation as conducted by an independent valuer who valued Zhongzhi Pharmaceutical at approximately RMB89,610,000 as at 30 September 2014. On 2 February 2015, such transfers were approved by the Department of Commerce of Guangdong Province and the same were legally completed on 6 February 2015 when the new business licence of Zhongzhi Pharmaceutical was issued. As a result, Zhongzhi Pharmaceutical became a wholly owned subsidiary of Grant Talent.

As at the Latest Practicable Date, Zhongzhi Pharmaceutical was engaged in the research, development, and sale of pharmaceutical products.

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Zeus Hong Kong

Zeus Hong Kong was incorporated in Hong Kong as a limited liability company on 14 April 2011 with an authorised share capital of HK\$10,000 divided into 10,000 shares with a par value of HK\$1 each, of which 10,000 shares were issued and allotted to Zhongzhi Pharmaceutical at par. There was no change in the shareholding of Zeus Hong Kong since its establishment and up to the Latest Practicable Date.

As at the Latest Practicable Date, the principal activity of Zeus Hong Kong was the holding of a trademark registered in Hong Kong.

Honeson Pharmaceutical

Honeson Pharmaceutical was incorporated in the PRC as a collective enterprise on 2 March 1986 with a registered capital of RMB1,121,000. From 1986 to 2001, there were various increases in the registered capital of Honeson Pharmaceutical, and on 9 October 2001, Honeson Pharmaceutical was transformed into a limited liability company with a registered capital of RMB10,000,000.

In August 2007, Zhongzhi Pharmaceutical and Mr. Lai entered into various equity transfer agreements with the then shareholders, all of whom are Independent Third Parties to acquire the entire equity interest in Honeson Pharmaceutical at an aggregate cash consideration of RMB10,000,000. The acquisitions were legally completed on 31 August 2007. As a result, Honeson Pharmaceutical was owned as to 60% by Zhongzhi Pharmaceutical and 40% by Mr. Lai.

On 10 June 2010, Zhongzhi Pharmaceutical entered into an equity transfer agreement with Mr. Lai to acquire 40% equity interest in Honeson Pharmaceutical at a cash consideration of RMB4,160,000, which was approximately equivalent to the proportional share of the audited net asset value of Honeson Pharmaceutical as at 31 December 2009. The acquisition was legally completed on 22 June 2010. As a result, Honeson Pharmaceutical became a wholly owned subsidiary of Zhongzhi Pharmaceutical.

As at the Latest Practicable Date, Honeson Pharmaceutical was engaged in the development and production of Chinese patent medicines.

Zhongzhi Chain Pharmacies

Zhongzhi Chain Pharmacies was incorporated in the PRC as a limited liability company on 27 July 2001 with a registered capital of RMB2,000,000. As at the date of incorporation, Zhongzhi Chain Pharmacies was owned as to 90% by Mr. Lai, 5% by Mr. Cai Hai Yu (蔡海育) and 5% by Ms. Jiang Mei Fang (姜梅芳). Mr. Cai Hai Yu is currently a vice general manager of our Group's sales and distribution network, whereas Ms. Jiang Mei Fang is currently the general manager of Zhongzhi Chain Pharmacies.

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On 12 November 2003, the registered capital of Zhongzhi Chain Pharmacies was increased by RMB2,600,000 from RMB2,000,000 to RMB4,600,000. The additional registered capital was solely contributed by Zhongzhi Pharmaceutical in cash. As a result, Zhongzhi Chain Pharmacies was owned as to approximately 56.52% by Zhongzhi Pharmaceutical, 39.13% by Mr. Lai, 2.175% by Mr. Cai Hai Yu and 2.175% by Ms. Jiang Mei Fang.

