

PROSPECTUS

MEDILAND PHARM LIMITED

(ABN 83 628 420 824)

For the offer of 62,500,000 New Shares at an Offer Price of A\$0.20 each to raise A\$12,500,000 with up to A\$2,500,000 of oversubscriptions and the admission to the Official List of Australian Securities Exchange



LEAD MANAGER



BRIDGE STREET
CAPITAL PARTNERS

IMPORTANT NOTICE

This is an important document, which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus

IMPORTANT INFORMATION

Offer

This Prospectus is issued by Mediland Pharm Limited (ABN 83 628 420 824) (**Mediland Pharm** or the **Company**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). This Prospectus contains an invitation for you to apply for fully paid ordinary shares (**Shares**) that will be issued by the Company (**Offer**). Refer to Section 2 of this Prospectus for further information.

Lodgement and listing

This Prospectus is dated 23 November 2018 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The Company will apply to the Australian Securities Exchange within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company, the Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice.

This Prospectus is important and should, along with each of the documents incorporated by reference, be read in its entirety prior to deciding whether to invest in the Company's Shares. There are risks associated with an investment in the Shares and the Shares offered under this Prospectus must be regarded as a speculative investment.

In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether or not to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 6. There may be other risk factors in addition to the risks in Section 6 that should be considered in light of your personal circumstances.

There may also be risks in addition to these that should be considered in light of your personal circumstances. If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the Shares.

No person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Financial information presentation

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

All references to FY2016, FY2017 and FY2018 appearing in this Prospectus are to the financial years ended or ending 30 June 2016, 30 June 2017 and 30 June 2018 respectively, unless otherwise indicated.

The Pro Forma Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except where otherwise stated.

The Pro Forma Historical Financial Information in this Prospectus should be read in conjunction with reference to the information contained in Section 8.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. These forward looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company. The forward looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 6 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. These forward looking statements speak only as at the date of this Prospectus. The Company does not intend to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2 and business overview in Section 3, uses market data and third party estimates and projections. The Company has obtained significant parts of this information from market research prepared by third parties. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 6.

Statements of past performance

This Prospectus includes information regarding past performance of Mediland Pharm. Investors should be aware that past performance is not, and should not be relied upon as being indicative of future performance.

Market Data

Certain statistical information, modelled data and analytics relating to the markets that the Company operates (or intends to operate) in, such as market sizes, market shares, market positions, other industry data and macroeconomic trends and positions is sourced from information in the public domain.

Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws.

For details of selling restrictions that apply to the Offer and the sale of Shares in certain jurisdictions outside of Australia, please refer to Section 9.8.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven day period after the Prospectus Date (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of the funds.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

Prospectus availability

During the Offer period, this Prospectus is available to persons who are Australian residents in electronic form at the Offer website medilandIPO.thereachagency.com.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia. Persons who access the electronic version of this Prospectus must ensure that they

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download and read the entire Prospectus. For details relating to the availability of this Prospectus in certain jurisdictions outside of Australia, please refer to Section 9.8.

Applications

Applications may be made only during the Offer period on the Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from medilandIPO.thereachagency.com. By making an Application, you represent and warrant that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Defined terms and abbreviations

Some words and expressions used in this Prospectus have the meanings defined in the Glossary or are defined in the context in which they appear. Unless otherwise stated or implied, references to times in this Prospectus is to Sydney time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in AUD unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

Privacy

By completing an Application Form to apply for Shares, you are providing personal information to the Company, through its service provider, Computershare Investor Services Pty Limited (**Registry**), which is contracted by or on behalf of the Company to manage Applications. The Company and the Registry on the Company's behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of the Company. If you do not provide the information requested in the Application Form, the Company and the Registry may not be able to process or accept your Application.

Your personal information may also be used from time-to-time to inform you about other products and services offered by the Company, which it considers may be of interest to you. Your personal information may also be provided to the Company's members, agents and services providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Registry for ongoing administration of the Company's register of members;

- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Registry in order to access your personal information. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Registry if any of the details you provide from time to time change. In accordance with the Corporations Act, information on the Company's members register (including name, address and details of any Shares held) will be accessible to the public. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Registry through the following means:

Email: privacy@computershare.com.au

Post: Privacy Officer
Computershare Investor Services
Yarra Falls, 452 Johnston Street
Abbotsford Vic 3067
Australia

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Company Website

The Company maintains a website at www.medilandpharm.com.au. Any references to documents included on the Company's website are for convenience only, and information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

Questions

If you have any questions about how to apply for Shares, please call your Broker or other professional advisor. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form. Alternatively, call the Mediland Pharm Offer Information Line on 1300 349 201 (within Australia) and +61 3 9415 4179 (outside Australia) from 8:30am to 5:00pm (Sydney time) Monday to Friday (excluding public holidays).

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, Broker, lawyer or other professional adviser before deciding whether or not to invest in the Company.

This Prospectus is important and should be read in its entirety.

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KEY OFFER INFORMATION

KEY OFFER STATISTICS

| | |
|---|---------------------------------|
| Offer Price | \$0.20 |
| Total cash proceeds from the Offer | \$12.5 million – \$15.0 million |
| Number of Shares offered to New Shareholders under the Offer | 62.5 million – 75.0 million |
| Other Shares on issue on Completion of the Offer ¹ | 250.0 million |
| Total number of Shares on issue on Completion of the Offer | 312.5 million – 325.0 million |
| Market capitalisation at the Offer Price ² | \$62.5 million – \$65.0 million |
| Enterprise Value ³ | \$51.5 million – \$51.7 million |
| Enterprise Value/pro forma FY2018 EBITDA ³ , | 9.8x |
| Offer Price/pro forma FY2018 NPAT per Share ⁴ | 17.1x – 17.8x |
| Annualised FY2018 forecast dividend yield at the Offer Price ⁵ | 1.1% – 2.3% |

KEY DATES

| | |
|---|------------------|
| Prospectus Date | 23 November 2018 |
| Offer opens | 3 December 2018 |
| Offer closes and Applications due | 14 January 2019 |
| Settlement of the Offer | 18 January 2019 |
| Issue of Shares under the Offer (Completion of the Offer) | 21 January 2019 |
| Expected dispatch of Holding Statements | 22 January 2019 |
| Shares expected to begin trading on ASX | 25 January 2019 |

DATES MAY CHANGE

The dates above are indicative only and may change. Unless indicated otherwise, all dates are Sydney time. The Company reserves the right to vary the dates of the Offer without prior notice (including, subject to the ASX Listing Rules, the Corporations Act and other applicable laws), to close the Offer early, extend the date the Offer closes, to accept late Applications or to cancel the Offer before Completion of the Offer. If the Offer is cancelled before the issue of Shares, then all monies received in respect of the Offer will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. No cooling-off rights apply to the Offer. The admission of the Company to the Official List and the quotation and commencement of trading of the Shares is subject to confirmation from ASX.

HOW TO INVEST

Applications for Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply for Shares are set out in Section 7.3 and on the back of the Application Form.

1. Shares held by the Existing Shareholder will be subject to voluntary escrow arrangements as described in Section 9.5.
2. Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares at Completion of the Offer.
3. Enterprise Value is equal to the market capitalisation of the Company less the expected pro forma Net Cash as at 30 June 2018.
4. This ratio is commonly referred to as a price to earnings, or PE, ratio. A PE ratio is a company's share price divided by its earnings per Share.
5. Pro forma annualised dividend yield for the year to 30 June 2018 is calculated as the implied dividend per Share based on the Company's target dividend payout ratio range of 20% to 40% of FY2018 Pro forma NPAT divided by the Offer Price, assuming the Minimum Subscription. For more information on the Company's dividend policy, see Section 4.13.

CHAIRMAN'S LETTER

23 November 2018

Dear Investor,

On behalf of the Board of Directors, I am pleased to invite you to become a Shareholder of Mediland Pharm Limited.

Mediland Pharm was founded as a family business in 2002 and has grown to become a market leading retailer servicing the Chinese inbound tourism sector in Australia. It does this by partnering with major travel agents and wholesale tour operators who are all Chinese Government certified under the Approved Destination Status (**ADS**) scheme. The resulting customer volume is hosted at the Company's three strategically located retail outlets in Sydney, Melbourne and Surfers Paradise. The Company's store locations, retail experience and merchandising strategies are designed to capture a significant share of the spending of the various tour groups.

Over time, health and wellbeing products have grown to represent a significant portion of overall sales. To capture this consumer interest, Mediland Pharm intends to develop a range of Company-owned branded products to promote within its stores within the health care and cosmetic range. All health and wellbeing products that Mediland Pharm sells through its stores are manufactured in Australia by a contract manufacturer in Therapeutic Goods Administration compliant facilities. The Company is confident that the branding strategy can ensure the Company's gross margins are more favourable than if only third-party products were stocked.

Mediland Pharm has grown strongly over the years, consistent with the growth of inbound tourist numbers from China and increasing level of expenditure by Chinese tourists. The Company has been profitable in recent years and has no debt.

Mediland Pharm has a clear strategy to grow its business. The Company intends to enhance its existing retail network through selective store renovations and increasing own-brand sales as a percentage of total sales. Mediland Pharm will also strategically expand its retail network through development or acquisition of stores catering to Chinese consumers outside of organised tour groups. These stores will be a unique offering based around smaller store sizes in key locations that emphasise branded products and customer experience. In addition, the Company will expand its distribution through development of an online sales platform that it will expand through marketing expenditure so that customers familiar with Mediland Pharm and its brands can continue to purchase from the Company when they have returned home to China. Over the longer term, the Company will seek to expand its merchandise to the broader Asia market, including Korea and Japan.

To finance this growth strategy, Mediland Pharm is seeking to raise \$12,500,000 through the issue of 62,500,000 Shares at a price of \$0.20 per Share, with the ability to accept oversubscriptions to raise a further \$2,500,000. The funds raised will be used by the Company primarily to finance the continued growth of its business, with a lesser amount allocated to general working capital and IPO transaction costs.

The Board and management are excited about Mediland Pharm and its growth prospects. The Company has a strong and profitable business underpinned by long term strategic partnerships and leveraged to rising income levels in China and the growth in inbound tourism from China to Australia. Mediland Pharm has a growth strategy designed to optimise this business and capture incremental revenue from new retail channels, emphasising the Company's own brands. In addition, we have a highly skilled management team that have served the Company well for many years and have appointed an experienced Board that we believe will add significant value to the Company in the years ahead.

This Prospectus contains detailed information about the Offer and the historical financial performance of Mediland Pharm, as well as the key risks associated with an investment in Mediland Pharm. These key risks are set out in Section 6 and include, among others, reliance on outbound tour operators (**OTOs**) and inbound tour operators (**ITOs**), volume of Chinese tourists and level of spending by Chinese tourists. It is important that you read this Prospectus in its entirety before deciding whether to invest in the Company.

On behalf of the Directors of Mediland Pharm, I invite you to subscribe for Shares in the Company and I look forward to welcoming you as a Shareholder.

Yours sincerely,



Dr Peter French
Chairman



1.

INVESTMENT OVERVIEW

1. INVESTMENT OVERVIEW

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for Shares, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

1.1 INTRODUCTION

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|--|----------------------|
| Who is Mediland Pharm and what business does it operate? | Mediland Pharm is a market leading retailer servicing the Chinese inbound tourism sector in Australia. It does this by partnering with major travel agents and wholesale tour operators who are all Chinese Government certified under the Approved Destination Status scheme. The resulting customer volume is hosted at the Company's three strategically located retail outlets in Sydney, Melbourne and Surfers Paradise. The Company's store locations, retail experience and merchandising strategies are designed to capture a significant share of the spending of the various tour groups. | Section 3 |
| What industry does the Company operate in and what is the market size? | Mediland Pharm operates retail outlets that service inbound Chinese visitors to Australia. China is now Australia's most important source of inbound visitors. In 2017, visitors from China reached over 1.25 million and accounted for 15.4% of all inbound visitors, ahead of New Zealand at 15.2%. Inbound visitation from China is forecast to continue to grow strongly. This has increased at a CAGR of 16.4% since 2008. ⁶ Visitors from China are forecast to approach 4 million by 2027. ⁷ This rapid growth in inbound visitation from China results from a number of factors, including rising wealth levels in China, enhanced connectivity, growing family ties, improved affordability of Australia as a destination and smoother visa processes. The growth in inbound visitation is bringing significantly enhanced expenditure by visitors in Australia, with over \$8 billion spent in 2017, of which \$1.35 billion was on shopping. Expenditure on shopping has increased at 14% CAGR over recent years. ⁸ | Section 2 and 3 |
| What is the purpose of the Offer and the Listing? | The purpose of the Offer is to provide Mediland Pharm access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities; to achieve a listing on the ASX to broaden the Company's shareholder base and provide a liquid market for its Shares and obtain brand recognition, particularly in relation to key Chinese stakeholders including customers, suppliers, tour group operators and other business partners; to assist Mediland Pharm in attracting and retaining staff; and to pay the costs of the Offer. | Section 7.1.1 |

6. Tourism Research Australia, International Visitor Survey Results, March 2018.

7. Tourism Research Australia, Tourism Forecasts, 2017.

8. Tourism Australia, Quarterly Results of the International Visitor Survey, accessed July 2018.

1. INVESTMENT OVERVIEW CONTINUED

1.2 MEDILAND PHARM'S BUSINESS MODEL

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|--|----------------------|
| <p>How does Mediland Pharm generate revenue?</p> | <p>Mediland Pharm partners with inbound tour operators in Australia to provide a unique “one-stop” shopping and tourist experience to Chinese tourists visiting Australia through its retail stores, merchandise and brands. These ITOs ensure that Mediland Pharm’s three existing retail outlets are the exclusive shopping destinations commissioned for the tourist groups arranged by them. In return for having its stores as the exclusive shopping destination of tour groups, Mediland Pharm pays promotion fees to its ITO partners. Once Mediland Pharm has successfully procured tour groups to visit its stores, it earns revenue from the sale of products through its three retail stores.</p> <p>Tour groups also consist of Incentive Groups, which can comprise a large number of visitors as they are organised as employee reward programs by organisations or corporations. Incentive Groups are however ad hoc and do not consistently occur year on year.</p> <p>Mediland Pharm also derives revenue from commission income through agreements with third party retailers who pay the Company a commission from the sales generated on Chinese tour groups that the Company arranges to visit these third party retailers. These arrangements exist in Sydney and the Gold Coast. These visits to third party retailers are contemplated in the Company’s agreements with the ITOs.</p> | <p>Section 3.3</p> |
| <p>What is the Company’s retail store network?</p> | <p>Mediland Pharm services its Chinese inbound tourist customers through three retail outlets, located in Sydney, Melbourne and Gold Coast.</p> <ul style="list-style-type: none"> • Sydney store: <p>The Sydney store is located at Shop 2, Bay Centre, 65 Pirrama Road, Pyrmont and has 481 sqm of retail space. This was the first store location established by Mediland Pharm in 2002 and the Company has traded at this location continuously since then. The store is strategically located next to Star City Casino and adjacent to harbor-side parks, providing a unique tourist shopping experience for visiting tour groups. The store has become a member of “Go Vita” health shops cooperative since 1 September 2017.</p> • Melbourne store: <p>The Melbourne store is located at 635-637 Queensbury Street North Melbourne and has 423 sqm of retail space. This store was established in 2005. It is conveniently located close to the Melbourne CBD and the site provides easy access to tour group buses.</p> <p>The Melbourne store was renovated in 2018 to provide an upmarket experience. This is expected to enhance revenues from the Melbourne store in the years ahead.</p> • Gold Coast store: <p>The Gold Coast store is located at Shops 2 and 3, 110 Brisbane Road, Labrador and has 243 sqm of retail space. This store was established in 2006. It is close to tourist infrastructure and the site provides easy access for tour group buses.</p> | <p>Section 3.4</p> |

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|---|----------------------------|
| <p>What is the Company's retail product range in its stores?</p> | <p>Mediland Pharm carefully selects the merchandise offered through its retail network based on its experience and knowledge of the consumer preferences of Chinese inbound tourists. The primary categories are health products, cosmetics, wool products and jewellery. The majority of products are made in Australia and sourced from third party suppliers. Mediland Pharm maintains strong relationships with its suppliers and believes it is an attractive customer for these suppliers due to its relatively high volumes.</p> <p>In addition, Mediland Pharm intends to develop a range of Company owned branded products to promote within its stores within the health care and cosmetic range. These brands are "Mediland" and "Le Marine" which are currently in the process of being registered as trademarks of the Company.</p> | <p>Section 3.5 and 3.6</p> |
| <p>What are Mediland Pharm's competitive advantages?</p> | <p>The success of the Mediland Pharm business model is based on the following competitive advantages:</p> <ul style="list-style-type: none"> • "One-stop" shopping destination: Mediland Pharm has the scale and breadth of operation to provide a "one-stop" shopping destination for Chinese tour groups, making it a convenient and attractive partner for ITOs and OTOs that are planning tours in Australia. • Relationships with ITOs and OTOs: Mediland Pharm has a long track record of successful operations and a strong relationship with key ITOs and OTOs, making it an attractive long-term partner for these groups. • Knowledge of Chinese Customer Preferences: Mediland Pharm has expertise of the consumer preferences of Chinese tourists to Australia, which enables it to provide attractive merchandise within its stores. • Selling Strategies: Mediland Pharm has developed successful sales strategies that provide customers with a complete retail "experience", emphasising product education, locally produced products and attractive retail premises. • Relationships with Independent Retailers: Mediland Pharm earns additional commission income from a number of independent retailers that the Company arranges its tour groups to visit. These are long term proprietary relationships that the Company has developed over many years. • Attractive Supply Arrangements: Mediland Pharm has developed strong relationships with its key suppliers, enabling it to deliver attractive products to its customers. • Development of Company-Owned Brands: Mediland Pharm intends to develop a range of attractive and cost-competitive products under the brands "Mediland" and "Le Marine" in the healthcare and cosmetics categories. The Company expects this to provide a unique competitive advantage relative to other retailers oriented to Chinese consumers. • ASX Listing: Mediland Pharm believes that the ASX listing will enhance the prestige and reputation of the Company amongst OTOs, ITOs, suppliers and customers. | <p>Section 3.7</p> |

