

HISTORY AND DEVELOPMENT

HISTORY AND BUSINESS DEVELOPMENT

Our Group was co-founded by Mr. Zhou and Mr. Dai in 2001 through Hangzhou Xin Hong. Hangzhou Xin Hong was established in the PRC on 14 March 2001 and was wholly owned by Hong Rui Bio-medical prior to the Reorganisation as described below. When our Group was first established, Mr. Zhou owned 90% interest in Hangzhou Xin Hong and was self-financed, and both Mr. Zhou and Mr. Dai participated in the operation of our business. The remaining 10% interest in Hangzhou Xin Hong was then held by Yang Qi (楊奇), Ms. Yang's brother. At the time of our establishment, we were principally engaged in marketing of pharmaceutical products in the PRC through Hangzhou Xin Hong. Having commenced our business through Hangzhou Xin Hong since 2001 in the pharmaceutical industry, we expanded our business to distribution of pharmaceutical products in 2007. Since then, we have grown to become an established pharmaceutical distributor originated from Zhejiang province and headquartered in Hangzhou, Zhejiang province.

Set out below are the key milestones in the history and business development of our Group:

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| 2001 | <ul style="list-style-type: none">• Mr. Zhou and Mr. Dai co-founded our Group which was principally engaged in marketing of pharmaceutical products.• Mr. He joined our Group. |
| 2005 | <ul style="list-style-type: none">• Ms. Yang joined our Group. |
| 2007 | <ul style="list-style-type: none">• We expanded our business to distribution of pharmaceutical products. |
| 2008 | <ul style="list-style-type: none">• We commenced business relationship with one of our major suppliers, Beijing Kaihongxin Pharmaceutical Company Limited* (北京凱宏鑫醫藥有限責任公司). |
| 2009 | <ul style="list-style-type: none">• We commenced business relationship with our another major supplier, Baoding Huida Pharmaceutical Company Limited* (保定匯達醫藥有限公司).• We obtained distribution rights in Levocarnitine Injection (左卡尼汀注射液), one of our major products.• Our Controlling Shareholders invested in our Group. |
| 2010 | <ul style="list-style-type: none">• We acquired a property in Dikai International Centre, Hangzhou, where our headquarters is currently located at. |

CORPORATE DEVELOPMENT AND STRUCTURE

Hong Kong New Rich

Hong Kong New Rich is an investment holding company. It was incorporated on 7 February 2005 in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 1 share was allotted and issued to Mr. Zhou.

On 16 January 2008, Mr. Zhou transferred his entire equity interests in Hong Kong New Rich to Max Goodrich at a consideration of HK\$1.00 based on par value. The consideration was determined after arm's length negotiation and had been settled. The transfer has been completed on the same day. As a result, Hong Kong New Rich became a wholly-owned subsidiary of Max Goodrich.

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Our PRC subsidiaries

Hong Rui Trading was established in the PRC as a limited liability company on 6 September 2005 with a registered capital of RMB5,000,000. Hong Rui Trading had no active business activities during the Track Record Period. Upon establishment, Hong Rui Trading was owned as to 90% by Hangzhou Xin Rui Medical Investments Co. Ltd.* (杭州新銳醫藥投資有限公司) (“**Hangzhou Xin Rui**”), 6% by Ms. Yang, 3% by Mr. Dai and 1% by Mr. He. Hangzhou Xin Rui was incorporated in the PRC on 29 July 2005 and was then owned as to 40% by Mr. Zhou, 30% by Ms. Yang and 30% by Mr. Dai. Hangzhou Xin Rui was deregistered on 8 September 2009.

Zhejiang Xin Rui Pharmaceutical was established in the PRC as a limited liability company on 26 April 2006 with a registered capital of RMB5,000,000. The principal business of Zhejiang Xin Rui Pharmaceutical is distribution of pharmaceutical products. Upon establishment, Zhejiang Xin Rui Pharmaceutical was owned as to 60% by Zhang Su Juan (張素娟), 20% by Hu Rong Gen (胡榮根) and 20% by Luo Xiao Hua (羅曉華), respectively. To the best of the Directors’ knowledge and belief, each of Zhang Su Juan (張素娟), Hu Rong Gen (胡榮根) and Luo Xiao Hua (羅曉華) is an Independent Third Party.