On 10 June 2010, Zhongzhi Pharmaceutical entered into an equity transfer agreement with Mr. Lai, Mr. Cai Hai Yu and Ms. Jiang Mei Fang to acquire an aggregate of approximately 43.48% equity interest in Zhongzhi Chain Pharmacies at the cash consideration of RMB2,000,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of the transferors in Zhongzhi Chain Pharmacies. The acquisition was legally completed on 22 June 2010 and Zhongzhi Chain Pharmacies became a wholly owned subsidiary of Zhongzhi Pharmaceutical. As at the Latest Practicable Date, Ms. Jiang Mei Fang and Mr. Cai Hai Yu are indirect shareholders of the Company who held an aggregate of 13.37% interest in Advance Keypath Global Investments Limited, which in turn held 10% shareholding interest of our Company.

Zhongzhi Chain Pharmacies was engaged in the retail sale of pharmaceutical and healthcare products.

Zhongzhi Food

Zhongzhi Food was incorporated in the PRC as a limited liability company on 10 December 2014 with a registered share capital of RMB500,000. As at the date of incorporation, Zhongzhi Food was a wholly owned subsidiary of Zhongzhi Pharmaceutical.

As at the Latest Practicable Date, applications for the requisite licences and permits from the PRC government for the manufacturing and sale of food products are still in progress.

Zhongzhi Herb Pieces

Zhongzhi Herb Pieces was incorporated in the PRC as a limited liability company on 10 July 2001 with a registered capital of RMB600,000. As at the date of incorporation, Zhongzhi Herb Pieces was owned as to approximately 66.7% by Zhongzhi Pharmaceutical and approximately 33.3% by Mrs. Lai.

On 13 October 2003, the registered capital of Zhongzhi Herb Pieces was increased by RMB6,000,000 from RMB600,000 to RMB6,600,000. The additional registered capital was contributed by Zhongzhi Pharmaceutical in cash. As a result, Zhongzhi Herb Pieces was owned as to approximately 96.97% by Zhongzhi Pharmaceutical and approximately 3.03% by Mrs. Lai.

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On 10 June 2010, Zhongzhi Pharmaceutical entered into an equity transfer agreement with Mrs. Lai to acquire approximately 3.03% equity interest in Zhongzhi Herb Pieces at the cash consideration of RMB200,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of Mrs. Lai in Zhongzhi Herb Pieces. The acquisition was legally completed on 22 June 2010 and Zhongzhi Herb Pieces became a wholly owned subsidiary of Zhongzhi Pharmaceutical.