1. INVESTMENT OVERVIEW CONTINUED

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|--|--|-----------------------|
| <p>What are Mediland Pharm's growth strategies?</p> | <p>Mediland Pharm has a clear strategy to grow its business. This consists of the following elements:</p> <ul style="list-style-type: none"> • Enhance its existing retail network <ul style="list-style-type: none"> – Recently completed renovation of Melbourne store expected to drive sales growth in short term – Relocating Gold Coast store to larger premises is planned for FY2020, when the lease of the existing location expires – Enhance profitability through increasing own-brand sales as a portion of total sales • Expand its retail network through acquisition and/or development of stores servicing Chinese consumers outside of our groups <ul style="list-style-type: none"> – Strategic entry into direct consumer market with unique offering – Smaller sized stores at strategic locations to attract Chinese tourists and the Chinese population in Australia – Emphasis on customer experience and Mediland Pharm's own-brand products • Grow online distribution <ul style="list-style-type: none"> – Develop online distribution channel – Data on the consumption patterns of customers in retail stores can be used to drive online sales – Emphasis on Mediland Pharm's branded products to maintain profit margins • Branded products <ul style="list-style-type: none"> – In the longer term, develop awareness and sales of the Company's own brands directly into China • Development of Company-owned brands <ul style="list-style-type: none"> – Development of Company-owned brands being "Mediland" and "Le Marine" – Utilising data on the consumption patterns of customers in retail stores to research and continue development of product range that suits consumers' needs – Promoting the Company-owned brands products throughout all retail store and online platform | <p>Section 3.8</p> |
| <p>How does Mediland Pharm expect to fund its operations?</p> | <p>Mediland Pharm's principal sources of funds are expected to be cash flow generated from operations and cash on hand. Upon Completion of the Offer, Mediland Pharm will have a pro forma cash balance of \$11 million in the case of the Minimum Subscription.</p> | <p>Section 4.10.1</p> |

| TOPIC | SUMMARY | FOR MORE INFORMATION | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--------------------------------|---|--------------------------------|--------------------------------|----------------------|--------|--------|--------|--------------------------|--------|--------|--------|---------------------|--------|--------|--------|---------------------------|-------|-------|-------|-------------------|-------|-------|-------|------------|-------|-------|--------|--------------|-------|-------|--------|-------------|
| What is Mediland Pharm's pro forma historical financial performance? | <table border="1"> <thead> <tr> <th colspan="4" style="background-color: #336633; color: white;">Pro forma historical</th> </tr> <tr> <th style="background-color: #336633; color: white;">\$'000</th> <th style="background-color: #336633; color: white;">FY2016</th> <th style="background-color: #336633; color: white;">FY2017</th> <th style="background-color: #336633; color: white;">FY2018</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>31,477</td> <td>26,970</td> <td>34,084</td> </tr> <tr> <td>Contribution margin</td> <td>6,715</td> <td>11,409</td> <td>9,749</td> </tr> <tr> <td>EBITDA</td> <td>2,160</td> <td>7,092</td> <td>5,273</td> </tr> <tr> <td>EBIT</td> <td>2,143</td> <td>7,063</td> <td>5,182</td> </tr> <tr> <td>NPAT</td> <td>1,598</td> <td>4,967</td> <td>3,654</td> </tr> </tbody> </table> | Pro forma historical | | | | \$'000 | FY2016 | FY2017 | FY2018 | Revenue | 31,477 | 26,970 | 34,084 | Contribution margin | 6,715 | 11,409 | 9,749 | EBITDA | 2,160 | 7,092 | 5,273 | EBIT | 2,143 | 7,063 | 5,182 | NPAT | 1,598 | 4,967 | 3,654 | Sections 4.5 | | | | |
| Pro forma historical | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$'000 | FY2016 | FY2017 | FY2018 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Revenue | 31,477 | 26,970 | 34,084 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution margin | 6,715 | 11,409 | 9,749 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | 2,160 | 7,092 | 5,273 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBIT | 2,143 | 7,063 | 5,182 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NPAT | 1,598 | 4,967 | 3,654 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| What is the financial position of Mediland Pharm before and after the Offer? | <table border="1"> <thead> <tr> <th style="background-color: #336633; color: white;">\$'000</th> <th style="background-color: #336633; color: white;">Pacific Merchants Group Limited Audited</th> <th style="background-color: #336633; color: white;">Pro Forma Minimum subscription</th> <th style="background-color: #336633; color: white;">Pro Forma Maximum subscription</th> </tr> </thead> <tbody> <tr> <td>Total current assets</td> <td>9,795</td> <td>12,817</td> <td>15,085</td> </tr> <tr> <td>Total non current assets</td> <td>1,691</td> <td>1,885</td> <td>1,887</td> </tr> <tr> <td>Total assets</td> <td>11,486</td> <td>14,702</td> <td>16,972</td> </tr> <tr> <td>Total current liabilities</td> <td>5,831</td> <td>5,831</td> <td>5,831</td> </tr> <tr> <td>Total liabilities</td> <td>5,831</td> <td>5,831</td> <td>5,831</td> </tr> <tr> <td>Net assets</td> <td>5,655</td> <td>8,871</td> <td>11,141</td> </tr> <tr> <td>Total equity</td> <td>5,655</td> <td>8,871</td> <td>11,141</td> </tr> </tbody> </table> | \$'000 | Pacific Merchants Group Limited Audited | Pro Forma Minimum subscription | Pro Forma Maximum subscription | Total current assets | 9,795 | 12,817 | 15,085 | Total non current assets | 1,691 | 1,885 | 1,887 | Total assets | 11,486 | 14,702 | 16,972 | Total current liabilities | 5,831 | 5,831 | 5,831 | Total liabilities | 5,831 | 5,831 | 5,831 | Net assets | 5,655 | 8,871 | 11,141 | Total equity | 5,655 | 8,871 | 11,141 | Section 4.9 |
| \$'000 | Pacific Merchants Group Limited Audited | Pro Forma Minimum subscription | Pro Forma Maximum subscription | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total current assets | 9,795 | 12,817 | 15,085 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total non current assets | 1,691 | 1,885 | 1,887 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total assets | 11,486 | 14,702 | 16,972 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total current liabilities | 5,831 | 5,831 | 5,831 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total liabilities | 5,831 | 5,831 | 5,831 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net assets | 5,655 | 8,871 | 11,141 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total equity | 5,655 | 8,871 | 11,141 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| What is the Company's dividend policy? | <p>Mediland Pharm intends to pay a dividend to shareholders based on the targeted dividend pay-out ratio in the range of 20% to 40% of statutory NPAT. Assuming the Minimum Subscription, this payout ratio would have resulted in a dividend per share on the pro forma FY2018 NPAT equal to 0.23 cents to 0.47 cents per share, fully franked, representing a dividend yield of 1.1% to 2.3% of the Offer Price.</p> | Section 4.13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

1. INVESTMENT OVERVIEW CONTINUED

1.3 KEY INVESTMENT FEATURES

| FEATURE | DESCRIPTION |
|--|---|
| Leveraged to Chinese Inbound Tourist Market | <p>Mediland Pharm's business is leveraged to the inbound Chinese tourist market which is large and growing rapidly:</p> <ul style="list-style-type: none"> • 1.25 million inbound visits from China in 2017; • Represents 15.6% of total visitors to Australia, the largest single source; • Has increased at a CAGR of 16.4% per annum since 2008; and • Growth is forecast to continue into foreseeable future as income levels rise and international tourism becomes affordable. |
| Chinese Tourists Spend Significantly in Australia | <p>Chinese tourists incorporate significant spending into their visits to Australia:</p> <ul style="list-style-type: none"> • Total shopping expenditure by Chinese visitors was \$1.35 billion in 2017, an average of over \$1,000 per visitor; and • Australia's reputation for product quality and safety ensures a strong market for healthcare, cosmetics, food and wine. |
| Attractive business model | <p>Mediland Pharm has an attractive business model with a number of key competitive advantages:</p> <ul style="list-style-type: none"> • Strategically located retail stores to capture significant share of tour group spending (Sydney, Melbourne and Surfers Paradise); • Long term partnership and alignment with major Inbound Travel Operators servicing the Chinese market, which ensures that Mediland Pharm gets traffic through its stores; • Attractive and profitable merchandise strategy, including development of own brands; • Relationships with manufacturers and suppliers of Mediland Pharm's own brands that ensure quality and consistency; and • Enhanced prestige and brand recognition arising from being an ASX listed organisation, particularly in relation to key Chinese stakeholders including customers, suppliers, tour group operators and other business partners. |
| Clear growth strategy | <p>Mediland Pharm has a clear growth strategy to expand its existing retail business and diversify into other retail channels, leveraging off existing strengths in marketing, merchandising, branding and customer acquisition. Specifically, the Company intends to:</p> <ul style="list-style-type: none"> • Develop a range of attractive and cost competitive products in the healthcare and cosmetics categories under the Company's own brands and manufactured in Australia under long term agreement by the Company's manufacturing partners; • Enhance its existing retail network through selective store renovations and increasing own-brand sales as a percentage of total sales; • Strategically expand its retail network through acquisition and/or development of stores catering to Chinese consumers in Australia outside of organised tour groups. These stores will be a unique offering based around smaller store sizes in key locations that emphasize the Company's branded products and the customer experience; and • Establish and grow online distribution channel through marketing expenditure so that customers familiar with Mediland Pharm and its brands can continue to purchase from the Company when they have returned home to China. |
| Strong financial performance | <p>Mediland Pharm is a growing business that has been profitable and cash flow positive over many years. The Company has no borrowings and does not currently intend to incur any borrowings.</p> |

| FEATURE | DESCRIPTION |
|--|--|
| Dividend policy | Mediland Pharm intends to pay a dividend to shareholders based on the targeted dividend pay-out ratio in the range of 20% to 40% of statutory NPAT. Assuming the Minimum Subscription, this payout ratio would have resulted in a dividend per share on the pro forma FY2018 NPAT equal to 0.23 cents to 0.47 cents per share, fully franked, representing a dividend yield of 1.1% to 2.3% of the Offer Price. |
| Committed founder and major shareholder | The founders and owners of the business of Mediland Pharm will continue to manage and own a majority shareholding in the Company after the Offer and listing on the ASX. There is no sell-down of shares from the founding shareholder with all funds raised through the Offer to be used by primarily to finance the continued growth of the business, with a lesser amount allocated to general working capital and IPO transaction costs. |
| Experienced Board and Management | Mediland Pharm has a highly experienced management team that has served the Company well for many years. In preparation for the Offer and ASX listing the Company will have upon Listing appointed three non-executive directors that have significant skills and experience relating to the Company's activities. Mediland Pharm believes that its Board will add significant value to the Company in the years ahead. |

1.4 KEY RISK FACTORS

| KEY RISKS | SUMMARY | FOR MORE INFORMATION |
|-----------------------------------|--|----------------------|
| Reliance on OTOs and ITOs | <p>Mediland Pharm has long-term partnerships with OTOs and ITOs to bring Chinese tourists to Mediland Pharm's stores. There is a risk that the OTOs and ITOs may not renew their contracts with Mediland Pharm, which will result in a decrease in Chinese tourists and have a material and adverse effect on Mediland Pharm's business.</p> <p>To mitigate this risk, the Company has maintained a long-term cooperation relationship with major OTOs and ITOs. Mediland Pharm intends to maintain these mutually profitable partnerships by providing balanced incentives to OTOs and ITOs for bringing in tourists and providing consistently quality shopping experience to tourists.</p> | Section 6.2.1 |
| Volume of Chinese tourists | <p>The business of Mediland Pharm depends on the volume of Chinese tourists visiting Australia. While the volume of inbound tourists from China has been growing rapidly for some time, there is no guarantee that this growth will continue or that it does not decline. If the volume of Chinese tourists visiting Australia declines, this may impact the number of customers visiting the Company's retail outlets which may result in a reduction in revenue and profitability.</p> <p>In addition, the sales volume of the Company's retail outlets will be affected by the visits of incentive groups (Incentive Groups). Incentive Groups are usually travel groups designed to motivate, trigger or reward actions from employees or business partners. When the Company is able to liaise with the ITOs and OTOs to secure these Incentive Groups to visits its retail outlets, due to the large of volume of visitors the revenue will usually increase. However, the Incentive Groups is usually ad hoc and not consistently recurring year to year. In the event that the Company cannot regularly secure this type of business, the Company's financial performance may be affected or show signs of periodic fluctuation and instability. However, the Company strives to secure this type of business as part of the diversification of its revenue sources.</p> | Section 6.2.2 |

1. INVESTMENT OVERVIEW CONTINUED

| KEY RISKS | SUMMARY | FOR MORE INFORMATION |
|--|--|----------------------|
| Level of spending by Chinese tourists | Retail expenditure by Chinese inbound tourists to Australia is significant as shopping is typically incorporated into their visits. To the extent that retail expenditure by Chinese visitors stagnates or declines, this could reduce the revenue and profitability of Mediland Pharm. | Section 6.2.3 |
| Reliance on key suppliers and manufacturers | <p>Mediland Pharm relies on a number of suppliers and manufacturers with respect to its product range. Risks in respect of supply and manufacturing hinges upon the Group business' reliance on a concentration and consistency of key suppliers and manufacturers. A disruption to this supply chain, or if a manufacturer chooses to discontinue production, could adversely affect the Mediland Pharm's ability to meet consumer needs and ultimately be of detriment to the Company's financial performance and future prospects.</p> <p>To mitigate this risk, the Company has maintained a long-term cooperation relationship with its key suppliers and manufacturers. Mediland Pharm intends to maintain these mutually profitable partnerships by providing sustainable sales channels and profitability to the suppliers and manufacturers.</p> | Section 6.2.4 |
| Contractual risks | Historically, the Company and/or its subsidiaries have been dealing with its suppliers or manufacturers through short agreements setting out only the key commercial terms and without clauses regarding formation, amendment, termination, liability for breach, warranty and indemnity being drafted in details, or through orders without written contracts in place. There is a risk that the business could be disrupted where there is a disagreement or dispute in relation to a key contract or unwritten contractual arrangement. Should such a disagreement or dispute occur, it may have an adverse impact on the Company's operations and performance generally. The Company has consulted advisors and put in place written template agreements with independent sellers, service providers and goods providers for future commercial dealings. | Section 6.2.5 |
| Nature of Chinese tourism to Australia | Organised tour groups account for a significant proportion of inbound visitors from China, which provides a ready stream of visitors to Mediland Pharm's retail stores. Chinese travellers organising their own travel is becoming more common and it is estimated that 50% of Chinese visitors to Australia now arrive alone or as part of an adult couple. To the extent that the number of travellers in tour groups declines materially, this could impact the Company's ability to drive traffic through its stores, which could reduce revenue and profitability. | Section 6.2.6 |
| Changing consumer preferences of Chinese tourists | Mediland Pharm relies on being able to supply merchandise in its stores that is attractive to its customers and the Company has a track record of successfully doing so. However, a significant and unanticipated shift in consumer preferences by Chinese tourists to Australia would reduce revenue and profitability of the Company. | Section 6.2.7 |
| Seasonal cycle effect | The Company's business is subject to seasonal cycles in its sales. Usually more sales are generated during the period from October to March since there is generally be an increase in the tourists visits during the Chinese public holidays. This causes seasonal revenue variations. | Section 6.2.8 |

| KEY RISKS | SUMMARY | FOR MORE INFORMATION |
|---|---|-----------------------|
| <p>Change in regulation</p> | <p>There is a continuing risk for the Mediland Pharm business that local laws and/or regulations in Australia and China with respect to the operation of its customers may change. There is a risk that changes to the regulatory environment may materially affect the way the Mediland Pharm Business currently operates (including obligations altering the manufacturing processes, ingredients, shelf life, marketing and export/import processes). The potential detrimental flow on effects from these regulatory changes could significantly affect the sale or production of the Mediland Pharm Business' products as a result of:</p> <ul style="list-style-type: none"> • regulatory changes which restrict or entirely prevent access to customers of Mediland Pharm's stores (including but not limited to ADS scheme); • regulatory changes which restrict or entirely prevent access to particular markets in which the Mediland Pharm Business may source its products (amendments to importation or exportation regulations); • regulatory changes which change the product packaging requirements and disclosure obligations (including labelling and country of origin requirements containing minimum dietary disclosures); or • the introduction of taxation measures which specifically reference food items. <p>The Company is not aware of any current issues or any impending regulatory changes in Australia which may affect its supply, manufacture and distribution networks. However, there is a continuing residual risk from potential regulatory changes, which may materially alter the Mediland Pharm Business' revenues and/or increase its costs which could diminish the Company's financial performance.</p> | <p>Section 6.2.9</p> |
| <p>Reliance on key personnel</p> | <p>The development of the Company's business has been largely due to the effort, experience and leadership of its founder and management team. The Company's business is also dependent on the continued service of its existing personnel due to the nature of the business. Despite the Company's best efforts to attract and retain key personnel, there is no assurance that the Company will be able to retain the services of such persons. The Company's ability or inability to attract and retain key personnel could have a material effect upon the Company's business, results of operation and financial condition.</p> | <p>Section 6.2.10</p> |
| <p>Competition</p> | <p>The Company's future financial performance and overall success in the market will rest upon the successful implementation of strategies to compete with other similar businesses. The Company's strategies may be adversely impacted by the number and size of its competitors who may participate in the market with a more aggressive pricing structure, innovative technologies and/or agile supply and distribution networks more adept/sophisticated than those of Mediland Pharm. Moreover, the Company may be impacted by new competition entering the industry, that may be better financially resourced than itself.</p> | <p>Section 6.2.11</p> |

1. INVESTMENT OVERVIEW CONTINUED

| KEY RISKS | SUMMARY | FOR MORE INFORMATION |
|--|--|----------------------|
| Loss of leasehold locations | <p>Mediland Pharm operates its three retail locations at locations that it leases. Currently, the Sydney and Melbourne store are under long term lease and the Gold Coast store lease expires in 2020. To the extent that the Company's lease agreements expire and it is unable to renew the existing leases or find suitable replacement premises to operate its business or find such replacement premises at a reasonable lease cost, then the revenue and profitability of Mediland Pharm is likely to be negatively impacted.</p> | Section 6.2.12 |
| Management of growth | <p>The success and potential growth of the Mediland Pharm Business is dependent on its ability to grow its store footprint and to source/offer a wider range of products to the market. If the Company is unable to do so, the result could be a reduced or negative rate of growth. The Mediland Pharm Business may also fail to grow as a result of inadequate marketing or insufficient consumer interest.</p> <p>There is also a risk that management of the Company will not be able to implement its growth strategy. The capacity of Mediland Pharm's management to properly implement the strategic direction of the Company may affect the Company's financial performance.</p> <p>As part of its business strategy, the Company may make acquisitions of, or significant investments in, additional complementary companies, ventures or prospects (although no such acquisitions or investments are currently planned). Any acquisition can create integration risk, pricing risk, reputational risk and a variety of other issues including disaffected clients, directors and employees of the acquired business. These issues can potentially have adverse consequences from a strategic, financial and/or operational perspective. The Company's due diligence processes may not be successful enough to identify these potential issues and a merger or acquisition may not perform to the level expected. The Group will draw on its experienced management and past experience to mitigate the risks within the control of the Group such as seeking to retain acquired staff within the combined business and to align business objectives.</p> | Section 6.2.13 |
| Lack of diversity in business activities | <p>Most of Mediland Pharm's revenue comes from Chinese tourists travelling to Australia in group tours. Chinese tourists travelling in tour groups tend to be an older demographic, with language barriers often impelling them to choose guided group tours to foreign countries. The lack of diversity in its customer base makes Mediland Pharm's financial performance susceptible to Chinese group tour volumes. The Company's revenue will be adversely impacted if there is a drop in Chinese group tours. To mitigate this risk, the Company intends to pursue its growth strategy, detailed in Section 3.8.</p> | Section 6.2.14 |
| Risk of significant control by Existing Shareholder | <p>On Completion of the Offer, the Existing Shareholder will own 250 million Shares, or approximately 76.9% to 80.0% of the total Shares outstanding (subject to subscription amount). As a result, the Existing Shareholder is in a position to exert a significant degree of influence over the Company's management affairs and over matters requiring Shareholder approval.</p> | Section 6.2.15 |

| KEY RISKS | SUMMARY | FOR MORE INFORMATION |
|--------------------------------|---|----------------------|
| Damage to brand and reputation | <p>Mediland Pharm's business activities include brand names and related intellectual property of the Company. A number of factors may adversely affect these key business assets including:</p> <ul style="list-style-type: none"> • potential disputes or litigation with suppliers, customers, employees or other third parties; • adverse media coverage (including social media); • failure to deliver products which meet customer expectations; • inadvertent sale of products that are faulty, causing a recall notification; and • other risks to the Mediland Pharm brand names and intellectual property that are beyond the Company's control. <p>These factors could also negatively impact Mediland Pharm's public reputation and the Company's revenues and earnings. Cumulatively, this could detrimentally affect the value of the Company's business.</p> | Section 6.2.16 |