Prior to the acquisition of Zhejiang Xin Rui Pharmaceutical in August 2007, our distribution business was operated under the pharmaceutical operation permit (藥品經營許可證) and the GSP certificate held by Hainan Hong Rui Pharmaceutical Co. Ltd.* (海南泓銳醫藥有限公司) (“**Hainan Hong Rui**”). In view of the costs efficiency, on 1 August 2007, Hangzhou Xin Rui, Ms. Yang, Mr. Dai and Mr. He entered into an equity transfer agreement with Zhang Su Juan (張素娟), Hu Rong Gen (胡榮根) and Luo Xiao Hua (羅曉華) in relation to the acquisition of their entire equity interests in Zhejiang Xin Rui Pharmaceutical, which held the pharmaceutical operation permit (藥品經營許可證) and the GSP certificate required for operating the business of distribution of pharmaceutical products in Hangzhou, at a total consideration of RMB5,000,000. The consideration was determined after arm’s length negotiations by reference to the registered capital of Zhejiang Xin Rui Pharmaceutical and had been settled by (i) internal resources of Hangzhou Xin Rui and (ii) the respective financial resources of Ms. Yang, Mr. Dai and Mr. He. The acquisition was completed on 31 August 2007. As a result, Zhejiang Xin Rui Pharmaceutical became owned as to 90% by Hangzhou Xin Rui, 6% by Ms. Yang, 3% by Mr. Dai and 1% by Mr. He, respectively.

In about September 2007, Mr. Zhou and Ms. Yang intended to emigrate and therefore, decided to dispose of their respective interests in Hainan Hong Rui, Hong Rui Trading, Zhejiang Xin Rui Pharmaceutical and Hangzhou Xin Hong. Hainan Hong Rui was then held as to 69%, 30% and 1% by Mr. Zhou, Ms. Yang and Mr. He respectively. Hangzhou Xin Hong was then held as to 40%, 30% and 30% by Mr. Zhou, Ms. Yang and Mr. Dai respectively.

In November 2007, Mr. Zhou, Ms. Yang and Mr. He transferred their respective interests in Hainan Hong Rui to Zhou Jian (周健) (Mr. Zhou’s brother) and Yang Qi (楊奇) at a total consideration of RMB1,000,000. The consideration was determined after arm’s length negotiations by reference to the then registered capital of Hainan Hong Rui and had been settled. The transfer was completed on 3 December 2007.

On 5 and 6 December 2007, (i) Hangzhou Xin Rui, Ms. Yang and Mr. Dai; and (ii) Mr. He respectively entered into equity transfer agreements with Hainan Hong Rui in relation to the transfer of their entire equity interests in Hong Rui Trading to Hainan Hong Rui at a total consideration of RMB5,000,000. Hainan Hong Rui was incorporated in the PRC in January

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2007 and was, at the time of transfer, equally owned by Zhou Jian (周健) and Yang Qi (楊奇). The consideration of RMB5,000,000 was determined after arm's length negotiations by reference to the registered capital of Hong Rui Trading and had been settled. The transfer was completed on 6 December 2007. As a result, Hong Rui Trading became wholly-owned by Hainan Hong Rui.

On 7 December 2007, Hangzhou Xin Rui, Ms. Yang, Mr. Dai and Mr. He entered into equity transfer agreements with Hainan Hong Rui in relation to the transfer of their entire equity interests in Zhejiang Xin Rui Pharmaceutical to Hainan Hong Rui at a total consideration of RMB5,000,000. The consideration was determined after arm's length negotiations by reference to the registered capital of Zhejiang Xin Rui Pharmaceutical and had been settled. The transfer was completed on 17 December 2007. As a result, Zhejiang Xin Rui Pharmaceutical became wholly-owned by Hainan Hong Rui.

In January 2008, Mr. Zhou, Ms. Yang and Mr. Dai transferred their respective interests in Hangzhou Xin Hong to Zhou Jian (周健) and Yang Qi (楊奇) at a total consideration of RMB2,000,000. The consideration was determined after arm's length negotiations by reference to the then registered capital of Hangzhou Xin Hong and had been settled. The transfer was completed on 22 January 2008.

Mr. Zhou and Ms. Yang subsequently decided not to emigrate and decided to purchase back some of the companies they previously disposed of and noted that Hangzhou Xin Hong then held 100% interests in Hainan Hong Rui which in turn held 100% interests in each of Hong Rui Trading and Zhejiang Xin Rui Pharmaceutical. In August 2008, we, through Hong Rui Bio-medical, acquired from Zhou Jian (周健) and Yang Qi (楊奇) 100% equity interests in Hangzhou Xin Hong at a total consideration of RMB2,000,000. The consideration was determined after arm's length negotiations by reference to the then registered capital of Hangzhou Xin Hong and had been settled. The transfer was completed on 8 August 2008. As a result, Hangzhou Xin Hong became wholly-owned by Hong Rui Bio-medical.

We had carried out certain intra-group transfers and disposed of Hainan Hong Rui with a view to streamlining our group structure and centralizing our resources in Zhejiang province.

On 23 February 2009, Hainan Hong Rui entered into an equity transfer agreement with Zhejiang Xin Rui Pharmaceutical in relation to the transfer of its entire equity interests in Hong Rui Trading to Zhejiang Xin Rui Pharmaceutical at a consideration of RMB5,000,000. The consideration was determined after arm's length negotiations by reference to the registered capital of Hong Rui Trading and had been settled. The transfer was completed on 26 February 2009. As a result, Hong Rui Trading became wholly-owned by Zhejiang Xin Rui Pharmaceutical.