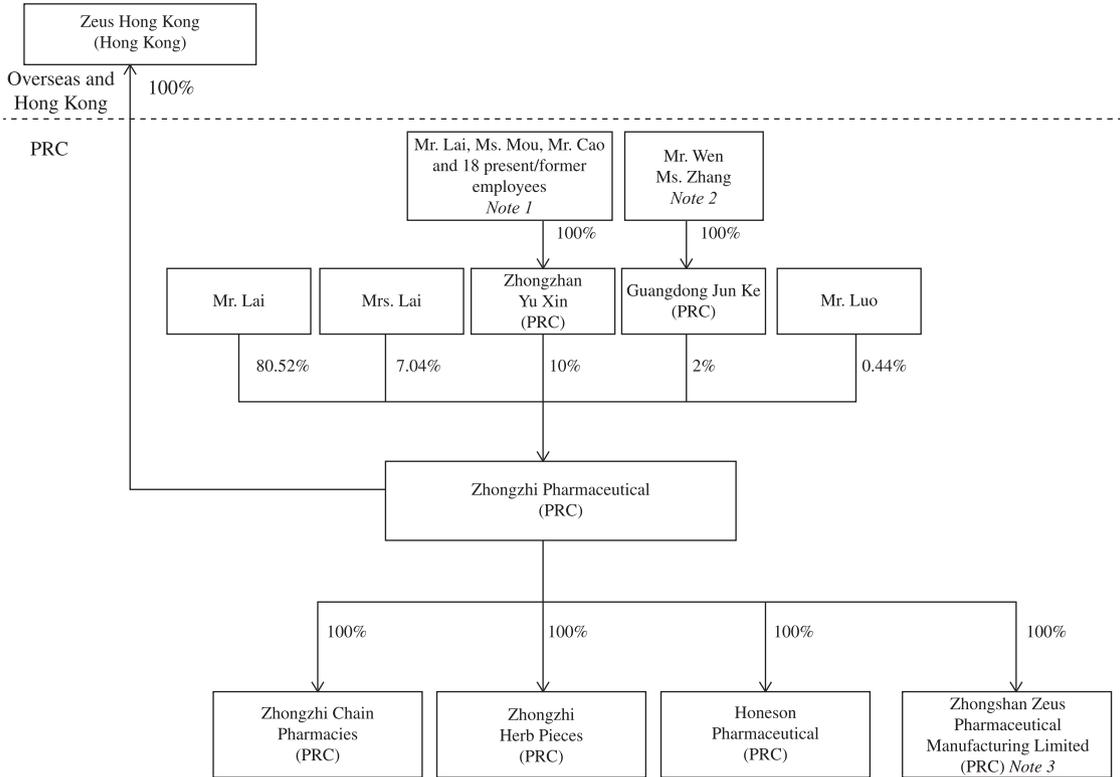
As foreign investors are prohibited from holding any equity interest in Zhongzhi Herb Pieces under the applicable PRC laws and regulations, on 31 August 2014, Mr. Lai, Zhongshan Yu Xin, Guangdong Jun Ke and Mr. Luo as part of the Reorganisation, entered into various equity transfer agreements with Zhongzhi Pharmaceutical to acquire 87.56%, 10%, 2% and 0.44% equity interest in Zhongzhi Herb Pieces at the cash consideration of approximately RMB7,693,000, RMB879,000, RMB176,000 and RMB39,000 respectively which were determined with reference to the valuation conducted by an independent valuer who valued Zhongzhi Herb Pieces at RMB8,787,000 as at 31 July 2014. The acquisitions were legally completed on 22 September 2014 and as a result, Zhongzhi Herb Pieces ceased to be a member of our Group with effect from 22 September 2014.

The principal business of Zhongzhi Herb Pieces was the production of decoction pieces.

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CORPORATE STRUCTURE

The following diagram shows the shareholdings and corporate structure of our Group immediately before the Reorganisation.



Note 1: The shareholders of Zhongshan Yu Xin are Mr. Lai, Ms. Mou, Mr. Cao and 18 present/former employees of our Group. Please refer to the details of the Zhongshan Yu Xin shareholders in the paragraph headed “Corporate Reorganisation — Offshore reorganisation” in Appendix V headed “Statutory and General Information” to this [REDACTED].

Note 2: Mr. Wen and Ms. Zhang held 53% and 47% equity interest in Guangdong Jun Ke respectively. Other than the aforesaid equity interest in Guangdong Jun Ke, both of them are Independent Third Parties.

Note 3: Zhongshan Zeus Pharmaceutical Manufacturing Limited* (中山市中智製藥有限公司) was deregistered on 15 July 2014 in light of its inactive status.

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REORGANISATION

Onshore Reorganisation

The onshore part of the Reorganisation consisted of the following major steps:

1. On 15 July 2014, Zhongshan Zhi Ying was established in the PRC as a limited liability company with a registered capital of RMB300,000 which was wholly owned by Mr. Lai. On 29 July 2014, Zhongshan Zhi Ying entered into an equity transfer agreement with Mr. Lai to acquire 80.52% equity interest in Zhongzhi Pharmaceutical at the cash consideration of RMB24,156,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of Mr. Lai in Zhongzhi Pharmaceutical.
2. On 15 July 2014, Zhongshan Rui Qi was established in the PRC as a limited liability company with a registered capital of RMB500,000 which was wholly owned by Mr. Luo. On 29 July 2014, Zhongshan Rui Qi entered into an equity transfer agreement with Mr. Luo to acquire 0.44% equity interest in Zhongzhi Pharmaceutical at the cash consideration of RMB132,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of Mr. Luo in Zhongzhi Pharmaceutical.