1.5 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

| TOPIC | SUMMARY | FOR MORE INFORMATION | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|----------------------|--|---------------|--|---------------|--|--|--|--|----------------------|--|----------------------|--|-------------------------|---|-------------------------|---|-------------------------|---|---------------------------------|-----|--------|-----|--------|-----|--------|------------------|---|---|------|--------|----|--------|--------------|------------|---------------|--------------|---------------|------------|---------------|---------------|
| Who is the shareholder before the Offer and what will be their interest in the Company post Completion of the Offer? | <table border="1"> <thead> <tr> <th rowspan="3"></th> <th colspan="2">Shares held at the Prospectus Date</th> <th colspan="4">Shares held at Completion of the Offer</th> </tr> <tr> <th colspan="2"></th> <th colspan="2">Minimum Subscription</th> <th colspan="2">Maximum Subscription</th> </tr> <tr> <th>No. of Shares (million)</th> <th>%</th> <th>No. of Shares (million)</th> <th>%</th> <th>No. of Shares (million)</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Pacific Merchants Group Limited</td> <td>250</td> <td>100.0%</td> <td>250</td> <td>80.00%</td> <td>250</td> <td>76.92%</td> </tr> <tr> <td>New Shareholders</td> <td>–</td> <td>–</td> <td>62.5</td> <td>20.00%</td> <td>75</td> <td>23.08%</td> </tr> <tr> <td>Total</td> <td>250</td> <td>100.0%</td> <td>312.5</td> <td>100.0%</td> <td>325</td> <td>100.0%</td> </tr> </tbody> </table> | | Shares held at the Prospectus Date | | Shares held at Completion of the Offer | | | | | | Minimum Subscription | | Maximum Subscription | | No. of Shares (million) | % | No. of Shares (million) | % | No. of Shares (million) | % | Pacific Merchants Group Limited | 250 | 100.0% | 250 | 80.00% | 250 | 76.92% | New Shareholders | – | – | 62.5 | 20.00% | 75 | 23.08% | Total | 250 | 100.0% | 312.5 | 100.0% | 325 | 100.0% | Section 5.3.2 |
| | Shares held at the Prospectus Date | | Shares held at Completion of the Offer | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Minimum Subscription | | Maximum Subscription | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | No. of Shares (million) | % | No. of Shares (million) | % | No. of Shares (million) | % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pacific Merchants Group Limited | 250 | 100.0% | 250 | 80.00% | 250 | 76.92% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| New Shareholders | – | – | 62.5 | 20.00% | 75 | 23.08% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 250 | 100.0% | 312.5 | 100.0% | 325 | 100.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

1. INVESTMENT OVERVIEW CONTINUED

| TOPIC | SUMMARY | FOR MORE INFORMATION | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|---|--|---|--------------|------------------------|---|------------------------------|-------------|------------------------|---|------------------------------|-------------|---------------------------------|---|------------------------------|-----------|--------------------|--------------------------|---|-------------------|-------------------|---|------------------------------|------------|-----|---|----------------------------|--------------|-------------------|---|---|----------------------|
| <p>What significant benefits and interests are payable to Directors and what significant interests do they hold?</p> | <p>On Completion of the Offer, the relevant interests in Shares held by the Directors and management is expected to be as follows:</p> <table border="1" data-bbox="440 506 1166 1292"> <thead> <tr> <th data-bbox="440 506 608 656">Name</th> <th data-bbox="608 506 791 656">Role</th> <th data-bbox="791 506 991 656">Shares held at Completion of the Offer</th> <th data-bbox="991 506 1166 656">NED Rights or Performance Rights held at Completion of the Offer²</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 656 608 730">Peter French</td> <td data-bbox="608 656 791 730">Non-Executive Chairman</td> <td data-bbox="791 656 991 730">–</td> <td data-bbox="991 656 1166 730">\$30,000 worth of NED Rights</td> </tr> <tr> <td data-bbox="440 730 608 804">Tracey Cray</td> <td data-bbox="608 730 791 804">Non-Executive Director</td> <td data-bbox="791 730 991 804">–</td> <td data-bbox="991 730 1166 804">\$30,000 worth of NED Rights</td> </tr> <tr> <td data-bbox="440 804 608 920">Theo Renard</td> <td data-bbox="608 804 791 920">Proposed Non-Executive Director</td> <td data-bbox="791 804 991 920">–</td> <td data-bbox="991 804 1166 920">\$30,000 worth of NED Rights</td> </tr> <tr> <td data-bbox="440 920 608 994">Jhon Shen</td> <td data-bbox="608 920 791 994">Executive Director</td> <td data-bbox="791 920 991 994">250 million¹</td> <td data-bbox="991 920 1166 994">–</td> </tr> <tr> <td data-bbox="440 994 608 1111">Yeshween Mudaliar</td> <td data-bbox="608 994 791 1111">Managing Director</td> <td data-bbox="791 994 991 1111">–</td> <td data-bbox="991 994 1166 1111">2,500,000 Performance Rights</td> </tr> <tr> <td data-bbox="440 1111 608 1227">Jessie Tao</td> <td data-bbox="608 1111 791 1227">CFO</td> <td data-bbox="791 1111 991 1227">–</td> <td data-bbox="991 1111 1166 1227">500,000 Performance Rights</td> </tr> <tr> <td data-bbox="440 1227 608 1292">Indira Naidu</td> <td data-bbox="608 1227 791 1292">Company Secretary</td> <td data-bbox="791 1227 991 1292">–</td> <td data-bbox="991 1227 1166 1292">–</td> </tr> </tbody> </table> <p data-bbox="440 1319 1066 1361">1. Jhon's family trust holds those Shares indirectly through Pacific Merchant Group Limited.</p> <p data-bbox="440 1370 1133 1413">2. Please refer to Section 5.4.2 for the terms of NED Rights and Section 5.4.3 for the terms of the Performance Rights.</p> | Name | Role | Shares held at Completion of the Offer | NED Rights or Performance Rights held at Completion of the Offer ² | Peter French | Non-Executive Chairman | – | \$30,000 worth of NED Rights | Tracey Cray | Non-Executive Director | – | \$30,000 worth of NED Rights | Theo Renard | Proposed Non-Executive Director | – | \$30,000 worth of NED Rights | Jhon Shen | Executive Director | 250 million ¹ | – | Yeshween Mudaliar | Managing Director | – | 2,500,000 Performance Rights | Jessie Tao | CFO | – | 500,000 Performance Rights | Indira Naidu | Company Secretary | – | – | <p>Section 7.1.2</p> |
| Name | Role | Shares held at Completion of the Offer | NED Rights or Performance Rights held at Completion of the Offer ² | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Peter French | Non-Executive Chairman | – | \$30,000 worth of NED Rights | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tracey Cray | Non-Executive Director | – | \$30,000 worth of NED Rights | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Theo Renard | Proposed Non-Executive Director | – | \$30,000 worth of NED Rights | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jhon Shen | Executive Director | 250 million ¹ | – | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Yeshween Mudaliar | Managing Director | – | 2,500,000 Performance Rights | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jessie Tao | CFO | – | 500,000 Performance Rights | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Indira Naidu | Company Secretary | – | – | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Will any Shares be subject to restrictions on disposal following Completion of the Offer?</p> | <p>The Existing Shareholder, Pacific Merchants Group Limited has agreed to enter into a voluntary escrow arrangement in relation to the 250 million Shares it holds on Completion of the Offer for a period of 12 months from the Listing Date.</p> | <p>Section 9.5</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

1.6 PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

| TOPIC | SUMMARY | FOR MORE INFORMATION | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|----------------------------|--|----------------------------|----------------------------|----------------------------|----------------------------|---|------|------|---|-----|-----|--|-----|-----|--|-----|-----|---|-----|-----|--|--|--|-----------------|-----|-----|--|--|--|--|-----|-----|----------------------|-------------|-------------|-------------------|-------------|-------------|---------------|
| What is the Offer? | The Offer is a general public offer to raise \$12.5 million with an oversubscription amount of \$2.5 million through the issue of up to 75 million Shares under the Offer. | Section 7.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Who is the issuer of this Prospectus? | Mediland Pharm Limited ABN 83 628 420 824, a company incorporated in New South Wales, Australia. | Section 7.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| What is the proposed use of the funds raised under the Offer? | <p>A reconciliation of the Offer proceeds to the estimated cash position of the Company following Completion of the Offer is set out below:</p> <table border="1"> <thead> <tr> <th>Sources</th> <th>Minimum Subscription (\$m)</th> <th>Maximum Subscription (\$m)</th> <th>Uses</th> <th>Minimum Subscription (\$m)</th> <th>Maximum Subscription (\$m)</th> </tr> </thead> <tbody> <tr> <td>Cash proceeds received from the issue of Shares under the Offer</td> <td>12.5</td> <td>15.0</td> <td>Relocation to a larger site in Gold Coast and associated fit out cost</td> <td>1.0</td> <td>1.1</td> </tr> <tr> <td rowspan="2">Expected cash position as at 31 January 2019</td> <td rowspan="2">1.2</td> <td rowspan="2">1.2</td> <td>Expanding retail network through either development or acquisition of direct retail stores in key markets and location</td> <td>5.0</td> <td>7.0</td> </tr> <tr> <td>Developing online sales and marketing platform to capture incremental revenue</td> <td>3.5</td> <td>3.7</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Working capital</td> <td>2.7</td> <td>2.7</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Costs of the offer (current estimate)¹</td> <td>1.5</td> <td>1.7</td> </tr> <tr> <td>Total sources</td> <td>13.7</td> <td>16.2</td> <td>Total uses</td> <td>13.7</td> <td>16.2</td> </tr> </tbody> </table> | Sources | Minimum Subscription (\$m) | Maximum Subscription (\$m) | Uses | Minimum Subscription (\$m) | Maximum Subscription (\$m) | Cash proceeds received from the issue of Shares under the Offer | 12.5 | 15.0 | Relocation to a larger site in Gold Coast and associated fit out cost | 1.0 | 1.1 | Expected cash position as at 31 January 2019 | 1.2 | 1.2 | Expanding retail network through either development or acquisition of direct retail stores in key markets and location | 5.0 | 7.0 | Developing online sales and marketing platform to capture incremental revenue | 3.5 | 3.7 | | | | Working capital | 2.7 | 2.7 | | | | Costs of the offer (current estimate)¹ | 1.5 | 1.7 | Total sources | 13.7 | 16.2 | Total uses | 13.7 | 16.2 | Section 7.1.1 |
| Sources | Minimum Subscription (\$m) | Maximum Subscription (\$m) | Uses | Minimum Subscription (\$m) | Maximum Subscription (\$m) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash proceeds received from the issue of Shares under the Offer | 12.5 | 15.0 | Relocation to a larger site in Gold Coast and associated fit out cost | 1.0 | 1.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expected cash position as at 31 January 2019 | 1.2 | 1.2 | Expanding retail network through either development or acquisition of direct retail stores in key markets and location | 5.0 | 7.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Developing online sales and marketing platform to capture incremental revenue | 3.5 | 3.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Working capital | 2.7 | 2.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Costs of the offer (current estimate)¹ | 1.5 | 1.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total sources | 13.7 | 16.2 | Total uses | 13.7 | 16.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Will the Shares be quoted on ASX? | <p>Mediland Pharm will apply to ASX within seven days after the Prospectus Date for its admission to the Official List, and quotation of Shares by, ASX under the code "MPH".</p> <p>Completion of the Offer is conditional on ASX approving that application and granting permission for the Shares to be quoted on ASX on terms acceptable to the Company. If this approval is not given within three months of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all monies received from Applicants will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> | Section 7.8.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

1. INVESTMENT OVERVIEW CONTINUED

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|--|--|----------------------|
| How is the Offer structured and who is eligible to participate in the Offer? | The Offer is a general public offer. | Section 7.1 |
| Is the Offer underwritten? | No. The Offer is not underwritten. | Section 9.3.1 |
| What is the allocation policy? | The acceptance of Applications and the allocation of Shares are at the discretion of Mediland Pharm. In consideration for the Directors agreeing to consider an Applicant's Application, the Applicant agrees its Application is an irrevocable offer, which cannot be withdrawn. The Company reserves the right to reject any Application and to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies. No Applicant under the Offer has any assurance of being allocated all or any Shares applied for. | Sections 7.4 |
| Is there any brokerage, commission or stamp duty payable by Applicants? | No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of Shares under the Offer. | Section 7.3.5 |
| What are the tax implications of investing in the Shares? | A summary of certain Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 9.7. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether or not to invest. | Section 9.7 |
| When will an Applicant receive confirmation that an Application has been successful? | It is expected that holding statements will be dispatched by standard post on or around 22 January 2019. | Section 7.2 |
| How can an Applicant apply for Shares? | The Applicants may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus and paying your Application Monies by BPAY [®] , cheque or bank draft. | Sections 7.3 |
| What is the minimum Application size? | The minimum Application size under the Offer is \$2,000 (which is equivalent to 10,000 Shares in aggregate). | Section 7.2 |
| Can the Offer be withdrawn? | The Company may withdraw the Offer at any time before the issue of Shares to Applicants under the Offer. If the Offer, or any part of it, does not proceed, all monies received from Applicants will be refunded (without interest) in accordance with the Corporations Act. | Section 7.3.4 |
| Where can I find out more information about the Offer? | All enquiries in relation to this Prospectus should be directed to the Mediland Pharm IPO Information Line on 1300 349 201 (within Australia) and +61 3 9415 4179 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Mediland Pharm is a suitable investment for you, you should consult with your stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest. | Section 7.2 |



2.

INDUSTRY OVERVIEW

2. INDUSTRY OVERVIEW

2.1 MARKET REPORT

The Chinese Tourist Retail Market

This section reproduces an industry report which describes the Chinese Tourist Retail market. The report was commissioned from Frost & Sullivan by Mediland Pharm Limited in November 2018.

All currency quoted in this report refers to Australian dollars (\$) unless specified otherwise. When converting from RMB, an exchange rate of \$1 = RMB 4.95 has been used.⁹

2.2 INTRODUCTION AND BACKGROUND

Mediland Pharm operates a retail business, with retail outlets in Australia focused on serving inbound Chinese tourists, who typically visit the Company's locations as part of an organised group tour. However, the Company's three retail outlets (in Sydney, Gold Coast and Melbourne) are located in areas that may also attract Chinese free independent travellers (**FITs**), as well as local residents of Chinese ethnicity. Over time, Mediland Pharm plans to expand its range of goods for a greater focus on the direct retail market in Australia, and develop a stronger online presence, particularly in selling through cross-border eCommerce (**CBEC**) into China.

The retail sector serving inbound Chinese tourists to Australia is fragmented, and includes retail stores specifically focused on the Chinese tourist market (such as those operated by Mediland Pharm) as well as more general retail outlets in airports or urban locations, including:

- Duty-free stores;
- Department stores;
- Branded luxury goods stores;
- Direct retail stores; and
- Supermarkets & pharmacies (particularly for health & wellness and nutritional products).

Other retail outlets targeting Chinese tourists include Australia Post, which has recently opened a store in Chatswood, Sydney exclusively for personal shoppers buying products to send directly to China, particularly health & beauty products.¹⁰

Whilst well-established, the Chinese Tourist Retail Market in Australia is likely to have significant continued growth potential. This is a result of the potential for further significant increases in inbound Chinese tourism, which will stimulate further market growth. The direct retail and CBEC markets have similar growth potential, given rapidly increasing wealth levels in China and a significant growth in use of eCommerce.

2.3 MARKET DEFINITION

This report covers the Chinese Tourist retail market, as well as the related markets of *direct retail* and CBEC.

China¹¹ is Australia's largest inbound tourist market, with over 1.25 million inbound short-term visitors from China in 2017.¹² Shopping is a major activity for Chinese tourists, with approximately \$1.35 billion spent in 2017 on shopping by Chinese tourists.¹³ A number of product categories are particularly attractive to Chinese tourists, including health supplements and complementary medicines, certain food products, wine and types of clothing, such as Ugg boots and other iconic Australian items. A number of retail outlets have been established to cater specifically for the needs of Chinese tourists, such as those operated by Mediland Pharm, as well as other brands such as AuMake. The clientele for these stores can also include local residents of Chinese ethnicity, who may be operating as personal shoppers.

Direct retail (sometimes known as personal shopping) involves an individual outside China (personal shopper) who shops on behalf of a client resident in China, and then either ships the products back to the client in China, or personally transports them, in return for a commission. Personal shoppers usually take and complete orders on behalf of personal networks of clients in China, with transactions frequently facilitated via China's WeChat social media platform. Personal shoppers are typically overseas students, tourists or other Chinese who have migrated to an overseas country. Australia is one of the main global markets for direct retail.

9. As at July 11 2018.

10. <https://www.9news.com.au/national/2018/05/25/03/11/australia-post-creates-store-selling-selling-baby-formula-exclusively-for-chinese-customers>

11. As defined in this report, China excludes Taiwan and the Hong Kong and Macau SARs.

12. Tourism Research Australia, International Visitor Survey Results, March 2018.

13. Tourism Research Australia, Quarterly Results of the International Visitor Survey.

CBEC relates to the online purchase of goods by Chinese consumers from overseas vendors, with merchandise shipped into China from overseas, or from stock held by the vendor in bonded warehouses in China. Rapid growth in use of CBEC is causing significant growth in the volume of merchandise shipped into China. Over recent years, the use of CBEC by Chinese consumers has increased significantly, facilitated by marketplace platforms such as TMall Global, Netease Koala and JD Global, which enable overseas vendors to set up online stores targeting Chinese consumers. A growing number of Australian retailers and brand owners have established online stores on one of these platforms, or have established their own online store to target Chinese consumers.