On 20 March 2009, Hangzhou Xin Hong entered into an equity transfer agreement with Hainan Hong Rui in relation to the acquisition of Hainan Hong Rui's entire equity interests in Zhejiang Xin Rui Pharmaceutical at a consideration of RMB5,000,000. The consideration was determined after arm's length negotiations based on the registered capital of Zhejiang Xin Rui Pharmaceutical and had been settled. The transfer was completed on 2 April 2009. As a result, Zhejiang Xin Rui Pharmaceutical became wholly-owned by Hangzhou Xin Hong.

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In view of the financial and operational performance of Hainan Hong Rui, we disposed of Hainan Hong Rui to an Independent Third Party at a consideration of RMB1,000,000 on 21 January 2010 and centralized our resources in Zhejiang province. The consideration was determined after arm's length negotiations with reference to (i) the net asset value of Hainan Hong Rui; (ii) the business prospect of Hainan Hong Rui; and (iii) the prevailing market condition. Completion took place immediately after the signing of the disposal agreement between Hangzhou Xin Hong and the Independent Third Party. The consideration had been settled. We had recorded no gain or loss as a result of the disposal.

Hong Rui Bio-medical was established in the PRC as a limited liability company on 8 July 2008 with a registered capital of HK\$15,000,000 and has been wholly-owned by Hong Kong New Rich since its establishment. Save for holding the entire equity interest in Zhejiang Xin Rui Pharmaceutical, Hong Rui Bio-medical does not conduct any other business activities. On 17 February 2009, the registered capital of Hong Rui Bio-medical was increased from HK\$15,000,000 to HK\$75,000,000.

Pursuant to SAFE Circular No. 75, each of Mr. Zhou, Mr. Dai, Ms. Yang and Mr. He is required to make applications and filings in relation to offshore investment activities as disclosed in the section above. In this connection, each of them has registered at SAFE Zhejiang branch as required under SAFE Circular No. 75.

Before 30 January 2012, pharmaceutical distribution business fell within the category of industry in which foreign investment was restricted. As advised by our PRC legal adviser, under the applicable PRC laws, foreign investment projects are classified as four categories, namely, encouraged category, permitted category, restricted category and prohibited category, while foreign investors can invest in the industry in which foreign investment is encouraged, restricted or permitted according to the applicable PRC laws. As pharmaceutical distribution business fell within the category of industry in which foreign investment was restricted before 30 January 2012 and has since 30 January 2012 been permitted, foreign investors can engage in pharmaceutical distribution business before and after 30 January 2012. According to the applicable PRC laws, foreign invested enterprises or enterprises owned by foreign invested enterprises falling within the category of industry in which foreign investment was restricted are required to be approved by competent commerce authorities, and there is no provision under the applicable PRC laws under which approval from commerce authorities is required for enterprises owned by enterprises held by foreign invested enterprises. We conducted our pharmaceutical distribution business through Zhejiang Xin Rui Pharmaceutical, being then held by Hangzhou Xin Hong, which was in turn held by Hong Rui Bio-medical (a foreign invested enterprise). Since Zhejiang Xin Rui Pharmaceutical was an enterprise owned by enterprises held by foreign invested enterprises (other than foreign invested enterprises or enterprise owned by foreign invested enterprise), no approval from competent commerce authorities was required. As advised by our PRC legal adviser, the aforesaid structure is not in violation of and complies with the applicable PRC laws and regulations. Meanwhile, Zhejiang Xin Rui Pharmaceutical has renewed its pharmaceutical operation permit and gone through the annual inspection with the competent administrative authorities in compliance with the applicable PRC laws and regulations. On 28 April 2013, both the PRC legal adviser of the Company and the PRC legal adviser of the Sponsor visited Foreign Trade and Economic Cooperation Bureau Jianggan District Hangzhou, the competent authority and consulted about our historical and current structure's legality. The director of the Foreign Investment office, the competent person, confirmed that our historical and current structure is not in violation of and complies with the applicable PRC laws and regulations. Under the relevant PRC laws and regulations, Hangzhou city is a sub-provincial city (副省級城市), and Hangzhou Foreign

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Trade and Economic Cooperation Bureau is a provincial commerce authority. According to the relevant regulations issued by Hangzhou city government, since 2004, Foreign Trade and Economic Cooperation Bureau Jianggan District Hangzhou has been empowered to exercise the authority to approve the foreign invested enterprises with the total investment of less than USD30,000,000 within its jurisdiction, and the total investment of our Group is less than USD30,000,000. Therefore, Foreign Trade and Economic Cooperation Bureau Jianggan District Hangzhou is the competent authority to approve and supervise our Group. Furthermore, generally speaking, any application and/or consultation need to be submitted to the government authorities at the district level first. The government authorities at provincial level generally do not accept any application or consultation directly. On 5 June 2013, both the PRC legal advisers of the Company and the Sponsor further visited Hangzhou Foreign Trade and Economic Cooperation Bureau and consulted the deputy director of the Service Department for Enterprise with Foreign Investment, who also considers that our historical and current structure is not in violation of the applicable PRC laws and regulations. Based on the foregoing, our PRC legal adviser is of the view that the likelihood of the confirmation of Foreign Trade and Economic Cooperation Bureau Jianggan District Hangzhou to be challenged by the relevant authority at provincial level is remote.