As a result, Zhongzhi Pharmaceutical was owned as to 80.52%, 7.04%, 10%, 2% and 0.44% by Zhongshan Zhi Ying, Mrs. Lai, Zhongshan Yu Xin, Guangdong Jun Ke and Zhongshan Rui Qi respectively.

3. Under the applicable PRC laws and regulations, foreign investors are prohibited from holding any equity interest in Zhongzhi Herb Pieces. On 31 August 2014, Mr. Lai, Zhongshan Yu Xin, Guangdong Jun Ke and Mr. Luo entered into various equity transfer agreements with Zhongzhi Pharmaceutical to acquire 87.56%, 10%, 2% and 0.44% equity interest in Zhongzhi Herb Pieces respectively at the consideration of approximately RMB7,693,000, RMB879,000, RMB176,000 and RMB39,000 respectively which were determined with reference to the valuation conducted by an independent valuer who valued Zhongzhi Herb Pieces at RMB8,787,000 as at 31 July 2014. The acquisitions were legally completed on 22 September 2014.
4. On 31 August 2014, all the agreements constituting the Contractual Arrangements were entered into between Zhongzhi Pharmaceutical, Zhongzhi Herb Pieces, Mr. Lai, Zhongshan Yu Xin, Guangdong Jun Ke and Mr. Luo. Please refer to the “Contractual Arrangements” section in this [REDACTED] for further details.

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Offshore Reorganisation

The offshore part of the Reorganisation consisted of the following major steps:

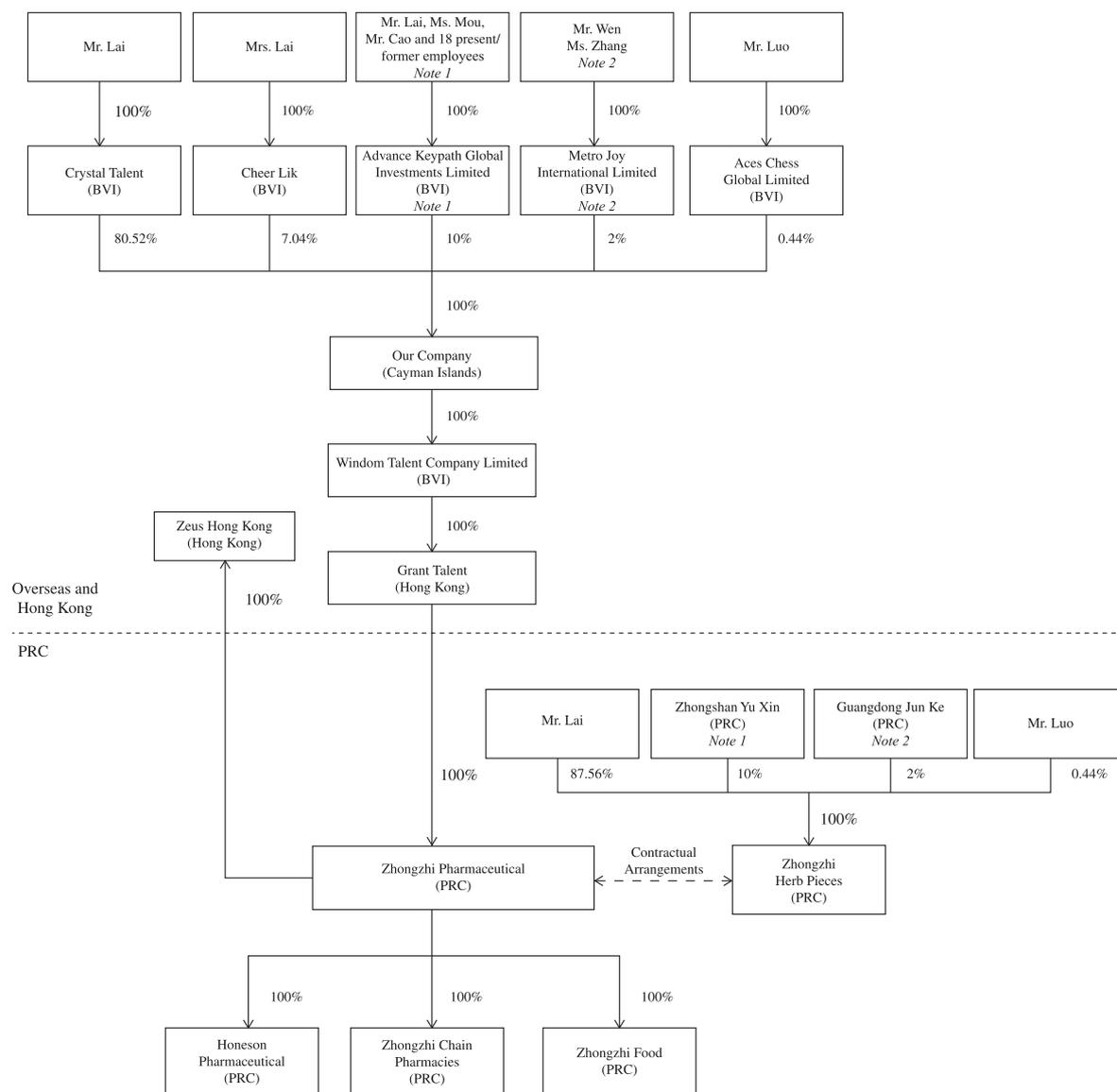
1. On 2 January 2014, Cheer Lik was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Mrs. Lai at par.
2. On 2 January 2014, Metro Joy International Limited was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 53 shares were issued and allotted fully paid to Mr. Wen at par and 47 shares were issued and allotted fully paid to Ms. Zhang at par.
3. On 25 July 2014, Crystal Talent was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Mr. Lai at par.
4. On 25 July 2014, Advance Keypath Global Investments Limited was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Ms. Mou at par. In September 2014, Advance Keypath Global Investments Limited has undergone capital reorganisation to the effect that the authorised share capital was changed to US\$500 divided into 500,000 shares of US\$0.001 each. Mr. Lai, Ms. Mou, Mr. Cao and 18 present/former employees of our Group, all being shareholders of Zhongshan Yu Xin, were introduced to Advance Keypath Global Investments Limited. As at the Latest Practicable Date, there were a total of 21 shareholders and their respective shareholdings were set out in the paragraph headed “Corporate Reorganisation — Offshore reorganisation” in Appendix V headed “Statutory and General Information” to this [REDACTED]. The shareholding structure of Advance Keypath Global Investments Limited and Zhongshan Yu Xin are the same.
5. On 25 July 2014, Aces Chess Global Limited was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was issued and allotted fully paid to Mr. Luo at par.
6. On 1 August 2014, Grant Talent was incorporated in Hong Kong as a limited liability company with a share capital of HK\$1 which was allotted and issued fully paid to the initial subscriber, which was transferred to Mrs. Lai on 25 August 2014.