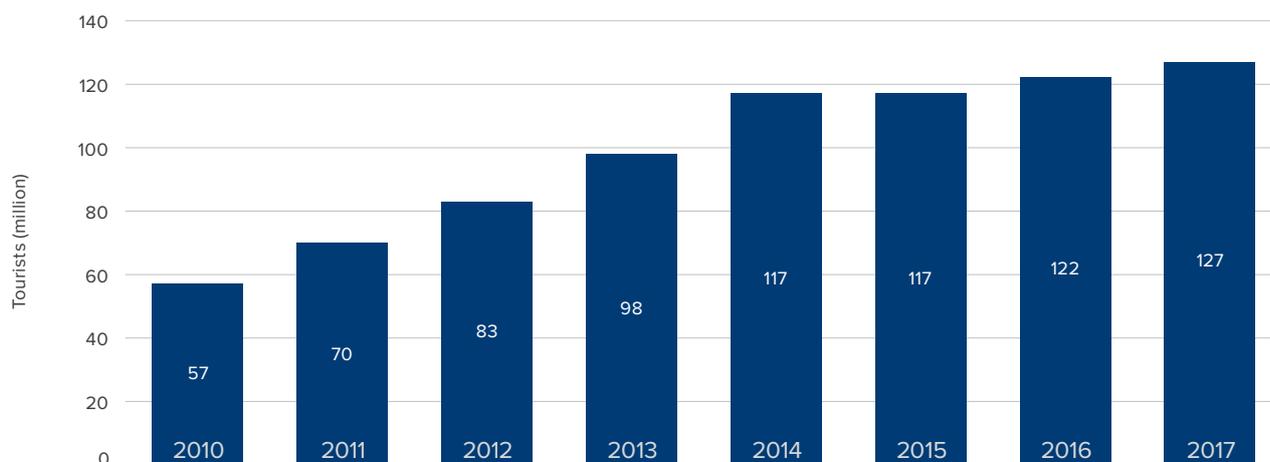
The increased influx of Chinese tourists to Australia is strongly linked to both the direct retail market and CBEC. This is because inbound tourism gives Chinese tourists the opportunity to become familiar with Australian products and brands. Once they have returned to China, these tourists may continue to purchase these products and brands through direct retail and CBEC channels. For Australian retailers and brand owners, serving Chinese tourists can therefore act as a gateway to continued engagement with these consumers.

2.4 THE INBOUND TRAVEL MARKET

2.4.1 Overview

China is now Australia’s most important source of inbound visitors. In 2017, visitors from China accounted for 15.4% of all inbound visitors, ahead of New Zealand at 15.2%.¹⁴ China is the world’s largest source of outbound tourism, with 127 million outbound tourists in 2017, a number that has more than doubled since 2010.¹⁵ However, since this represents only 9% of the population of China, there is still substantial room for growth (by comparison, in 2017 outbound tourists from Australia were equivalent to 37% of the population¹⁶.)

Figure 1: Outbound Tourists from China, 2010 to 2017



Source: China Travel Guide, accessed from <https://www.travelchinaguide.com/tourism/2017statistics/>

Australia was one of the first Western countries to be granted Approved Destination Status by China in 1999. The ADS scheme allows the granting of tourist visas to people travelling in tours organised by outbound tour operators approved by Australian and Chinese government authorities. Inbound tour operators and tour guides in Australia and OTOs in China are subject to a selection and monitoring process to ensure that inbound tourists receive a quality experience. There are around 80 ITOs and over 80 outbound Chinese travel agencies under the ADS scheme. Currently, about 25% of Chinese leisure visitors are under the ADS scheme.¹⁷

Whilst organised group tours account for a significant proportion of inbound visitors from China, travellers organising their own travel are becoming more common (known as free independent travellers or FITs). Over 50% of Chinese visitors now arrive alone or as part of an adult couple.¹⁸

14. Tourism Research Australia, International Visitor Survey Results, March 2018.

15. China Travel Guide, (accessed from <https://www.travelchinaguide.com/tourism/2017statistics/>).

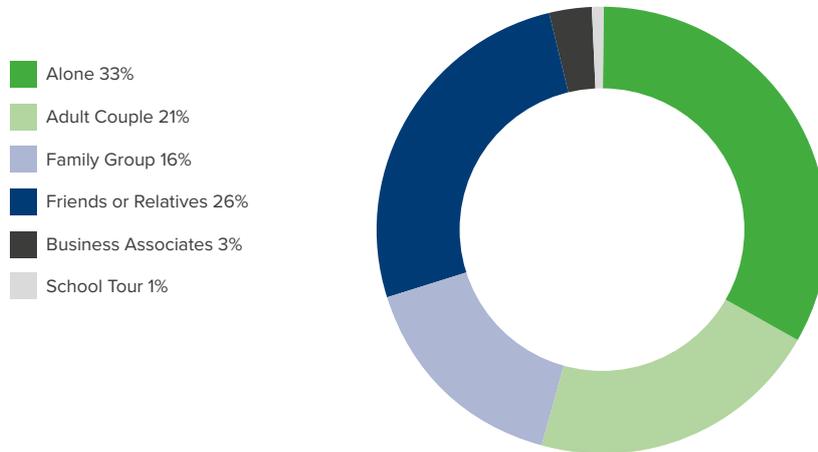
16. Australian Government, Outbound Tourism Statistics, 2017 (accessed from <https://www.tra.gov.au/Archive-TRA-Old-site/Research/Australians-travelling-overseas/Outbound-tourism-statistics/outbound-tourism-statistics>).

17. <https://www.austrade.gov.au/Australian/Tourism/Working-with-China/ADS>

18. Destination NSW, Mainland China Market Profile, 2016.

2. INDUSTRY OVERVIEW CONTINUED

Figure 2: Format of Travel Party, Inbound Chinese Tourists, 2016



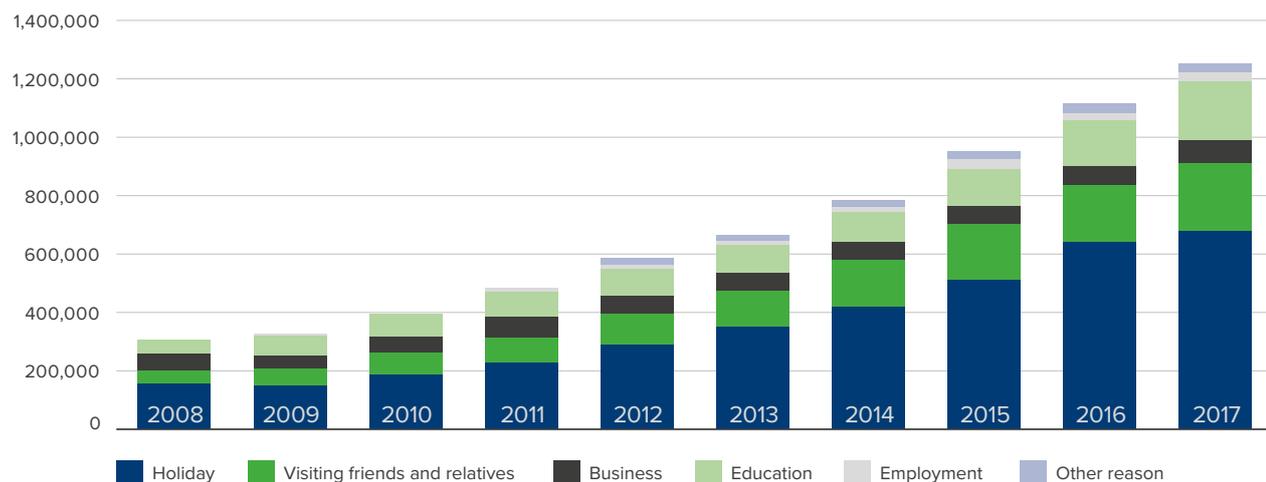
Source: Destination NSW, Mainland China Market Profile, 2016

A significant number of Chinese visitors to Australia are from China's tier-1 cities (Beijing, Shanghai, Guangzhou and Shenzhen), with 44% of inbound visitors from these cities. However, the expansion in air links is also encouraging visitors residing in other cities in Eastern and Central China, including Jiangsu (8% of visitors), Zhejiang (6%) and Shandong (5%).¹⁹

2.4.2 Size & Growth

In 2017, visitor arrivals to Australia from China reached over 1.25 million. This has increased at a CAGR of 16.4% since 2008. The main reasons for visits to Australia are holiday and visiting friends & relatives, which cumulatively accounted for 72% of arrivals in 2017. Education is another important reason at 16%. Business and employment are less important reasons for visitation, at 7% and 2% respectively. Over the decade since 2017, the fastest growth has been in visitors visiting friends & relatives, which has increased at a CAGR of 17.2%.²⁰

Figure 3: Visitor Arrivals from China, by Main Purpose of Visit, 2008 to 2017



Source: Tourism Research Australia, International Visitor Survey Results, March 2018

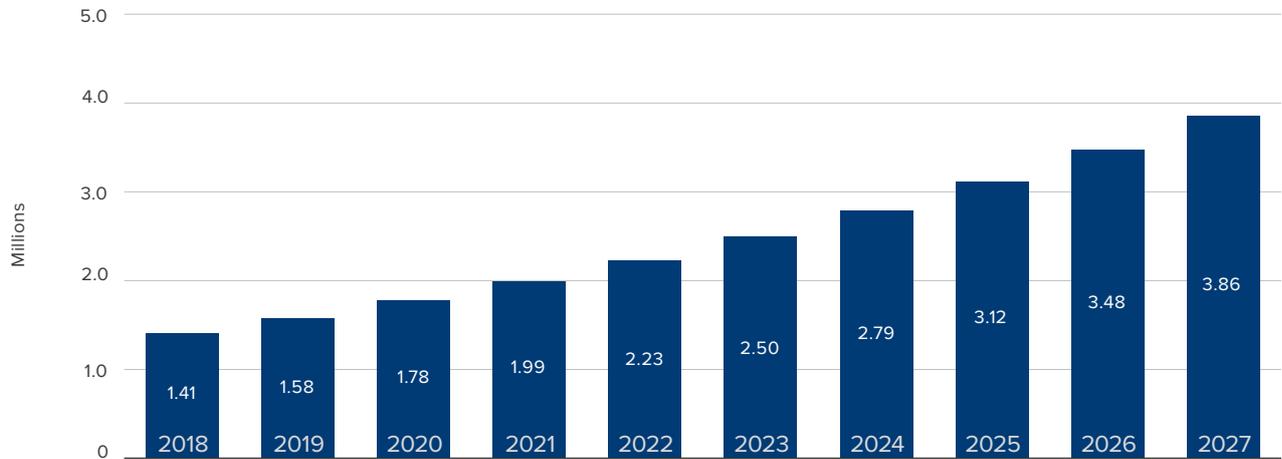
Inbound visitation from China is forecast to continue to grow strongly. In its Tourism Forecasts for 2017, Tourism Research Australia forecasts that, by 2027, inbound arrivals from China will approach 4 million.²¹

19. Tourism Australia, China Market Profile 2017.

20. Tourism Research Australia, International Visitor Survey Results, March 2018.

21. Tourism Research Australia, Tourism Forecasts, 2017.

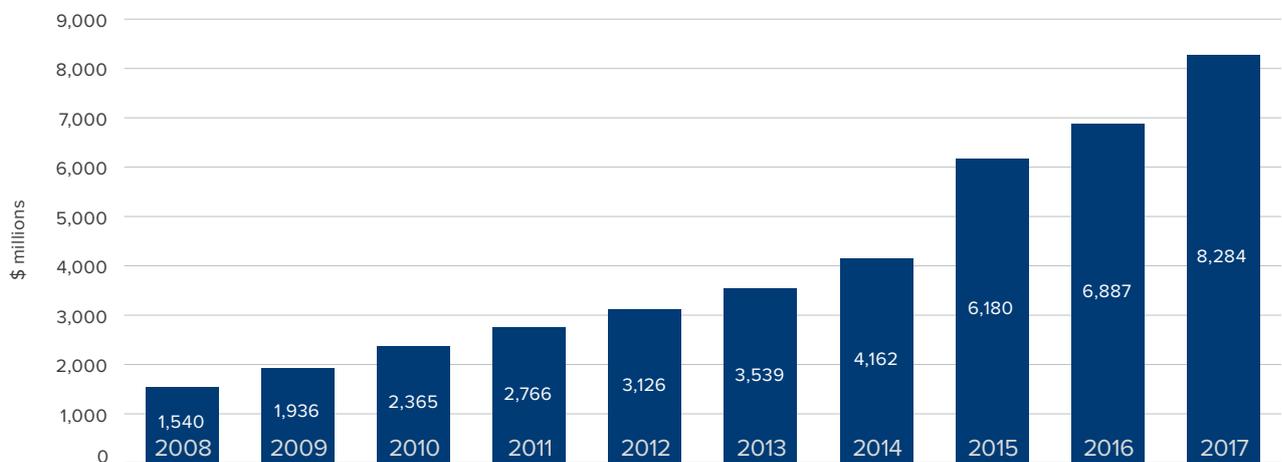
Figure 4: Forecast Inbound Visitors from China, 2018 to 2027



Source: Tourism Research Australia, Tourism Forecasts, 2017

In terms of expenditure by visitors from China, total trip spend reached \$10.2 billion in 2017, with \$8.3 billion of this spent in Australia itself (i.e. excluding airfares and other travel components purchased overseas). Since 2008, total trip expenditure in Australia by Chinese tourists has increased at a CAGR of 18.3%.²² The main components of trip expenditure include accommodation, domestic travel within Australia and education fees, as well as shopping.

Figure 5: Total Trip Expenditure in Australia by Chinese Visitors, 2008 to 2017



Source: Tourism Research Australia, International Visitor Survey Results, March 2018

2.4.3 Market Drivers

Several factors are driving inbound tourism from China, as described below.

(a) Increasing Family Connections with Australia

Visiting friends and relatives is a major reason for short-term visitation to Australia. In 2017, 18% of short-term visitors from China to Australia gave visiting friends or relatives as the main purpose of their visit.²³ Since 2000, the number of Australian residents born in China has more than tripled, increasing from 145,000 in 2000 to over 500,000 in 2016, or 2.2% of the resident population (7.8% of the overseas-born population).²⁴ Hence, a growing number of Australian residents have family ties or personal connections with China.

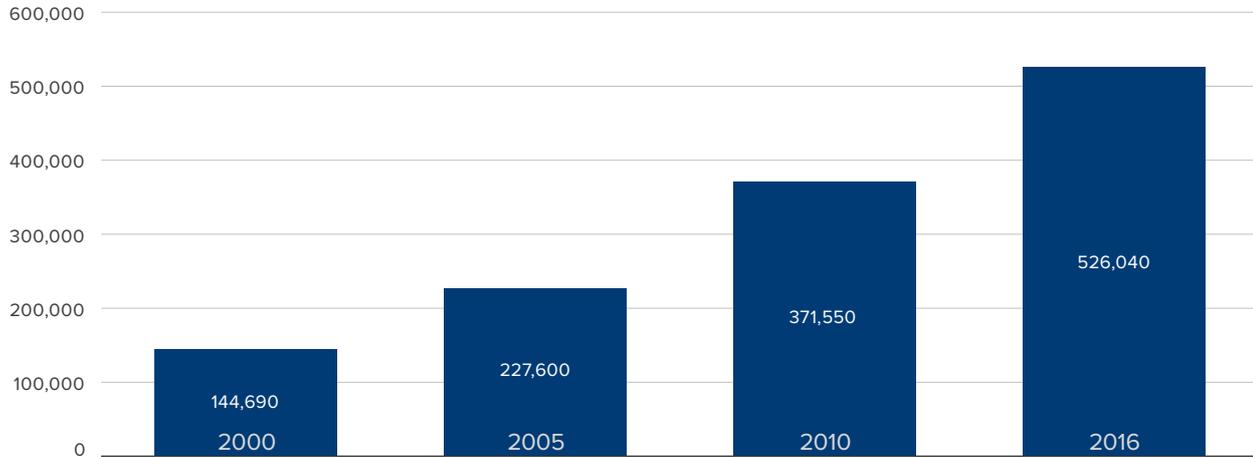
22. Tourism Research Australia, International Visitor Survey Results, March 2018.

23. Ibid.

24. ABS, 3412.0 – Migration, Australia, 2015-16.

2. INDUSTRY OVERVIEW CONTINUED

Figure 6: Number of Australian Residents Born in China, 2000 to 2016

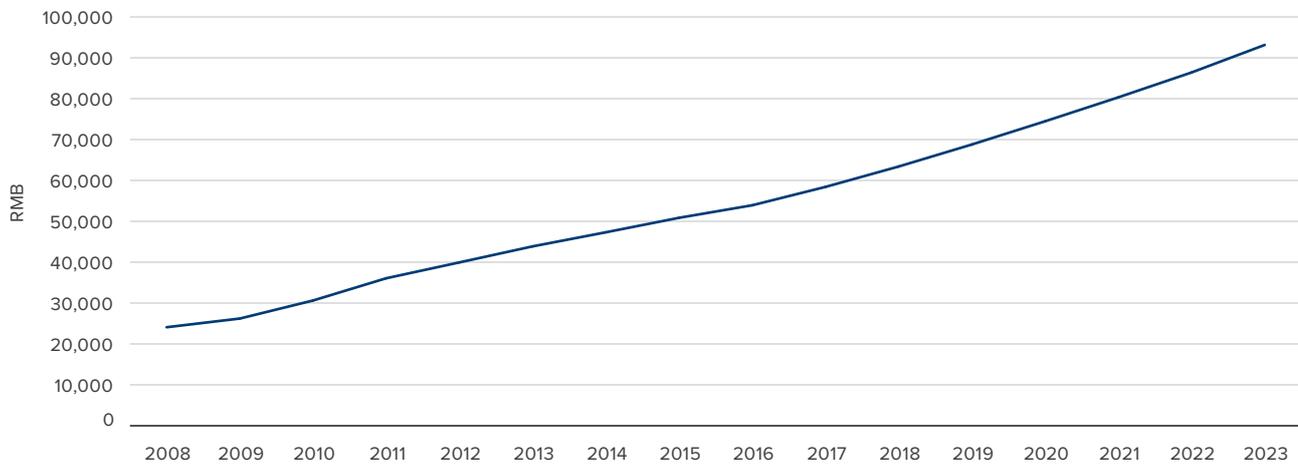


Source: ABS, 3412.0 – Migration, Australia, 2015-16

(b) Rising Wealth Levels in China

Rising wealth levels in China are providing a significant growth in the number of individuals able to undertake international travel. Between 2008 and 2017, GDP per capita in China increased from RMB24,091 (\$4,867) to RMB58,417 (\$11,801), an increase of 142% in a decade. By 2023, it is forecast to reach RMB93,135 (\$18,815), placing China firmly amongst middle-income economies.²⁵

Figure 7: GDP per Capita, China, 2008 to 2023F



Source: IMF, World Economic Outlook Database, April 2018

Increasing national wealth is driving growth in disposable income, which may be used for discretionary expenditure such as travel. In 2016, the per capita disposable income of urban households reached RMB33,616 (\$6,791), an increase of 27% from RMB26,467 (\$5,347) in 2013.²⁶