Max Goodrich

Max Goodrich is an investment holding company. It was incorporated on 21 September 2007 in the BVI and is authorised to issue 50,000 shares of a single class, with a par value of US\$1 each. On 3 December 2007, the issued share capital of Max Goodrich was US\$10,000 divided into 10,000 shares of US\$1.00 each. It was owned as to 40% by Mr. Zhou, 30% by Mr. Dai, 29% by Ms. Yang and 1% by Mr. He, respectively, on the same day. For the period from 3 December 2007 to 18 November 2008, Mr. He held the 1% interest in Max Goodrich (represented by 100 shares) in trust for the benefit of Mr. Zhou (the “**Trust Arrangement**”). In view of Mr. He’s experience in the pharmaceutical products distribution business and his contribution to our Group and to provide incentive to him to serve our Group, Mr. Zhou then intended to give the 100 shares in Max Goodrich held under the Trust Arrangement to Mr. He as gift when the development of our Group became stable.

On 1 September 2008, Max Goodrich issued and allotted 116 shares, 87 shares and 87 shares at par, to Mr. Zhou, Mr. Dai and Ms. Yang, respectively credited as fully paid. As a result, Max Goodrich was owned as to 40.00% by Mr. Zhou, 30.00% by Mr. Dai, approximately 29.03% by Ms. Yang and approximately 0.97% by Mr. He, respectively.

In contemplation of Town Health Pharmaceutical’s investment in Max Goodrich, Mr. Zhou decided to cancel the Trust Arrangement. On 18 November 2008, at the request of Mr. Zhou, Mr. He transferred his 0.97% equity interests in Max Goodrich to Mr. Zhou (represented by the 100 shares held under the Trust Arrangement). The transfer was completed on the same day. As a result, Max Goodrich became owned as to approximately 40.97% by Mr. Zhou, 30.00% by Mr. Dai and approximately 29.03% by Ms. Yang, respectively.

On 1 April 2009, Max Goodrich issued and allotted 10,710 shares to Town Health Pharmaceutical at a consideration of RMB66,600,000, which was determined after arms’ length negotiations between Town Health Pharmaceutical and Max Goodrich taking into account (i) the unaudited combined net asset value of Hong Kong New Rich of approximately RMB37.7 million as at 31 March 2008; (ii) the business and development of Max Goodrich and its subsidiaries at that time; and (iii) the guarantee by Mr. Zhou of the audited consolidated net profit after taxation but before extraordinary items of Max Goodrich for each

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of the four financial years ended 31 March 2012 being not less than RMB10,000,000. The consideration had been fully paid. As a result, Max Goodrich was owned as to 51% by Town Health Pharmaceutical, approximately 20.08% by Mr. Zhou, approximately 14.70% by Mr. Dai and approximately 14.22% by Ms. Yang, respectively. We had applied the proceeds of RMB66,600,000 raised from Town Health Pharmaceutical's subscription of the interests in Max Goodrich as described above as to (i) approximately 34.5% for payment of deposits to our suppliers, (ii) approximately 25.5% for repayment of loans from related parties, (iii) approximately 16.9% for acquisition of 45% interest in Shenyang Meilou, (iv) approximately 16.2% for acquisition of the property in Dikai International Centre in Hangzhou where our headquarters currently locates, (v) approximately 4.0% for acquisitions of fixed assets (including vehicles and warehouse's facilities) for our business operation, (vi) approximately 1.5% for investment in and provision of funding to Haikou Xin Lang, and (vii) the balance of approximately 1.4% for general working capital.

On 26 April 2010, Town Health Pharmaceutical and Ms. Yang entered into a sale and purchase agreement with Mr. He, pursuant to which each of Town Health Pharmaceutical and Ms. Yang agreed to transfer their respective 3% equity interests in Max Goodrich (representing an aggregate of 6% equity interests of Max Goodrich) to Mr. He at a consideration of HK\$4,800,000, which was determined by Town Health Pharmaceutical, Ms. Yang and Mr. He after arm's length negotiations with reference to (i) the net asset value and the business prospect of Max Goodrich and its subsidiaries; (ii) the prevailing market condition; and (iii) the contribution made by Mr. He to Max Goodrich and its subsidiaries. The consideration had been settled and the transfer was completed on 11 June 2010. As a result, Max Goodrich was owned as to 48% by Town Health Pharmaceutical, approximately 20.08% by Mr. Zhou, approximately 14.70% by Mr. Dai, approximately 11.22% by Ms. Yang and 6% by Mr. He, respectively.