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7. On 12 September 2014, our Company was incorporated in the Cayman Islands with limited liability. At the time of incorporation, our Company had an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 of which 10,000 Shares were issued and allotted fully paid to Cheer Lik at par.
8. On 16 September 2014, Windom Talent Company Limited was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was issued and allotted fully paid to our Company at par.
9. On 14 October 2014, Windom Talent Company Limited acquired from Mrs. Lai and became the shareholder of the entire issued share capital of Grant Talent at the consideration of HK\$1 and Grant Talent became a wholly owned subsidiary of Windom Talent Company Limited.
10. On 1 December 2014, Grant Talent entered into an equity transfer agreement with Mrs. Lai to acquire 7.04% equity interest in Zhongzhi Pharmaceutical at the cash consideration of approximately RMB6,309,000, which was determined with reference to the valuation as conducted by an independent valuer who valued Zhongzhi Pharmaceutical at RMB89,610,000 as at 30 September 2014. Such transfer has been approved by Department of Commerce of Guangdong Province* (廣東省商務廳). The acquisition was legally completed on 19 January 2015.
11. On 2 February 2015, each of Crystal Talent, Advance Keypath Global Investments Limited, Metro Joy International Limited and Aces Chess Global Limited entered into a share transfer agreement with Cheer Lik, to acquire from Cheer Lik at par 8,052 Shares, 1,000 Shares, 200 Shares and 44 Shares respectively. As a result, our Company was owned as to 80.52%, 7.04%, 10%, 2% and 0.44% by Crystal Talent, Cheer Lik, Advance Keypath Global Investments Limited, Metro Joy International Limited and Aces Chess Global Limited respectively.
12. Various equity transfer agreements were entered into by Grant Talent with Zhongshan Zhi Ying, Zhongshan Yu Xin, Guangdong Jun Ke and Zhongshan Rui Qi to acquire their respective equity interests of 80.52%, 10%, 2% and 0.44% in Zhongzhi Pharmaceutical at the cash consideration of approximately RMB72,154,000, RMB8,961,000, RMB1,792,000 and RMB394,000 respectively, which were determined with reference to the valuation as conducted by an independent valuer who valued Zhongzhi Pharmaceutical at RMB89,610,000 as at 30 September 2014. On 2 February 2015, were approved by the Department of Commerce of Guangdong Province and the same were legally completed on 6 February 2015 when the new business licence of Zhongzhi Pharmaceutical was issued. Our PRC Legal Advisors have confirmed that our Group has obtained the necessary consent from the relevant government authority in respect of the transfers. As a result, Zhongzhi Pharmaceutical became a wholly owned subsidiary of Grant Talent.

HISTORY AND CORPORATE STRUCTURE

As at the Latest Practicable Date, the above steps of onshore and offshore parts of the Reorganisation have been legally completed. The following diagram shows the shareholdings and corporate structure of our Group immediately after completion of the Reorganisation (both onshore and offshore parts) but before completion of the Capitalisation Issue and the [REDACTED]:



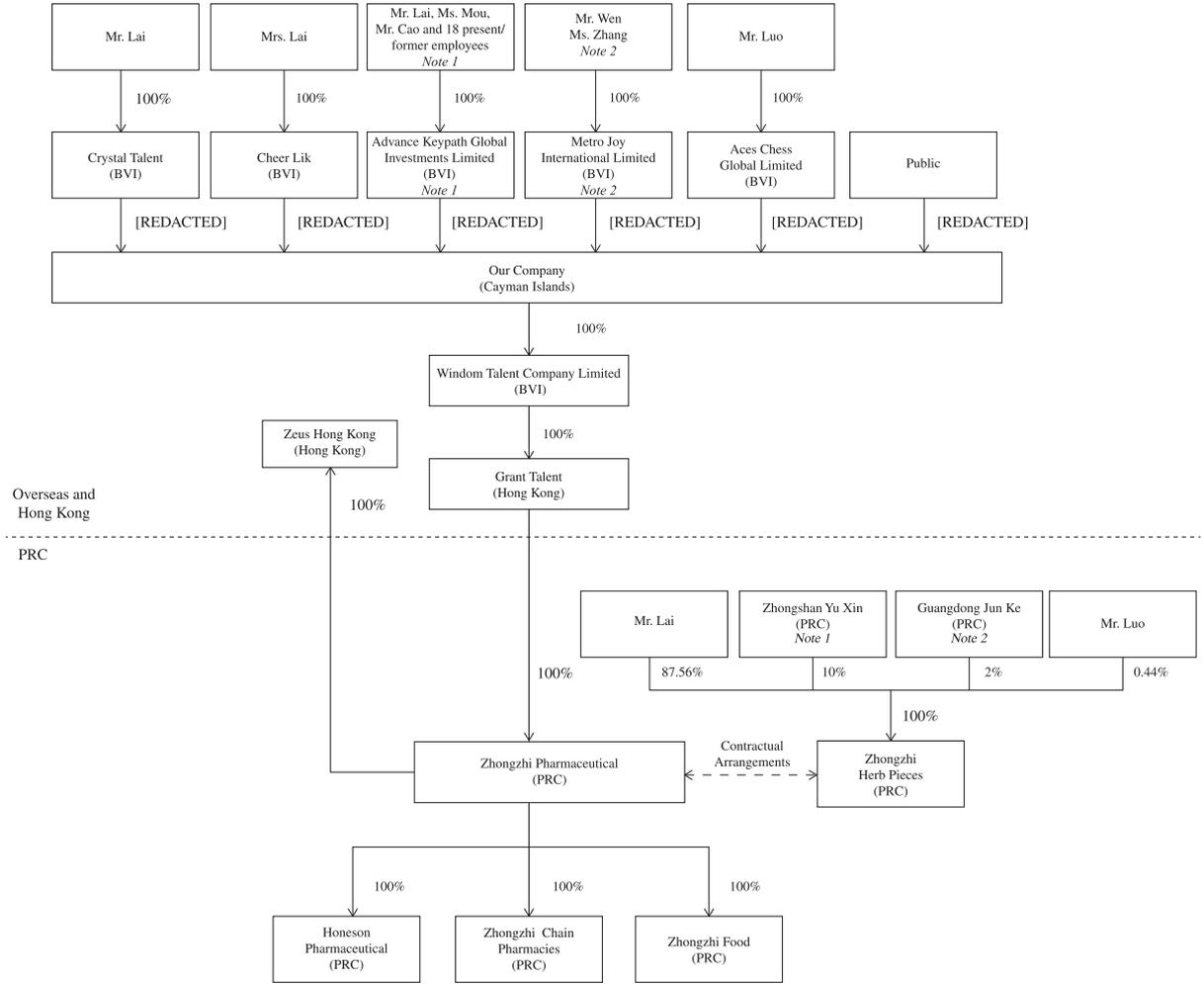
Note 1: The shareholders and shareholding structure of Advance Keypath Global Investments Limited and Zhongshan Yu Xin are the same. The shareholders are Mr. Lai, Ms. Mou, Mr. Cao and 18 present/former employees of our Group. Please refer to the details of the shareholders of Advance Keypath Global Investments Limited and Zhongshan Yu Xin in the paragraph headed “Corporate Reorganisation — Offshore reorganisation” in Appendix V headed “Statutory and General Information” to this [REDACTED].

Note 2: The shareholders and shareholding structure of Metro Joy International Limited and Guangdong Jun Ke are the same. Mr. Wen and Ms. Zhang held 53% and 47% of equity interest respectively in Metro Joy International Limited and Guangdong Jun Ke.

HISTORY AND CORPORATE STRUCTURE

Our PRC Legal Advisors have confirmed that all relevant approvals and permits in relation to the transfer of equity interest of the PRC established companies in our Group as described above as part of the Reorganisation had been obtained and the procedures involved had been carried out in accordance with PRC laws and regulations. As confirmed by our PRC Legal Advisors, our beneficial owners who are PRC citizens or residents have completed the process of registration pursuant to Circular No. 37 in November 2014.

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).



HISTORY AND CORPORATE STRUCTURE

Note 1: The shareholders and shareholding structure of Advance Keypath Global Investments Limited and Zhongshan Yu Xin are the same. The shareholders are Mr. Lai, Ms. Mou, Mr. Cao and 18 present/former employees of our Group. Please refer to the details of the shareholders of Advance Keypath Global Investments Limited and Zhongshan Yu Xin in the paragraph headed “Corporate Reorganisation — Offshore reorganisation” in Appendix V headed “Statutory and General Information” to this [REDACTED].

Note 2: The shareholders and shareholding structure of Metro Joy International Limited and Guangdong Jun Ke are the same. Mr. Wen and Ms. Zhang held 53% and 47% of equity interest respectively in Metro Joy International Limited and Guangdong Jun Ke.