(c) Improved Affordability of Australia as a Destination

Exchange rate movements have an impact on inbound travel, as a weakening Australian dollar makes Australia more affordable and hence attractive as a destination. Between 2012 and 2017, the average annual exchange rate for the Australian dollar against the RMB has declined from RMB6.54 to RMB5.18, a depreciation of almost 21%.²⁷ By October 2018, the Australian dollar had further depreciated to RMB4.92, a depreciation of almost 4% since January 2018.²⁸

25. IMF, World Economic Outlook Database, April 2018.

26. National Statistics Bureau of China, accessed July 2018.

27. Westpac, Calendar year average exchange rates, accessed July 2018.

28. Westpac, Monthly average exchange rates, accessed October 2018.

(d) Smoother Visa Processes

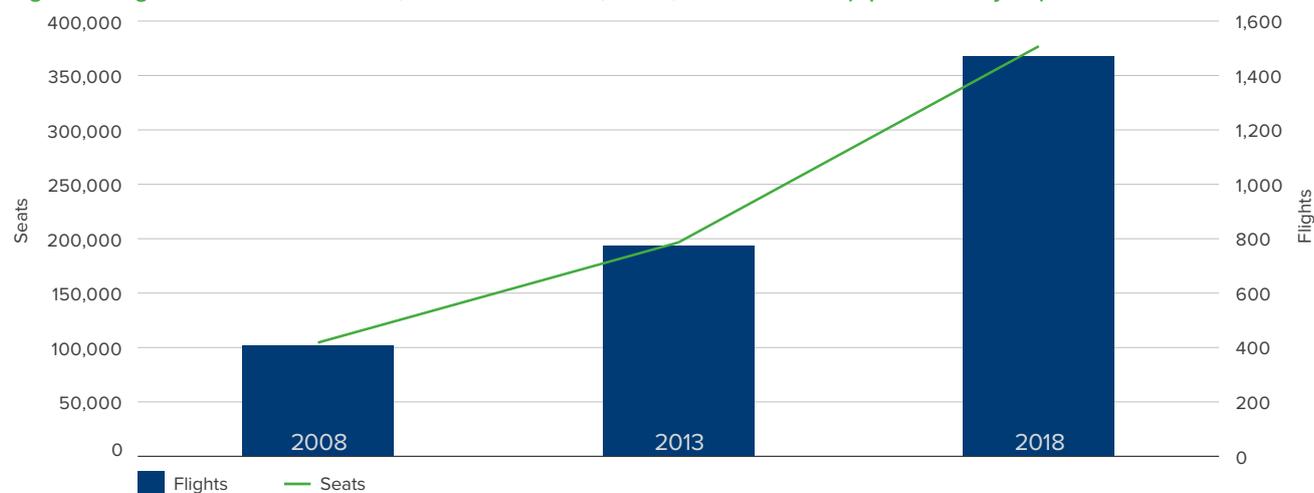
Chinese tourists require a visa to visit Australia, and the costs, time and effort involved in visa application can be a restraint on travel. In 2016, the Australian government introduced more streamlined procedures for Chinese tourists, including the ability to lodge visitor visa applications in Chinese through a new online service provided by the Department of Foreign Affairs and Trade's service delivery partner. Australian Visa Application Centres now provide an optional online lodgement service in Simplified Chinese for Visitor visa (subclass 600) Tourist stream applications. Individuals can complete their application online and in Chinese without visiting an office.

Additionally, a trial commenced of the new 10-year 'Frequent Traveller' Visitor visa for applicants from within mainland China. This visa complements existing visitor visa products and is suited to travellers from China who have committed long term plans for frequent short-term travel to Australia. The 10-year 'Frequent Traveller' visa allows a stay in Australia for up to three months per visit, with multiple entries permitted. Visa holders will be allowed a cumulative stay of no more than 12 months in any 24 month period.²⁹

(e) Increased Airline Capacity

An Open Skies agreement was signed in December 2016, removing previous capacity constraints on Chinese airlines operating into Australia, and has allowed direct access from second-tier Chinese cities to Australia. Almost 20 Chinese cities are now served by flights to and from Australia. By February 2018, airlines flying direct between Australia and China included Air China, Beijing Capital Airlines, China Eastern Airlines, China Southern Airlines, Hainan Airlines, Jetstar, Qantas, Sichuan Airlines and Xiamen Airlines.³⁰ In April 2018, 1,470 flights operated between China and Australia, with a capacity of 377,000 available seats. This compares to 775 flights with 200,000 seats five years earlier in 2013, and 408 flights with 105,000 seats in April 2008.³¹ Overall, 15,381 flights with 4.02 million available seats operated between Australia and China (in both directions) in 2017, compared to 7,005 flights with 1.83 million seats in 2012.³²

Figure 8: Flights and Available Seats, China to Australia, 2008, 2013 and 2018 (April of each year)



Source: BITRE, International Airlines Operated Flights and Seats, accessed July 2018

(f) Focus on Improving Quality

Australian tourism authorities have focused on improving the quality of experience for Chinese tourists, for example through the Key Distribution Partners (**KDPs**) initiative launched in 2014. KDPs are travel agents and travel wholesalers in China which are used as benchmarks for quality and to demonstrate a model for the China travel industry on how to promote Australia as a destination through sustainable business practices and quality product development targeting the FIT and premium segments in particular. As of April 2017, 32 KDPs had been appointed, with an aim of further increasing the number.³³

Similarly, through the Aussie Specialist Program, travel agents have been trained and developed to "sell Australia." As at December 2016, there were over 8,500 qualified Aussie Specialists in China.³⁴

29. <http://china.embassy.gov.au/bjng/trialof10yearfrequenttravellervisa.html>

30. BITRE, International Airline Activity, accessed July 2018.

31. BITRE, International Airlines Operated Flights and Seats, accessed July 2018.

32. BITRE, International Airline Activity Annual Publications, accessed July 2018.

33. Tourism Australia, China Market Profile 2017.

34. Ibid.

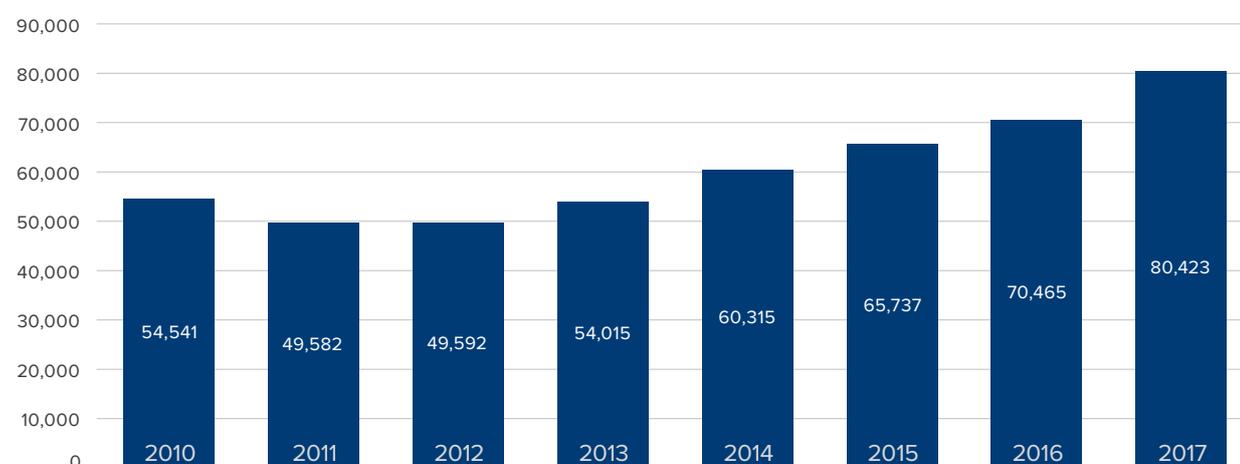
2. INDUSTRY OVERVIEW CONTINUED

2.5 THE DIRECT RETAIL MARKET

The direct retail trade in Australia is particularly important for product categories such as infant formulae, vitamins and nutritional supplements and skin care products. These are product categories where Chinese consumers place high importance on product quality and provenance of origin, with Australian brands held in high regard.

The number of personal shoppers active in Australia is variously estimated at 100,000³⁵ up to 400,000³⁶ with up to 200 parcels per day being sent back to China, and \$600 million annually spent by personal shoppers.³⁷ The direct retail trade is being stimulated by strong growth in the number of Chinese students in Australia, as well as Chinese migrants. Additionally, many Chinese tourists act as personal shoppers during visits to Australia. Between 2010 and 2017, the number of student visas granted to Chinese nationals has increased at a CAGR of 5.7% to reach over 80,000 in 2017.³⁸

Figure 9: Student Visas Granted to Chinese Nationals, 2010 to 2017



Source: Australian Government, Study in Australia statistics, accessed June 2018

The growth in the direct retail trade in Australia is creating opportunities for retailers who specialise in the direct retail market. For example, Australian-based AuMake listed on the Australian Securities Exchange in 2017.

Direct retail is an increasingly important channel-to-market for Australian brand owners such as Blackmores (manufacturers of vitamins and dietary supplements) and Bellamy's Organic (manufacturer of infant formula). These companies are focusing on the direct retail channel as a key means to drive sales into China. For example, Blackmores offers an education programme for personal shoppers, as well as an online platform offering education tools and resources.³⁹

2.6 THE CROSS-BORDER ECOMMERCE MARKET

Buying products online from an overseas vendor is known as *Haitao* in Mandarin, roughly translating to "ocean search". This is an increasingly common way for international retailers and brand owners to sell to Chinese consumers. Australia is one of the top five origin countries for Haitao buyers in China, along with Japan, US, Germany and Korea.⁴⁰

China is the world's largest online shopping market in value terms. The online ecosystem and infrastructure in China are the foundations for this. China is by far the largest online market in the world, with over 730 million Internet users. About 500 million Chinese now shop online, and with smartphone penetration at over 80% a vast number of individuals are also shopping using their mobile device. China has more online shoppers than the US, United Kingdom, and Australia combined, and with online sales now at over 16% of total retail sales, China is second only to the UK in online shopping penetration.

35. Nielsen, *Breaking Borders, Exploring the Daigou opportunity*, 2017.

36. AuMake, *Investor Roadshow Presentation*, 2018.

37. AuMake prospectus, 2017.

38. Australian Government, *Study in Australia statistics*.

39. Blackmores Shareholder Presentation, May 2018.

40. 2017 TMall Annual Global Consumers Report.

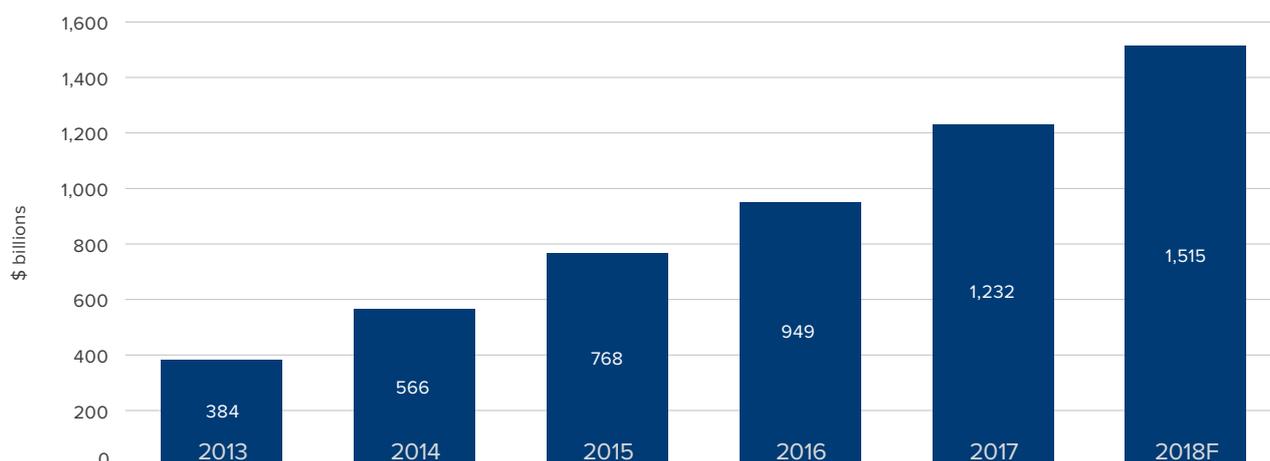
Table 1: China's Online Ecosystem Compared to Selected Countries, 2017

| | China | US | UK | Australia |
|--|-------------|-------------|------------|------------|
| Internet users | 733 million | 245 million | 62 million | 21 million |
| Social media penetration | 57% | 66% | 66% | 60% |
| Smartphone penetration | 82% | 86% | 87% | 90% |
| Online shoppers | 500 million | 217 million | 43 million | 12 million |
| Online sales as percentage of total retail sales | 16.6% | 8.9% | 18.0% | 7.5% |

Sources: ITU; Ericsson; Invesp; Wearesocial; Frost & Sullivan estimates

Overall, China's online shopping expenditure is estimated at \$1,232 billion in 2017, and is forecast to reach \$1,515 in 2018, with growth of 32% CAGR from 2013 to 2018.⁴¹

Figure 10: Online Shopping Expenditure, China, 2013 to 2018



Source: iResearch, China's Online Shopping Sector Data, 2017 (accessed from http://www.iresearchchina.com/content/details7_40913.html)

Overseas retailers and brand owners have a range of options for selling to Chinese consumers. Broadly, these can be divided into three approaches: selling through domestic retail outlets or online stores to personal shoppers and Chinese tourists (i.e., the sale is made outside China although the product is subsequently sent or taken to China); selling through a CBEC platform, including both a standalone online store or marketplace; and traditional import, that involves importing into China and selling through physical and/or online stores.

Over recent years, Chinese consumers have significantly increased consumption of merchandise purchased online from overseas retailers through CBEC.

CBEC can involve products ordered online by a Chinese consumer and then shipped to China from overseas (the postal model). However, the Chinese government has also encouraged CBEC through allowing the establishment of free-trade zones (FTZs) to which products may be pre-imported (i.e. prior to order) and then shipped to the consumer on purchase. These bonded zones were first introduced in 2014, and allow duty-free imports. Use of cross-border eCommerce platforms can, if the personal postal model is used, obviate the need for product registration and allow the sale of products not on the Positive List. The Positive List was introduced by the Chinese government in 2016, and is a list of product categories that can be imported into one of 15 approved bonded warehouse zones across China or shipped from an overseas distribution centre linked to Chinese Customs authorities. However, its implementation has been delayed several times, most recently to the end of 2018.

41. iResearch, China's Online Shopping Sector Data, 2017 (accessed from http://www.iresearchchina.com/content/details7_40913.html).

2. INDUSTRY OVERVIEW CONTINUED

The regulatory and taxation regime governing the various types of CBEC as well as traditional import into China is summarised below.

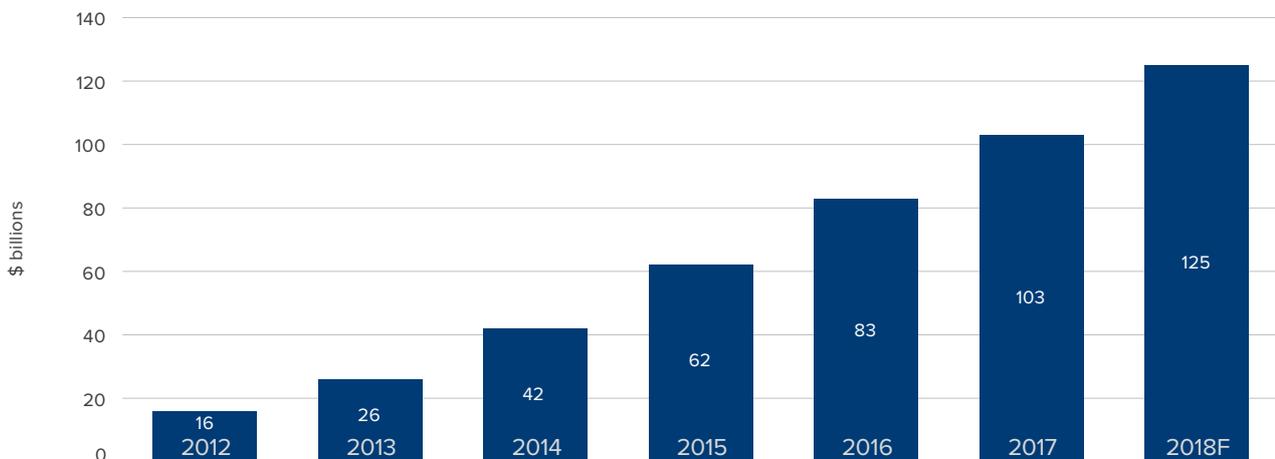
Table 2: Regulatory and Taxation Regime for CBEC, 2018

| MODEL | REGULATION | TAXATION |
|--|---|--|
| Domestic retail outlets/online stores | Treated as a personal shopper transaction when sent to China by personal shoppers. No product registration required; ID authentication required; no more than 6 SKUs; value limit RMB1,000/order. | 15% postal tax born by end customer, no China VAT. |
| Cross-border eCommerce platform | Goods bulk imported through bonded warehouses in FTZs or dispatched from outside China on receipt of orders. Impacted by Positive List. | Via direct postal clearance – 15%-60% postal tax born by customer. Via bonded clearance – 11.2% Consolidated Tax (25.5% for cosmetics). |
| Traditional import | Classified as General Trade. Only registered products can be imported and sold. | Import tariff (standard 15%, the rate varies according to HS Code and trade treaties) and VAT levied: 16% standard rate. |

Source: Frost & Sullivan

About one-quarter of Chinese online shoppers are now regularly buying through Haitao, with an estimated 125 million Chinese consumers purchasing through this channel in 2017, with the total Haitao expenditure in China reaching \$103 billion in 2017.⁴² By way of comparison, this level of spending is almost six times larger than the total consumer eCommerce spending in Australia (\$17.7 billion).⁴³ With nearly 60% of Haitao buyers expecting to purchase more over the next 12 months, and only 2% likely to spend less, CBEC is projected to see continued growth in China.⁴⁴ This is primarily driven by the widespread perception that products bought from overseas vendors are of higher quality and more reliable than domestic goods, and the lower risk of buying fake products is also a major incentive for Haitao purchasers.

Figure 11: Cross-border eCommerce Purchases in China, 2012 to 2018F



Source: 2017 TMall Annual Global Consumers Report

42. 2017 TMall Annual Global Consumers Report.