The aforesaid transfer of 3% equity interests in Max Goodrich by Town Health Pharmaceutical to Mr. He may be exposed to the risk of the application of SAT Circular No. 698. As advised by our PRC legal adviser, as it is not clear how to calculate the effective tax rate and how to determine whether there is any abusive structuring arrangement or whether it lacks reasonable commercial purpose regarding the aforesaid 3% equity transfer in Max Goodrich, it is uncertain whether and how SAT Circular No. 698 would apply to the aforesaid equity transfer. In the event that competent PRC tax authority determines in the future that SAT Circular No. 698 is applicable to the aforesaid equity transfer, Town Health Pharmaceutical may be subject to relevant reporting obligations. If the competent PRC tax authority considers that it lacks reasonable commercial purpose and its establishment is an abuse structuring arrangement for the purpose of the PRC tax avoidance, it may disregard the existence of the overseas holding company. Town Health Pharmaceutical may be therefore required to pay PRC income tax regarding its gains derived from such equity transfer. If the tax authority finally determines in the future that SAT Circular No. 698 is applicable, even though our Group is neither the obliged taxpayer nor the obligatory withholder under SAT Circular No. 698 and the tax obligation remains with the transferor, i.e. Town Health Pharmaceutical, our Group is required to assist the tax authority to levy the tax. There is no provision as how to define the scope of assistance our Group shall provide and the tax authority shall have the jurisdiction to define such a broad definition. As a result, our Group may incur expense or losses to provide such assistance, or may even be exposed to the risk of the competent PRC tax authority's requirement to be responsible for such tax payment (which may amount to approximately HK\$84,000). However, whether or not SAT Circular No. 698 is applicable on such equity transfer is not certain and thus the potential maximum tax liabilities on the aforesaid equity transfer cannot be quantified as at the Latest Practicable Date.

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Particulars of such uncertainty as to the application of SAT Circular No. 698 are set out in the section headed “Risk factors” of this prospectus. In this regard, Town Health International, being the holding company of Town Health Pharmaceutical will indemnify our Group against any liability or loss that our Group may incur with respect to or resulting from the aforesaid equity transfer transaction pursuant to the Deed of Indemnity.

On 12 November 2010, Mr. Dai transferred his 3% equity interests in Max Goodrich to Mr. Cheung Lam Hung at a consideration of HK\$12,000,000. To the best of the Directors’ knowledge and belief, Mr. Cheung Lam Hung is an Independent Third Party. The consideration was determined after arm’s length negotiations with reference to the combined book value, the business prospect of Max Goodrich and the anticipated potential return upon successful fund raising in relation to Max Goodrich distribution business. The transfer was completed on the same day. The consideration was paid by cheque upon completion which was subsequently cleared in April 2011.

On 15 December 2011, Ms. Yang transferred her 3% equity interests in Max Goodrich to Mr. Chau Kai Man at a consideration of HK\$3,300,000, which was determined after arm’s length negotiations with reference to the combined book value of Max Goodrich group. On the same day, Mr. Cheung Lam Hung, having considered the market condition, his own circumstances, and that the anticipated investment return would not be forthcoming within a short period of time, transferred his 3% equity interests in Max Goodrich to Mr. Chau Kai Man at a consideration of HK\$3,300,000, which was determined after arm’s length negotiations with reference to the combined book value of Max Goodrich group. The total consideration had been settled. The transfers were completed on the same day. As a result of the transfers, Max Goodrich was owned as to 48% by Town Health Pharmaceutical, approximately 20.08% by Mr. Zhou, 11.70% by Mr. Dai, approximately 8.22% by Ms. Yang, 6% by Mr. He and 6% by Mr. Chau Kai Man, respectively.

On 24 May 2012, Mr. Chau Kai Man transferred his entire interests in Max Goodrich to Festive Mood Group Ltd (a company wholly-owned by him) in consideration of issue and allotment of 1 share in Festive Mood Group Ltd to him. To the best of the Directors’ knowledge and belief, save for his shareholding in Festive Mood Group Ltd, one of the Shareholders, Mr. Chau Kai Man has no other relationship with other Shareholders. As a result of the transfer, Max Goodrich was owned as to 48% by Town Health Pharmaceutical, approximately 20.08% by Mr. Zhou, 11.70% by Mr. Dai, approximately 8.22% by Ms. Yang, 6% by Mr. He and 6% by Festive Mood Group Ltd, respectively and such shareholding structure remained the same until the Reorganisation as described below.

Our Company

Our Company was incorporated on 9 August 2012 in Bermuda and, as part of the Reorganisation, became the holding company of our Group with our business being conducted through our subsidiaries.

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JOINT VENTURE

Haikou Xin Lang

Haikou Xin Lang, our joint venture, was established in the PRC as a limited liability company on 18 May 2011 with a registered capital of RMB1,000,000 and has been owned as to 50.1% by Zhejiang Xin Rui Pharmaceutical and as to 49.9% by Lodays Pharma (Hubei), respectively, since its establishment. To the best of the Directors' knowledge and belief, Lodays Pharma (Hubei) is an Independent Third Party. Haikou Xin Lang is principally engaged in medical technology development.

REORGANISATION

In preparation for the Listing, our Group has carried out the Reorganisation which involved the following steps:

- (a) To streamline our Group structure and reduce operation costs, in February 2012, the Group decided to undergo an internal rationalisation, pursuant to which, (i) Hangzhou Xin Hong disposed Zhejiang Xin Rui Pharmaceutical to Hong Rui Bio-medical on 20 February 2012 and (ii) Hong Rui Bio-medical merged with Hangzhou Xin Hong which was then deregistered (the “**Merger**”). After the Merger, the total investment amount and the registered capital of Hong Rui Bio-medical remained unchanged; and all debts and liabilities of Hangzhou Xin Hong were borne by Hong Rui Bio-medical. The Merger was completed on 19 June 2012.
- (b) On 9 August 2012, our Company was incorporated under the laws of Bermuda with an authorised share capital of HK\$100,000 consisting of 10,000,000 Shares. On 23 August 2012, 1 Share was issued and allotted to Town Health Pharmaceutical at nil consideration.
- (c) On 26 September 2013, our Company entered into a deed for sale and purchase with, inter alia, the Max Goodrich Shareholders, pursuant to which our Company acquired from the Max Goodrich Shareholders the entire issued share capital of Max Goodrich in consideration of (i) the allotment and issue by our Company of an aggregate of 20,999 Shares to the Max Goodrich Shareholders credited as fully paid in such proportion as shall mirror their then respective shareholding of Max Goodrich such that the shareholding structure of Max Goodrich is replicated at our Company level and (ii) the crediting as fully paid at par the one nil-paid Share held by Town Health Pharmaceutical.

As advised by our PRC legal adviser, our Group's Reorganisation, insofar as it relates to PRC laws or regulations, complied with all applicable PRC laws and regulations, including the M&A Rules.