43. Australia Post – Inside Australian Online Shopping, 2017.

44. Frost & Sullivan and Azoya, the Cross-border eCommerce (Haitao) Opportunity in China, 2018.

2.7 THE RETAIL MARKET OPPORTUNITY

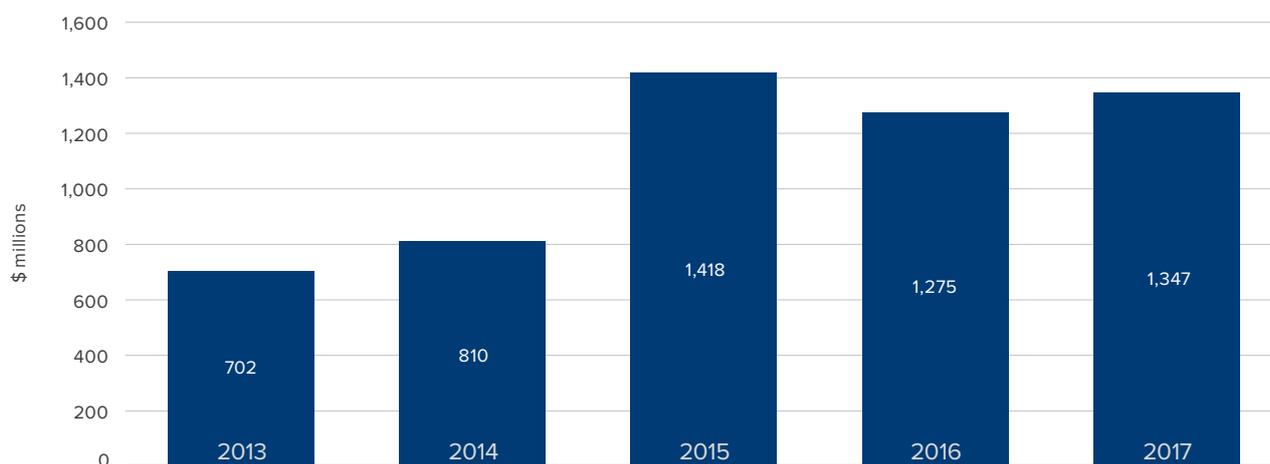
Mediland Pharm is addressing a retail market opportunity that includes three main components:

- Retail expenditure by Chinese visitors to Australia, through the Company's retail outlets in Sydney, Melbourne and the Gold Coast;
- Direct retail expenditure by personal shoppers in Australia on behalf of their clients in China with goods subsequently sent to China, with purchases made either in one of the Company's stores or through other channels (such as online); and
- CBEC sales into China.

Of these components, sales to inbound Chinese tourists through the existing retail outlets is the most mature. Despite this, there is still likely to be significant potential for growth given the anticipated significant increases in inbound Chinese tourism. Awareness of the Mediland Pharm brand amongst Chinese tourists can also be leveraged to support the other two opportunities.

In 2017, inbound Chinese visitors spent approximately \$1.35 billion on shopping in Australia. Since 2013, this has increased at a CAGR of almost 14% (data is based on surveys of Chinese tourists so year-to-year data can be volatile. However, over the past 5 years there has been strong overall growth).⁴⁵

Figure 12: Expenditure on Shopping by Chinese Visitors, 2013 to 2017



Source: Tourism Australia, Quarterly Results of the International Visitor Survey, accessed July 2018

Expenditure by personal shoppers in Australia is less well-documented, however, one estimate is that they spend \$600 million annually in Australia.⁴⁶ The cumulative expenditure by inbound tourists and personal shoppers therefore approaches \$2 billion.

CBEC is potentially a more significant market opportunity in value terms than retail sales to inbound tourists or direct retail, however, because barriers to entry are lower, it is an extremely competitive market. Total Haitao expenditure in China reached \$103 billion in 2017.⁴⁷ Australia is one of the leading countries of origin for CBEC sales to China, with around 10% share suggesting total CBEC sales from Australian retailers and brand owners of over \$10 billion.⁴⁸

45. Tourism Australia, Quarterly Results of the International Visitor Survey, accessed July 2018.

46. AuMake prospectus, 2017.

47. 2017 TMall Annual Global Consumers Report.

48. Ibid.

2. INDUSTRY OVERVIEW CONTINUED

2.8 CONCLUSION

Mediland Pharm currently serves inbound Chinese tourists via its retail outlets, which sell a variety of merchandise targeted at Chinese travellers. The Company plans to further leverage its retail brand to sell through additional channels, including the direct retail and CBEC channels. Products sold through these channels may, in time, include Mediland Pharm's own branded products, in categories such as healthcare and complementary medicines. Whilst the Chinese tourist retail market is well-established, there is still significant growth potential with the Company's retail business likely to continue to benefit from the growth in inbound Chinese visitors to Australia. In 2017, visitor arrivals to Australia from China reached over 1.25 million. This has increased at a CAGR of 16.4% since 2008.⁴⁹ Visitors from China are forecast to approach 4 million by 2027.⁵⁰ This rapid growth in inbound visitation from China results from a number of factors, including rising wealth levels in China, enhanced connectivity, growing family ties, improved affordability of Australia as a destination and smoother visa processes. The growth in inbound visitation is bringing significantly enhanced expenditure by visitors in Australia, with over \$8 billion spent in 2017, of which \$1.35 billion was on shopping. Expenditure on shopping has increased at 14% CAGR over recent years.⁵¹

Whilst retail sales to Chinese tourists alone represents a \$1.35 billion market opportunity, further potential is available to the Company through the direct retail and CBEC channels, which are less mature and which present further options for sales to Chinese consumers. These opportunities are linked, as awareness of the Company's brand and product amongst tourists can also drive subsequent demand through the direct retail and CBEC channels. There are estimated to be 100,000⁵² to 400,000⁵³ personal shoppers operating in Australia, on both a part-time and full-time basis, with \$600 million annually spent by personal shoppers.⁵⁴ Several Australian brand-owners generate a significant portion of their sales through the direct retail channel.

CBEC offers a further opportunity, with purchases from overseas retailers and brand owners by Chinese consumers growing significantly to exceed \$100 billion in 2017.⁵⁵ Australia is one of the leading countries of origin preferred by Chinese online shoppers, a result of the high confidence that Chinese consumers place in Australian products.

Overall, the physical (bricks-and-mortar) retail opportunity available to Mediland Pharm through its existing outlets on Australia is around \$2 billion, comprising expenditure by inbound Chinese visitors as well as personal shoppers operating in Australia. However, the CBEC opportunity is significantly larger, with an estimated \$10 billion spent by Chinese online consumers with Australian brand owners and retailers in 2017.⁵⁶

2.9 DISCLOSURE

This is a reproduction of an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Mediland Pharm Ltd. and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

49. Tourism Research Australia, International Visitor Survey Results, March 2018.

50. Tourism Research Australia, Tourism Forecasts, 2017.

51. Tourism Australia, Quarterly Results of the International Visitor Survey, accessed July 2018.

52. Nielsen, Breaking Borders, Exploring the Daigou opportunity, 2017.

53. AuMake, Investor Roadshow Presentation, 2018.

54. AuMake prospectus, 2017.

55. 2017 TMall Annual Global Consumers Report.

56. Ibid.



3.

BUSINESS OVERVIEW

3. BUSINESS OVERVIEW

3.1 OVERVIEW OF MEDILAND PHARM

Mediland Pharm is a market-leading retailer servicing the Chinese inbound tourism sector in Australia. It does this by partnering with major travel agents and wholesale tour operators who are all Chinese Government certified under the Approved Destination Status scheme. The resulting customer volume is hosted at the Company's three strategically located retail outlets in Sydney, Melbourne and Surfers Paradise. The Company's store locations, retail experience and merchandising strategies are designed to capture a significant share of the spending of the various tour groups.

3.2 HISTORY OF MEDILAND PHARM

The business of Mediland Pharm was established in 2002 with the opening of the first store at 65 Pirrama Road, Pyrmont, NSW. The Company still operates at that location today. A timeline of some of the significant events and milestones for the Group is set out below.

| TIME | EVENT |
|-------------|---|
| 2002 | <ul style="list-style-type: none">The business of Mediland Pharm established.First store opened in Pyrmont, Sydney. |
| July 2005 | Second store opened in Melbourne. |
| August 2006 | Third store opened in Gold Coast. |
| 2007 | Commenced selling health care products in stores. |
| 2009 | Commenced selling cosmetics products in stores. |
| 2011 | King Opal partnership was formed and their jewellery products commenced being sold in stores. |
| 2013 | <ul style="list-style-type: none">The incorporation of the Sydney, Melbourne and Gold Coast stores as Darling Harbour Pty Ltd, St. Wells Pty Ltd and Surfers Paradise Pty Ltd respectively and the transfer of Mediland Pharm business into those entities.Zenger products (wool products) were introduced as part of store merchandise. |
| 2016 | Mediland Pharm relocated its Melbourne store to the current location. |
| 2017 | <ul style="list-style-type: none">Major refurbishment of Sydney store in Pyrmont completed.On the completion of the Sydney store refurbishment the Company secured its first ever large (over 2,000 delegates) incentive group who visited the store in 3 days, which drove store growth. |
| 2018 | <ul style="list-style-type: none">Refurbishment of Melbourne store completed.Commenced planning for IPO and listing on the ASX.Corporate restructuring transaction and incorporated Mediland Pharm Limited as new holding company. |

3.3 BUSINESS MODEL OF THE COMPANY

Mediland Pharm operates retail outlets that service inbound Chinese visitors that come to Australia via organised tours arranged under the ADS scheme. The Company estimates that its three retail outlets had approximately 50,000 Chinese visitors in the 12 months to 30 June 2018, almost all of which come to Australia via organised tours.

Australia was granted the Approved Destination Status by China in 1999. The ADS scheme allows the granting of tourist visas to people travelling in tours organised by outbound tour operators approved by Australian and Chinese government authorities. Inbound tour operators and tour guides in Australia and OTOs in China are subject to a selection and monitoring process to ensure that inbound tourists receive a quality experience. There are around 80 ITOs and over 80 outbound Chinese travel agencies under the ADS scheme.

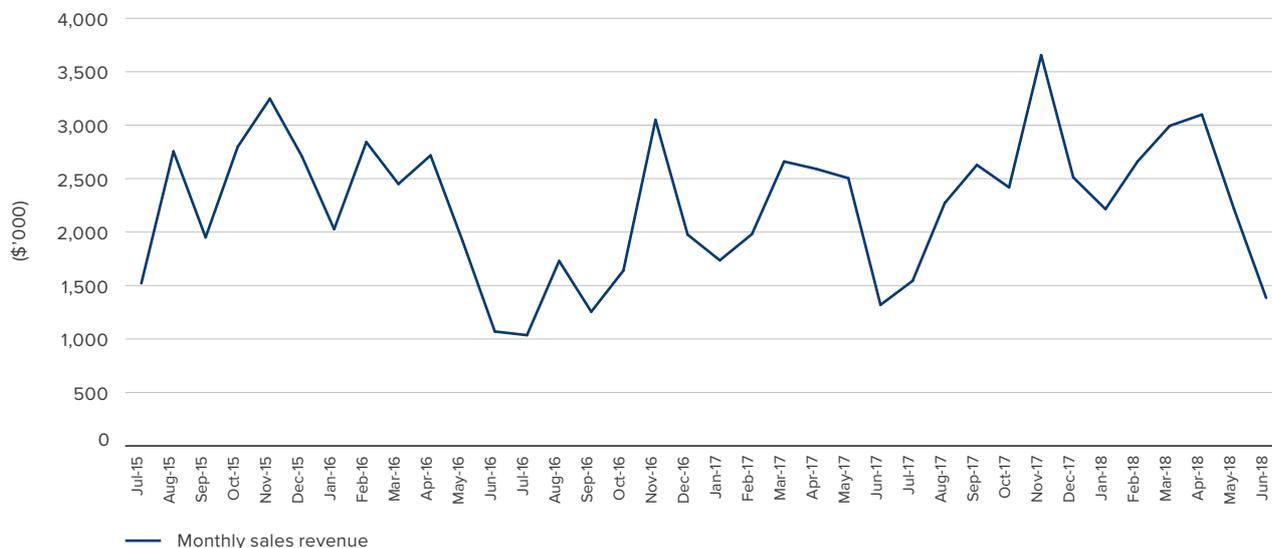
Mediland Pharm partners with ITOs in Australia to provide a unique “one-stop” shopping and tourist experience to Chinese tourists visiting Australia through its retail stores, merchandise and brands. These ITOs ensure that Mediland Pharm’s three existing retail outlets are the exclusive shopping destinations commissioned for the tourist groups arranged by them. The majority of the Company’s customer numbers are sourced from four ITOs. Tour groups also consist of Incentive Groups, which can comprise a large number of visitors as they are organised as employee reward programs by organisations or corporations. Incentive Groups are however ad hoc and do not consistently occur year on year.

In return for having its stores as the exclusive shopping destination of tour groups, Mediland Pharm pays promotion fees to its ITO partners. These fees are based on a fixed amount per visitor, with payment typically made by Mediland Pharm within 60 days after the tour group has visited the stores. The marketing fee rates are renegotiated with each ITO on a quarterly basis. The Company’s management closely monitors the spending of each tour group and provides timely feedback to ITOs to ensure profitability and financial performance are maintained.

Once Mediland Pharm has successfully procured tour groups to visit its stores, it earns revenue from the sale of products through its three retail stores and commission income from third party retailers. The Company offers customers a wide range of products that it carefully selects based on its experience and knowledge of the consumer preferences of Chinese inbound tourists. Major categories include healthcare products, jewellery, cosmetics, souvenirs, gifts, luxury bedding products and floor rugs, with healthcare products and cosmetics being the dominant categories driving sales in recent times.

The majority of products sold by the Company are made in Australia and sourced from third party suppliers. Mediland Pharm maintains strong relationships with its suppliers and believes it is an attractive customer for these suppliers due to its relatively high volumes. In addition, Mediland Pharm has developed its own branded products in the healthcare and cosmetics segments.

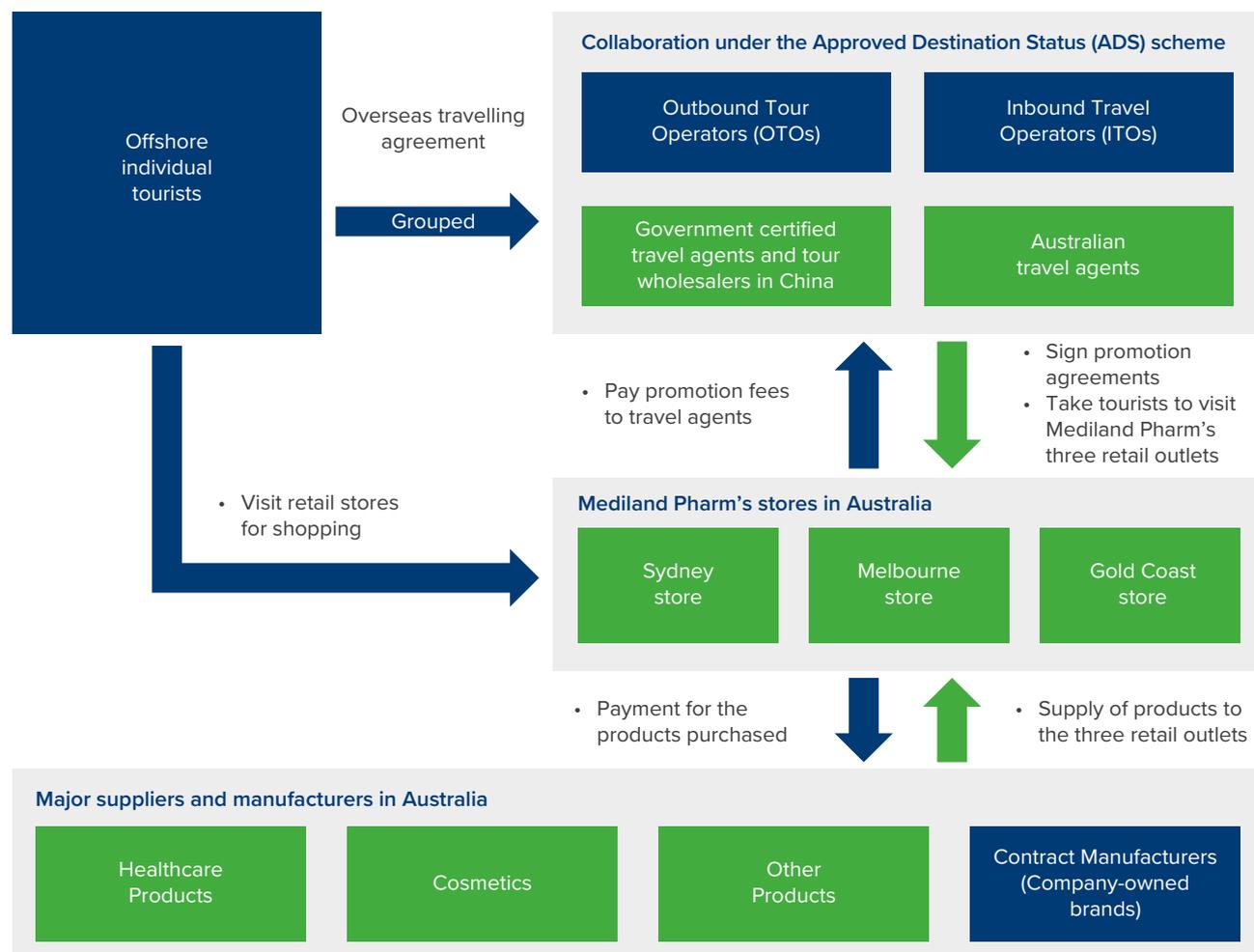
Being a tourist business, Mediland Pharm has a degree of seasonal fluctuation in its business. Tour group visitors and sales revenue tend to be higher during the Australian summer months of October through to March and decline in the Australian winter months of May to August. The timing of Mediland Pharm’s revenues are also impacted by the timing each year of the Chinese New Year festival which falls between January and February and the National Holiday which is in October. These seasonal patterns are illustrated in the monthly Sales Revenue chart below.



Mediland Pharm also derives revenue from commission income through agreements with third party retailers who pay the Company a commission from the sales generated on Chinese tour groups that the Company arranges to visit these third party retailers. These arrangements exist in Sydney and the Gold Coast. These visits to third party retailers are contemplated in the Company’s agreements with the ITOs.

3. BUSINESS OVERVIEW CONTINUED

A summary of the business model of Mediland Pharm is as follows:



3.4 RETAIL STORE NETWORK

Mediland Pharm services its Chinese inbound tourist customers through three retail outlets, located in Sydney, Melbourne and Gold Coast. The sales revenues of the retail stores and commission income over the last three financial years was as follows:

| | FY16 Pro forma Historical | FY17 Pro forma Historical | FY18 Pro forma Historical |
|----------------------|---------------------------------|---------------------------------|---------------------------------|
| \$'000 | | | |
| Sydney | 15,471 | 12,963 | 16,394 |
| Gold Coast | 8,648 | 7,193 | 9,227 |
| Melbourne | 3,881 | 3,322 | 3,978 |
| Total Sales Revenue | 28,000 | 23,478 | 29,599 |
| Commission Income | 3,477 | 3,492 | 4,485 |
| Total Revenue | 31,477 | 26,970 | 34,084 |

3.4.1 Sydney Store

The Sydney store is located at Shop 2, Bay Centre, 65 Pirrama Road, Pyrmont and has 481 sqm of retail space. This was the first store location established by Mediland Pharm in 2002 and the Company has traded at this location continuously since then. The store is strategically located next to Star City Casino and adjacent to harbor-side parks, providing a unique tourist shopping experience for visiting tour groups. The store has become a member of “Go Vita” health shops cooperative since 1 September 2017.

An area within the Sydney store is operated by an independent business known as “King Opal” which sells jewellery. Under the partnership agreement with King Opal, Mediland Pharm receives commission revenue on all sales but does not have to carry inventory or employ sales staff with expertise in jewellery.

The current lease on the Sydney store expires in March 2020.



3.4.2 Melbourne Store

The Melbourne store is located at 635-637 Queensbury Street North Melbourne and has 423 sqm of retail space. This store was established in 2005. It is conveniently located close to the Melbourne CBD and the site provides easy access to tour group buses.

The Melbourne store was renovated in 2018 to provide an upmarket experience. This is expected to enhance revenues from the Melbourne store in the years ahead.

The current lease on the Melbourne store expires in March 2019, with an option to extend for another three years, taking the term to March 2022.



3. BUSINESS OVERVIEW CONTINUED

3.4.3 Gold Coast Store

The Gold Coast store is located at Shops 2 and 3, 110 Brisbane Road, Labrador and has 243 sqm of retail space. This store was established in 2006. It is close to tourist infrastructure and the site provides easy access for tour group buses.

The current lease on the Gold Coast store expires in November 2019. Mediland Pharm intends to locate larger retail premises for its Gold Coast operations and will move its location on the expiry of the current lease. The Company has budgeted a total cost of moving and fit-out for a new Gold Coast store to be \$1,000,000, which is part of the use of proceeds of the Offer.



3.4.4 Commission Income

Commission income is derived from agreements with third party retailers who pay the Company a commission from the sales generated on Chinese tour groups that the Company arranges to visit these third-party retailers. Commission Income is derived from Sydney and the Gold Coast and no such arrangements exist in Melbourne. The Company has three sources of Commission Income, which were in place over the last three financial years.

| | FY16 Pro forma Historical | FY17 Pro forma Historical | FY18 Pro forma Historical |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| \$'000 | | | |
| Sydney | 2,058 | 2,291 | 3,035 |
| Gold Coast | 1,419 | 1,201 | 1,450 |
| Total Commission Income | 3,477 | 3,492 | 4,485 |

In Sydney, Mediland Pharm has two sources of Commission Income:

- A duty free store that sells branded luxury goods. The Company commenced earning commission income from this retailer in October 2013 and this commercial arrangement has been in place since that time; and
- A store that sells fine merino wool products. The Company commenced earning commission income from this retailer in July 2015 and the commercial arrangement has been in place since that time.

On the Gold Coast, Mediland Pharm derives Commission Income from a seller of opals and jewellery products. The Company commenced earning commission income from this retailer in July 2013 and the commercial arrangement has been in place since that time.

3.5 RETAIL PRODUCT RANGE

Mediland Pharm carefully selects the merchandise offered through its retail network based on its experience and knowledge of the consumer preferences of Chinese inbound tourists. The primary categories are health products, cosmetics, wool products and jewellery. The majority of products are made in Australia and sourced from third party suppliers. Mediland Pharm maintains strong relationships with its suppliers and believes it is an attractive customer for these suppliers due to its relatively high volumes. The sales revenue of Mediland Pharm by product category over the last three financial years is outlined in Section 4 of this Prospectus.

Mediland Pharm's key products are set out below. There are four main categories of products:

- Health products:
- Cosmetics:
- Wool products:
- Jewellery.

| CATEGORY | FY18 %OF SALES | PRODUCT EXAMPLES |
|-----------------------------------|----------------|--|
| Health and Well Being Supplements | 63% |  |
| Cosmetics | 11% |  |

3. BUSINESS OVERVIEW CONTINUED

| CATEGORY | FY18 %OF SALES | PRODUCT EXAMPLES |
|---------------|----------------|---|
| Wool Products | 13% |  |
| Jewellery | 8% |  |

Other Products

The Company provides a range of additional products within its stores to round out the product range. This includes souvenirs, toys, rugs, clothing, footwear and wine. None of these categories are material to Mediland Pharm.

3.6 MEDILAND PHARM BRANDS

Mediland Pharm intends to develop a range of Company-owned branded products to promote within its stores within the health care and cosmetic range. All health and wellbeing products that Mediland Pharm sell through its stores are manufactured in Australia by a contract manufacturer in Therapeutic Goods Administration compliant facilities, which include:

- **Turmeric Curcumin Complex** formula is a high potency comprehensive formula combining a high level of Turmeric's scientifically proven active ingredient, Curcumin, with black pepper and Olive Leaf and Ginger. The antioxidant and immune supporting action of curcumin means that it supports liver function, joint, cardiovascular, digestive, and nervous system health, as well as overall wellbeing.
- **Women's Body Refining Complex**, a formula that assists with refining your body shape and management of menopausal (and peri-menopausal) symptoms to relieve menopausal hot flushes. Enrichment with ginseng helps to relieve tiredness and enhance physical vitality.
- **Beauty Collagen**, formulated based on scientific evidence to provide essential nutrients that work from within. Vitamins and minerals are specifically added to support collagen production and assist in the maintenance of glossy hair, radiant skin and healthy nails

3.7 COMPETITIVE ADVANTAGES

The success of the Mediland Pharm business model is based on a number of competitive advantages which are set out below.

| COMPETITIVE ADVANTAGE | DESCRIPTION |
|--|--|
| “One-stop” shopping destination | Mediland Pharm has the scale and breadth of operation to provide a “one-stop” shopping destination for Chinese tour groups, making it a convenient and attractive partner for ITOs and OTOs that are planning tours in Australia. |
| Relationships with ITOs and OTOs | Mediland Pharm has a long track record of successful operations and a strong relationship with key ITOs and OTOs, making it an attractive long-term partner for these groups. |
| Knowledge of Chinese Customer Preferences | Mediland Pharm has expertise of the consumer preferences of Chinese tourists to Australia, which enables it to provide attractive merchandise within its stores. |
| Selling Strategies | Mediland Pharm has developed successful sales strategies that provide customers with a complete retail “experience”, emphasising product education, locally produced products and attractive retail premises. |
| Relationships with Independent Retailers | Mediland Pharm earns additional commission income from a number of independent retailers that the Company arranges its tour groups to visit. These are long term proprietary relationships that the Company has developed over many years. |
| Attractive Supply Arrangements | Mediland Pharm has developed strong relationships with its key suppliers, enabling it to deliver attractive products to its customers. |
| Development of Company-Owned Brands | Mediland Pharm intends to develop a range of attractive and cost-competitive products under the brands, “Mediland” and “Le Marine” in the healthcare and cosmetics categories. The Company expects this to provide a unique competitive advantage relative to other retailers oriented to Chinese consumers. |
| ASX Listing | Mediland Pharm believes that the ASX listing will enhance the prestige and reputation of the Company amongst OTOs, ITOs, suppliers and customers. |

3. BUSINESS OVERVIEW CONTINUED

3.8 GROWTH STRATEGIES

Mediland Pharm has a clear strategy to grow its business as outlined in the table below.

| COMPETITIVE ADVANTAGE | DESCRIPTION |
|--|--|
| Enhance its existing retail network | <ul style="list-style-type: none"> Recently completed renovation of Melbourne store expected to drive sales growth in short term; Relocating Gold Coast store to larger premises is planned for FY2020, when the lease of the existing location expires; and Enhance profitability through increasing own-brand sales as a portion of total sales. |
| Establish a network of direct-to-customer retail stores | <ul style="list-style-type: none"> Strategic entry into direct customer market with unique offering; Smaller stores at strategic locations to attract Chinese tourists and the Chinese population in Australia; and Emphasis on customer experience and Mediland Pharm's branded products. |
| Grow online distribution | <ul style="list-style-type: none"> Develop online distribution channel; Data on the consumption patterns of customers in retail stores can be used to drive online sales; and Emphasis on Mediland Pharm's branded products to maintain profit margins. |
| Branded products | <ul style="list-style-type: none"> In the longer term, develop awareness and sales of the Company's brands directly into China. |
| Development of Company-owned brands | <ul style="list-style-type: none"> Development of Company-owned brands being "Mediland" and "Le Marine"; Utilising data on the consumption patterns of customers in retail stores to research and continue development of product range that suits consumers' needs; and Promoting the Company-owned brands products throughout all retail store and online platform. |

3.9 EMPLOYEES

As of November 2018 Mediland Pharm has 60 employees in its retail stores and head office. It breaks down to 13 full-time, 1 part-time and 46 casual employees.

The head office team members are all full-time employees and are responsible for managing company finance, human resources, procurement and business and strategic development and laying down sales strategies.

Each store has a full-time experienced manager, who is responsible for the daily store operations, including rostering staff effectively in accordance to the itineraries of the tour groups, ordering products, financing, arranging product display plan, designing sale specials and ensuring team members work within company standard operating procedures.



4.

FINANCIAL INFORMATION

4. FINANCIAL INFORMATION

4.1 INTRODUCTION

The financial information of Mediland Pharm contained in this section includes the following:

- pro forma historical consolidated statements of profit or loss and other comprehensive income for the year ended 30 June 2016 (FY2016), 30 June 2017 (FY2017) and 30 June 2018 (FY2018) together with a reconciliation to the audited historical consolidated statements of profit or loss and other comprehensive income for FY2016, FY2017 and FY2018;
- pro forma historical consolidated cash flow information for FY2016, FY2017 and FY2018 together with a reconciliation to the audited cash flow information;
- audited historical consolidated statement of financial position as at 30 June 2018; and
- pro forma historical consolidated statement of financial position as at 30 June 2018 and the associated details of the pro forma adjustments;

together referred to as the “**Pro Forma Historical Financial Information**”.

4.2 BASIS OF PREPARATION

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards adopted by the Australian Accounting Standards Board which are consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Mediland Pharm’s accounting policies. Mediland Pharm’s significant accounting policies are described in Appendix A. The accounting policies of the Company have been consistently applied throughout the periods presented.

The Pro Forma Historical Financial Information (other than the pro forma adjustments to the historical consolidated statement of profit and loss and other comprehensive income and historical statement of financial position and the results of those adjustments) has been derived from the audited general purpose financial report of Pacific Merchants Group Limited for FY2016, FY2017 and FY2018. A description of the restructure of Pacific Merchants Group Limited forming Mediland Pharm is set out in Section 9.1. The general purpose financial report of Pacific Merchants Group Limited for FY2016, FY2017 and FY2018 was audited by BDO East Coast Partnership in accordance with Australian Auditing Standards. The audit opinions issued to the Directors for FY2016, FY2017, and FY2018 was qualified as BDO East Coast Partnership were engaged to audit the financial report for Pacific Merchants Group Limited in August 2018 and as such were not able to observe the counting of physical inventories as at 30 June 2016, 30 June 2017 and 30 June 2018. As opening and closing inventories enter into the determination of the financial performance and cash flows, the auditors were unable to ascertain whether any adjustments would be necessary as a result of attending the counting of the physical inventories. Additionally, the consolidated financial report excluded the New Zealand subsidiaries which were controlled by the Group, which is not in accordance with the requirements of AASB 10 Consolidated Financial Statements which requires the consolidation of all entities controlled by the Group. The New Zealand subsidiaries do not form part of the restructured Mediland Pharm Group to be listed.

The Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act 2001.

The historical financial information has been adjusted to include the impact of the following to form the Pro Forma Historical Financial Information:

- incremental costs of being a listed entity;
- eliminating certain non-operating or non-recurring items; and
- one-off costs incurred in relation to the Offer.

Section 4.7 sets out the pro forma adjustments made to the audited historical financial information for FY2016, FY2017 and FY2018.

The Pro Forma Historical Financial Information has been prepared for the purpose of the Offer.

All amounts disclosed in Section 4 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

The Pro Forma Historical Financial Information has been reviewed by Grant Thornton Corporate Finance Pty Ltd, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/ or Prospective Financial Information, as stated in its Independent Limited Assurance Report on the Pro Forma Historical Financial Information. Investors should note the scope and limitations of the Independent Limited Assurance Report on the Pro Forma Historical Financial Information which is contained in Section 8.

The Directors are however responsible for the inclusion of all financial information in this Prospectus.

The Pro Forma Historical Financial Information should be read together with the other information contained in this Prospectus, including:

- management's discussion and analysis set out in this Section 4;
- the risk factors described in Section 6;
- the Independent Limited Assurance Report, set out in Section 8; and
- the indicative capital structure described in Section 7.1.2.

Investors should note that past performance is not an indication of future performance.

4.3 NON IFRS FINANCIAL MEASURES

Mediland Pharm uses certain measures to manage and report on its business that are not recognised under IFRS. These measures are collectively referred to as "non IFRS financial measures". These non IFRS financial measures do not have a prescribed definition under IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These measures are collectively referred in this Section 4 and under Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC as "non-IFRS financial measures". These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with the IFRS. Although Mediland Pharm believes these non IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non IFRS financial measures included in this Prospectus.

In particular the following non IFRS financial data is included:

- **Contribution margin**, which means the profit generated after cost of the inventories and direct costs. Direct costs include promotion fees and commissions paid to ITOs and tour agents/guides;
- **Number of tourists in a tour group**, which means the number of individual tourists which have visited the Mediland Pharm retail stores in a given year;
- **Average revenue per tourist in a tour group**, which is the total revenue divided by the number of tourists which have visited the retail stores during the year;
- **EBITDA**, which means earnings before interest, taxation depreciation and amortisation;
- **EBIT**, which means earnings before interest and taxation;
- **NPBT**, which means net profit before income tax expense;
- **NPAT**, which means net profit after tax; and
- **Operating cash flow**; is EBITDA plus/ minus changes in working capital.

4.4 CHANGES IN ACCOUNTING STANDARDS

A number new accounting standards will apply to Mediland Pharm's future financial reports as described below.

AASB 15 Revenue from Contracts with customers

This new revenue standard will supersede all current revenue recognition requirements. Either a full retrospective application or a modified retrospective application is required for financial statements in respect of periods commencing on or after 1 January 2018.

Pursuant to AASB118 Revenue, up until 30 June 2018 Mediland Pharm reported revenue when the risks and rewards have been passed to the customer on purchase of merchandise and products in either company owned retail stores or third party stores. The adoption of AASB 15 does not have any impact on Mediland Pharm's revenue and profit and loss.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and recognition of financial assets and liabilities, sets out new rules for hedge accounting and introduces a new impairment model. This standard is applicable for annual reporting periods beginning on or after 1 January 2018.

Mediland Pharm has adopted the new standard on its effective date being 1 July 2018. AASB 9 does not have a significant effect on Mediland Pharm's financial information.

4. FINANCIAL INFORMATION CONTINUED

AASB 16 Leases

This standard is effective for reporting periods beginning on or after 1 January 2019. The full impacts of AASB 16 on the Company has not yet been assessed and it is expected that the Company will adopt AASB 16 for the year ended 30 June 2020. In applying the new standard for the first time, AASB 16 provides a number of transition options, which may involve an adjustment to opening retained earnings at 30 June 2019 or the restatement of comparatives. The full impacts of the transition provisions have not yet been fully assessed by the Company.

4.5 PRO FORMA HISTORICAL CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

The table below presents the Pro Forma Historical Consolidated Statement of Profit and Loss and other Comprehensive Income for FY2016, FY2017 and FY2018.

Pro Forma Historical Consolidated Statement of Profit and Loss and Other Comprehensive Income

| | Historical Period | | |
|----------------------------|---------------------|---------------------|---------------------|
| | FY2016 Pro forma | FY2017 Pro forma | FY2018 Pro forma |
| \$'000 | | | |
| Revenue | 31,477 | 26,970 | 34,084 |
| Contribution margin | 6,715 | 11,409 | 9,749 |
| Operating expenses | (4,555) | (4,317) | (4,476) |
| EBITDA | 2,160 | 7,092 | 5,273 |
| Depreciation | (17) | (29) | (91) |
| EBIT | 2,143 | 7,063 | 5,182 |
| Finance income/(costs) | 118 | 45 | 40 |
| NPBT | 2,261 | 7,108 | 5,222 |
| Income tax expense | (663) | (2,141) | (1,568) |
| NPAT | 1,598 | 4,967 | 3,654 |

4.6 KEY FINANCIAL AND OPERATING METRICS

Set out below are the key Pro Forma Historical financial and operating metrics for FY2016, FY2017 and FY2018

Key annual pro forma financial and operating metrics

| | FY2016 Pro forma | FY2017 Pro forma | FY2018 Pro forma |
|--|---------------------|---------------------|---------------------|
| Revenue growth % | | (14.3)% | 26.4% |
| Contribution margin % | 21.3% | 42.3% | 28.6% |
| EBITDA margin % | 6.9% | 26.3% | 15.5% |
| NPAT margin % | 5.1% | 18.4% | 10.7% |
| Pro forma management fees and employment costs (% of total revenue) | 8.6% | 8.8% | 7.9% |
| Pro forma operating expenses excluding management fees and employment costs (% of total revenue) | 5.9% | 7.2% | 5.2% |
| Number of tourists in tour groups | 41,445 | 38,845 | 50,031 |
| Average revenue generated per tourist in tour groups | \$759 | \$694 | \$681 |

4.7 PRO FORMA ADJUSTMENTS TO THE AUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Set out below is a reconciliation between the audited historical consolidated net profit after tax to the pro forma historical consolidated net profit after tax:

Pro Forma Adjustments to the Audited Historical Consolidated Statements of Profit and Loss and Other Comprehensive Income

| \$'000 | Notes | FY2016 | FY2017 | FY2018 |
|---|-------|--------------|--------------|--------------|
| Audited NPAT | | 1,321 | 4,680 | 3,428 |
| Remuneration of Executive Director | 1 | (210) | (210) | (210) |
| Remuneration of Managing Director | 2 | (116) | (116) | (116) |
| Incremental public company costs | 3 | (325) | (325) | (325) |
| Costs of the Offer | 4 | – | – | 121 |
| Licensing fees | 5 | 245 | 592 | – |
| Non recurring advisor fees | 6 | 458 | 2 | 319 |
| Previous directors costs | 7 | 210 | 419 | 419 |
| Allocation of finance team to New Zealand store | 8 | 59 | 49 | 51 |
| Loan write off | 9 | 51 | – | – |
| Duplicate rent expense | 10 | – | – | 64 |
| Income tax impact | 11 | (95) | (124) | (97) |
| Pro forma NPAT | | 1,598 | 4,967 | 3,654 |

Description of pro forma adjustments:

1. Remuneration of Executive Director represents the go forward salary of the executive director (refer to Section 5.3.1, who has historically not been remunerated from the Company);
2. Remuneration of Managing Director reflects the go forward remuneration of the Managing Director (refer to Section 5.3.1 who has historically not been remunerated from the Company);
3. Incremental public company costs include the incremental expenditure required to be a publicly listed company including board, listing and ASX fees;
4. Costs of the Offer includes expenses incurred in relation to the Offer which have been expensed in FY2018;
5. Licensing fees relate to costs incurred as part of the ownership change of the business from the previous owners to the current owners. The license fee was agreed to be calculated and paid on 11% and 8% of the NPBT in FY2016 and FY2017, respectively. Both parties agreed to cease the payment of the license fees after FY2017 as such these costs have been adjusted in the pro forma adjustments;
6. Non recurring advisor fees incurred mainly in relation to one off advisory fees. In FY2016, the costs incurred were in relation to restructuring the Pacific Merchants corporate group. In FY2018, further restructuring costs were incurred in relation to preparing the Company for a listing on the ASX;
7. Previous director's costs refers to the remuneration of the former owners whom remained on the payroll as they performed the role of Directors. The go forward director remuneration structure has been captured in adjustments (1), (2) and (3);
8. Re-allocation of finance team represents the employment costs being allocated to the New Zealand store for time spent by the in house finance team, which is approximately 20% of the working hours. The New Zealand store does not form part of Mediland Pharm. Over the Historical Period, the cost were fully incurred by Pacific Merchants Group Limited;
9. Loan write off relates to the one off non-operational cost incurred in writing off of a loan due to the Company;
10. Duplicate rent reflects the duplicate rent expense incurred when the head office moved from Roseberry to Sydney City and represents four months rental expense; and
11. Income tax expense impact of the above pro forma adjustments at a corporate income tax rate of 30%.