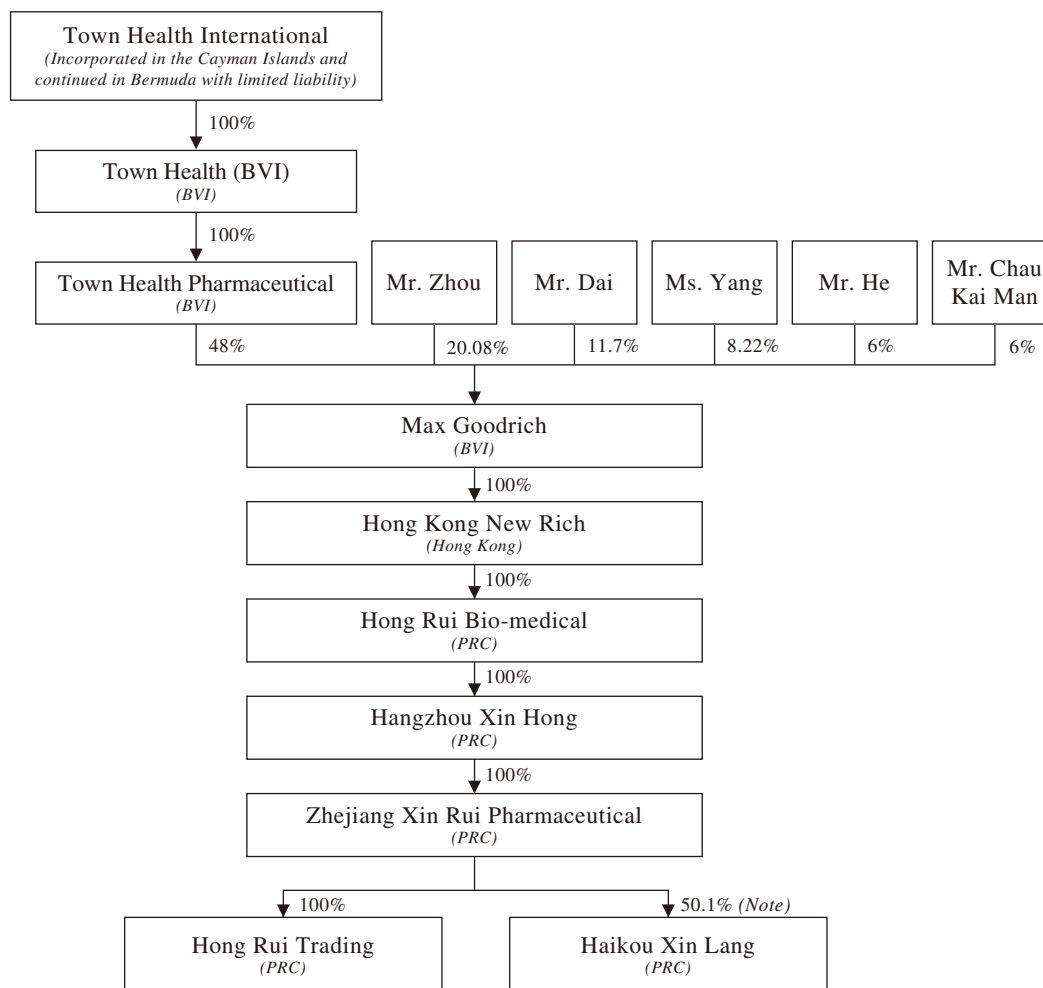
TAX IMPLICATION

Having made all reasonable enquiries and to their best knowledge, save for the transfer of 3% equity interests in Max Goodrich by Town Health Pharmaceutical to Mr. He in April 2010 which may be exposed to the risk of the application of SAT Circular No. 698, our Directors are not aware of any potential tax liability on our Group's PRC subsidiaries from the equity transfers in the history as disclosed in this section.

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OUR GROUP'S CORPORATE STRUCTURE

The following chart sets out the corporate and shareholding structure of our Group immediately before the Reorganisation:

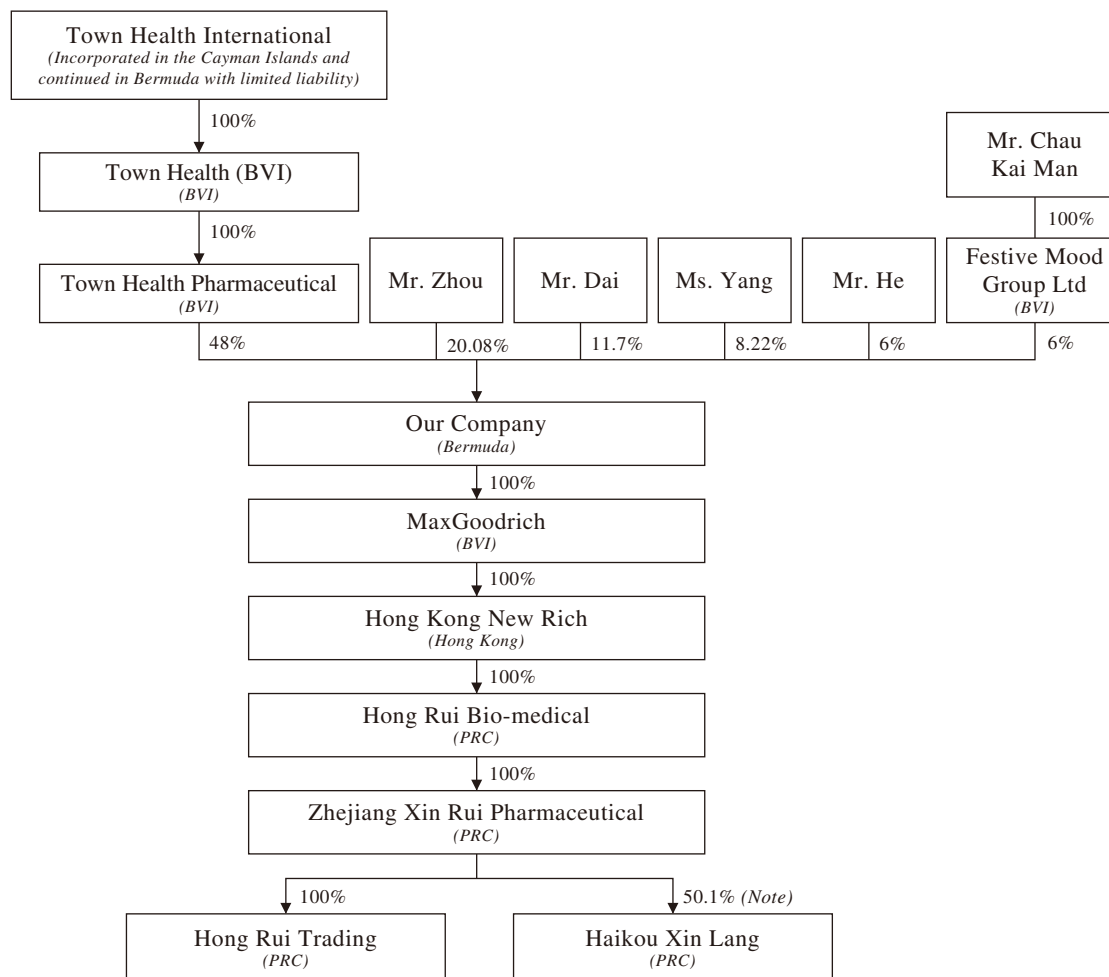


Note:

Haikou Xin Lang is a joint venture held as to 50.1% by Zhejiang Xin Rui Pharmaceutical and 49.9% by Lodays Pharma (Hubei), an Independent Third Party.

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The following chart sets out the corporate and shareholding structure of our Group after the Reorganisation and as at the Latest Practicable Date:

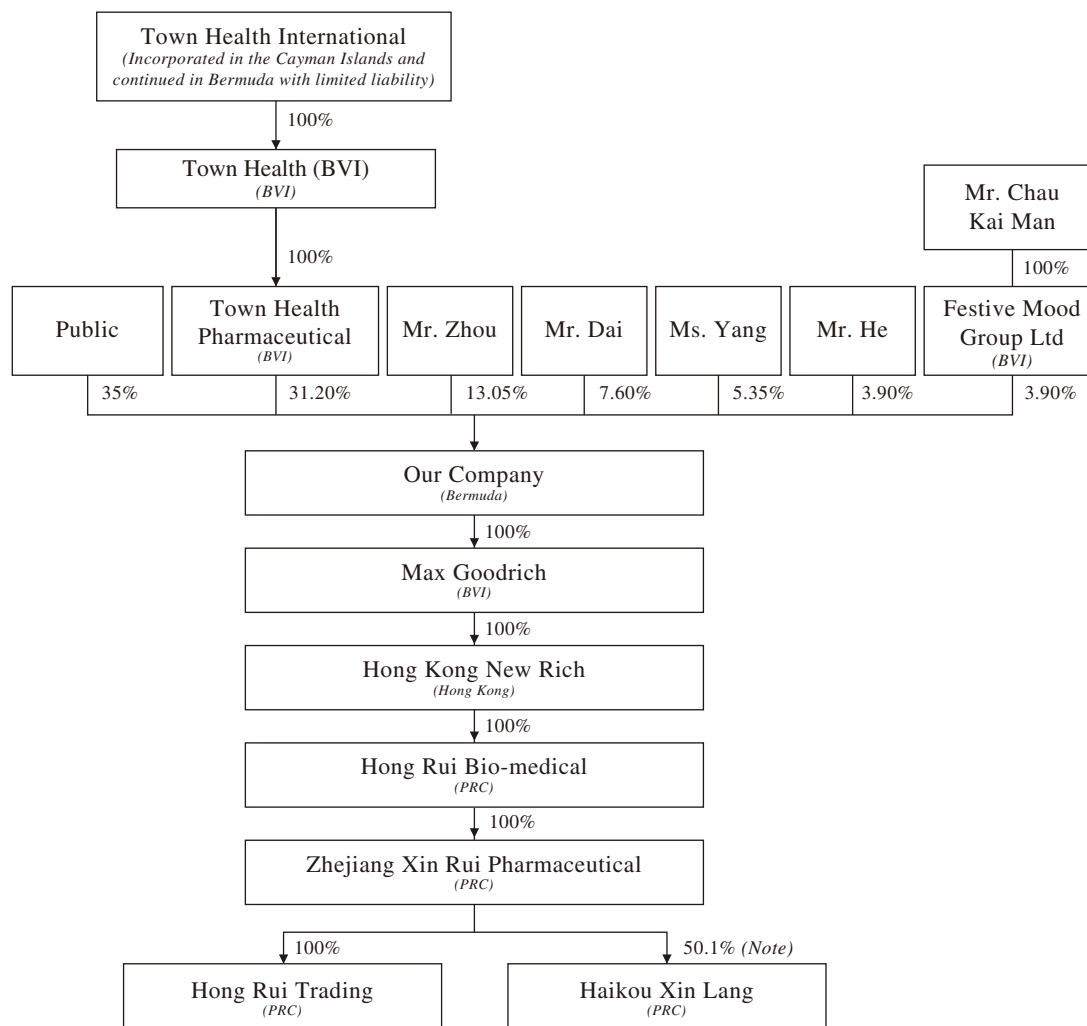


Note:

Haikou Xin Lang is a joint venture held as to 50.1% by Zhejiang Xin Rui Pharmaceutical and 49.9% by Lodaya Pharma (Hubei), an Independent Third Party.

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The following chart sets out the corporate and shareholding structure of our Group immediately following completion of the Placing:



Note:

Haikou Xin Lang is a joint venture held as to 50.1% by Zhejiang Xin Rui Pharmaceutical and 49.9% by Lodays Pharma (Hubei), an Independent Third Party.