4. FINANCIAL INFORMATION CONTINUED

4.8 DESCRIPTION OF KEY FINANCIAL TERMS

Set out below is a description of the key financial terms used in the presentation of the Financial Information

1. **Revenue:** refers to revenue generated from the sale of merchandise and products through the retail stores. Revenue is also generated through commissions earned for referring tourists to a network of third party retailers who Mediland Pharm have a relationship with;
2. **Contribution margin:** refers to revenue less costs of inventories purchased plus other direct costs. Other direct costs includes promotion fees which are paid to ITOs' who refer Mediland Pharm tour groups of Chinese tour groups who make purchases in the stores. Commissions are also included in direct costs and refers to amounts paid to the tour group leader and tour guides;
3. **Operating expenses:** refers to general Mediland Pharm's overheads including employee costs, professional services, occupancy costs, marketing and travel and entertainment; and
4. **Depreciation:** refers to the depreciation of leasehold improvements, office furniture and office equipment.

4.9 AUDITED HISTORICAL AND PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below has been extracted from the audited historical consolidated statement of Financial Position of Pacific Merchants Group Limited as at 30 June 2018, the pro forma adjustments that have been made to the audited consolidated statement of financial position (further described in Section 4.10) and the pro forma consolidated statement of financial position as at 30 June 2018.

The pro forma consolidated statement of financial position is provided for illustrative purposes and is not represented as being necessarily indicative of Mediland Pharm's view on its future financial position.

Audited and Pro Forma Consolidated Statement of Financial Position as at 30 June 2018

| \$'000 | Notes | Pacific Merchants Group Limited Audited | Mediland Pharm Limited (unaudited) | Impact of pro forma adjustments | Pro Forma Minimum subscription | Impact of pro forma adjustments | Pro Forma Maximum subscription |
|--------------------------------------|--------|---|------------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | 4.10.1 | 8,003 | – | 3,007 | 11,010 | 2,251 | 13,261 |
| Trade and other receivables | | 1,323 | – | 15 | 1,338 | 17 | 1,355 |
| Inventories | | 469 | – | – | 469 | – | 469 |
| TOTAL CURRENT ASSETS | | 9,795 | – | 3,022 | 12,817 | 2,268 | 15,085 |
| NON CURRENT ASSETS | | | | | | | |
| Plant and equipment | | 1,570 | – | – | 1,570 | – | 1,570 |
| Deferred tax assets | | 121 | – | 194 | 315 | 2 | 317 |
| TOTAL NON CURRENT ASSETS | | 1,691 | – | 194 | 1,885 | 2 | 1,887 |
| TOTAL ASSETS | | 11,486 | – | 3,216 | 14,702 | 2,270 | 16,972 |
| LIABILITIES | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Trade and other payables | | 5,477 | – | – | 5,477 | – | 5,477 |
| Provisions | | 17 | – | – | 17 | – | 17 |
| Income tax payable | | 337 | – | – | 337 | – | 337 |
| TOTAL CURRENT LIABILITIES | | 5,831 | – | – | 5,831 | – | 5,831 |
| TOTAL NON CURRENT LIABILITIES | | – | – | – | – | – | – |
| TOTAL LIABILITIES | | 5,831 | – | – | 5,831 | – | 5,831 |
| NET ASSETS | | 5,655 | – | 3,216 | 8,871 | 2,270 | 11,141 |
| EQUITY | | | | | | | |
| Contributed equity | 4.10.2 | 1 | – | 11,579 | 11,580 | 2,275 | 13,855 |
| Retained earnings | 4.10.2 | 5,654 | – | (8,363) | (2,709) | (5) | (2,714) |
| TOTAL EQUITY | | 5,655 | – | 3,216 | 8,871 | 2,270 | 11,141 |

4. FINANCIAL INFORMATION CONTINUED

4.10 PRO FORMA ADJUSTMENTS

The following transactions and events contemplated in this Prospectus which are to take place on or before Completion of the Offer, referred to as the Pro forma Adjustments, are presented as if they, together with the Offer, had occurred on or before 30 June 2018 and are set out below.

With the exception of the pro forma transactions noted below no material transactions have occurred between 30 June 2018 and the date of this Prospectus which the Directors consider require disclosure.

Pro forma transactions:

1. the payment of dividends relating to FY2018 profits amounting to \$8.0 million with \$2.8 million being paid in October 2018 and the remaining payment settled prior to the Offer;
2. the receipt of related party loan amounts outstanding which total \$73,000;
3. the Completion of the Offer, raising the minimum subscription of \$12.5 million and the issue of 62,500,000 Shares;
4. cost in relation to the Offer of \$1.6 million. \$0.9 million will be capitalised whilst the remaining \$0.7 million will be expensed. \$0.1 million of this cost was expensed in FY2018. The tax effect of the Offer costs will be \$0.2 million;
5. the completion of the Offer, raising the maximum subscription of \$15 million through the issue of 75,000,000 shares;
6. the payment of additional costs of the Offer of \$0.2 million with \$0.2 million being capitalised and \$7,000 expensed. The additional tax impact of the Offer costs is \$2,000.

Prior to forming the income tax consolidated group the 3 subsidiaries of Mediland Pharm will exit the Pacific Merchants Group Limited existing income tax consolidated group. Upon exit each subsidiary will be required to pay an exit payment which will be equal to 30% of the net profit before tax from 1 July 2018 up to the date of exit which will be immediately before Shares are allotted under the Offer. No pro forma adjustment has been included in the pro forma statement of financial position at 30 June 2018 for the net profit before tax generated between 1 July 2018 and allotment of shares under the Offer or the tax exit payment calculated on those profits.

4.10.1 Pro forma cash and cash equivalents

Audited and pro forma cash and cash equivalents as at 30 June 2018

| | Pro forma adjustment | Minimum subscription pro forma \$'000 | Maximum subscription pro forma \$'000 |
|--|----------------------|---------------------------------------|---------------------------------------|
| Audited cash and cash equivalents at 30 June 2018 | | 8,003 | 8,003 |
| Subsequent events: | | | |
| Dividend paid | 1 | (8,003) | (8,003) |
| Loan from related parties | 2 | 73 | 73 |
| Pro forma transactions: | | | |
| Public offer | 3/5 | 12,500 | 15,000 |
| Costs of the offer | 4/6 | (1,563) | (1,812) |
| Pro forma cash and cash equivalents | | 11,010 | 13,261 |

Mediland Pharm expects that it will have sufficient cash to fund its operational requirements and business objectives following the Offer.

4.10.2 Pro forma capital structure summary

Pro Forma capital structure

| | Pro forma adjustment | No. of shares | Contributed Equity \$'000 | Retained earnings \$'000 | Net assets \$'000 |
|--|----------------------|--------------------|---------------------------|--------------------------|-------------------|
| Audited at 30 June 2018 | | 250,000,000 | 1 | 5,654 | 5,655 |
| Subsequent transactions: | | | | | |
| Dividend payment | 1 | – | – | (8,003) | (8,003) |
| Pre Offer capital structure | | 250,000,000 | 1 | (2,349) | (2,348) |
| Pro forma transactions in relation to the minimum subscription: | | | | | |
| Offer | 3 | 62,500,000 | 12,500 | – | 12,500 |
| Offer costs | 4 | – | (921) | (554) | (1,475) |
| Tax impact | 4 | – | – | 194 | 194 |
| Total | | 312,500,000 | 11,580 | (2,709) | 8,871 |
| Pro forma transactions in relation to the maximum subscription: | | | | | |
| Offer | 5 | 12,500,000 | 2,500 | – | 2,500 |
| Offer costs | 6 | – | (225) | (7) | (232) |
| Tax impact | 6 | – | – | 2 | 2 |
| Total | | 325,000,000 | 13,855 | (2,714) | 11,141 |

4.11 PRO FORMA HISTORICAL CASH FLOWS

Set out in the table below is a summary of Mediland Pharm's pro forma historical cash flows for FY2016, FY2017 and FY2018.

| \$'000 30 June year end | FY2016 Pro forma | FY2017 Pro forma | FY2018 Pro forma |
|---|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Pro Forma EBITDA | 2,160 | 7,092 | 5,273 |
| Changes in working capital | 2,423 | (4,229) | (771) |
| Change in other assets and liabilities | 1 | 9 | (23) |
| Taxes paid | (2,467) | (785) | (2,367) |
| Cash flow from operations | 2,117 | 2,087 | 2,112 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of PP&E | (148) | (541) | (1,001) |
| Investing cash flow | (148) | (541) | (1,001) |
| Net cash flow before financing and dividends | 1,969 | 1,546 | 1,111 |

4. FINANCIAL INFORMATION CONTINUED

| \$'000 | Notes | FY2016 | FY2017 | FY2018 |
|---|-------|--------------|--------------|--------------|
| Audited operating and investing cash flows (excluding related party) | | 1,810 | 1,305 | 926 |
| Remuneration of Executive Director | 1 | (210) | (210) | (210) |
| Remuneration of Managing Director | 2 | (116) | (116) | (116) |
| Incremental public company costs | 3 | (325) | (325) | (325) |
| Costs of offer | 4 | – | – | 121 |
| Licensing fees | 5 | 245 | 592 | – |
| Non recurring advisor fees | 6 | 458 | 2 | 319 |
| Previous directors costs | 7 | 210 | 419 | 419 |
| Allocation of finance team to NZ store | 8 | 59 | 49 | 51 |
| Loan write off | 9 | 51 | – | – |
| Duplicated rent expense | 10 | – | – | 64 |
| Income tax impact of pro forma adjustments | 11 | (96) | (123) | (97) |
| Net interest received | 12 | (117) | (47) | (41) |
| Pro forma operating and investing cash flow | | 1,969 | 1,546 | 1,111 |

Description of pro forma adjustments to the audited operating cash flow:

1. Remuneration of Executive Director represents the go forward salary of the executive Director (refer to Section 5.3.1, who has historically not been remunerated from Pacific Merchants Groups Limited);
2. Remuneration of Managing Director reflects the go forward remuneration of the Managing Director (refer to Section 5.3.1 who has historically not been remunerated from Pacific Merchants Group Limited);
3. Incremental public company costs include the incremental expenditure required to be a publicly listed company including board, listing and ASX fees;
4. Costs of the Offer includes expenses incurred in relation to the Offer which have been expensed in FY2018;
5. Licensing fees relate to costs incurred as part of the ownership change of the business from the previous owners to the current owners. The license fee was agreed to be calculated and paid on 11% and 8% of the NPBT in FY2016 and FY2017, respectively. Both parties agreed to cease the payment of the license fees after FY2017 as such these costs have been adjusted in the pro forma adjustments;
6. Non recurring advisor fees incurred mainly in relation to one off advisory fees. In FY2016, the costs incurred were in relation to restructuring the Pacific Merchants corporate group. In FY2018, further restructuring costs were incurred in relation to preparing the Company for a listing on the ASX;
7. Previous director's costs refers to the remuneration of the former owners whom remained on the payroll as they performed the role of Directors. The go forward director remuneration structure has been captured in adjustments (1), (2) and (3);
8. Re-allocation of finance team represents the employment costs being allocated to the New Zealand store for time spent by the in house finance team, which is approximately 20% of the working hours. The New Zealand store does not form part of Mediland Pharm. Over the Historical Period, the cost were fully incurred by Pacific Merchants Group Limited;
9. Loan write off relates to the one off non-operational cost incurred in writing off of a loan due to Pacific Merchants Group Limited;
10. Duplicate rent reflects the duplicate rent expense incurred when the head office moved from Roseberry to Sydney City and represents four months rental expense;
11. Income tax expense impact of the above pro forma adjustments at a corporate income tax rate of 30%; and
12. Net interest received has been deducted as it's a financing cash flow.

4.11.1 Operating cash flows

Given the majority of revenue is generated through the sale of merchandise and products with cash received at the point of sale, the trade debtors balance relates purely to commissions to be received, which are typically received within 30 days from month end. The majority of expenses are promotion fees, which are paid on 90 day terms. Movements in working capital between FY2016 and FY2018 was due to the timing of payments made for promotion fees.

4.11.2 Investing cash flows

The Company invested in the fit-out of the all three stores in FY2017 and FY2018 in order to further promote certain products to stimulate sales growth amounting to approximately \$0.8 million. \$0.3 million was invested in motor vehicles in FY2017 to transport Chinese tourists through the different places on their itinerary.

4.12 MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

4.12.1 Discussion of historical trading

The following information has been prepared using Mediland Pharm's Pro Forma Historical Financial Information for FY2016, FY2017 and FY2018.

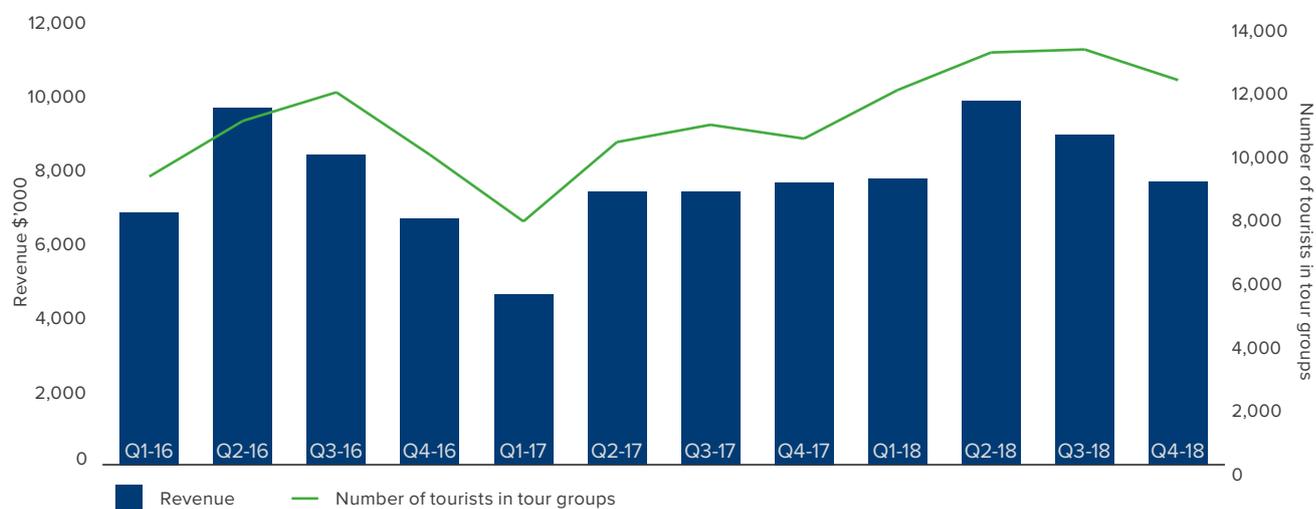
Revenue

Annual revenue by type and financial metrics

| Revenue by type | FY2016 \$'000 | FY2017 \$'000 | FY2018 \$'000 |
|--|------------------|------------------|------------------|
| Sales of merchandise and products | 28,000 | 23,478 | 29,599 |
| Commissions received | 3,477 | 3,492 | 4,485 |
| Total revenue | 31,477 | 26,970 | 34,084 |
| Number of tourists in tour groups | 41,445 | 38,845 | 50,031 |
| Average revenue generated per tourist in tour groups | \$759 | \$694 | \$681 |

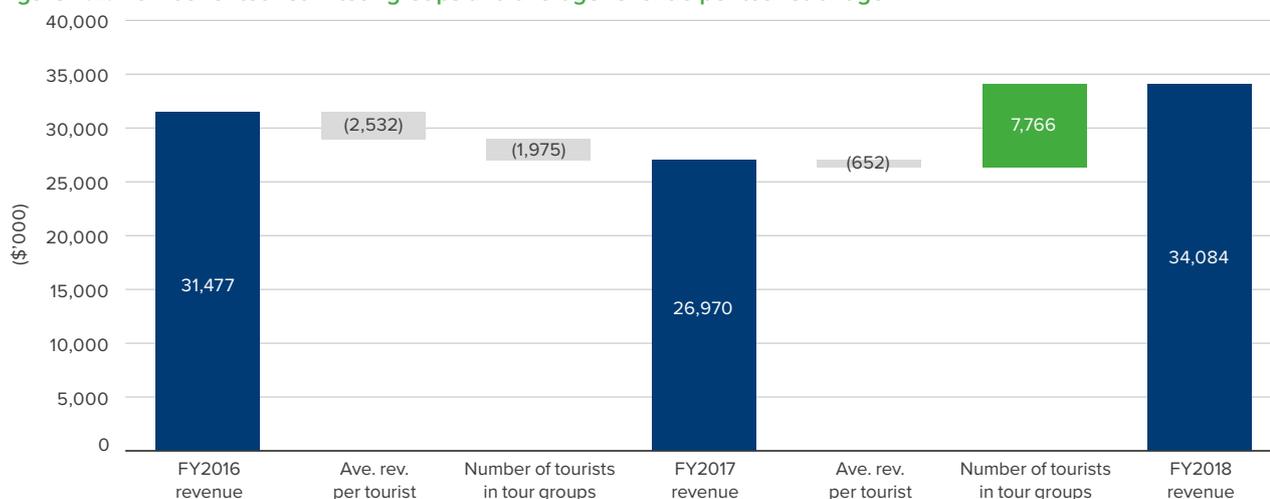
The main source of revenue has been through the sale of merchandise and products to inbound Chinese tour groups through the Company's 3 retail stores. Revenues are also generated through commissions earned for referring tourists to a network of third party retailers with who Mediland Pharm have a relationship.

Figure 4.1: Quarterly revenue and number of tourists in tour groups by quarter



4. FINANCIAL INFORMATION CONTINUED

Figure 4.2: Number of tourist in tour groups and average revenue per tourist bridge



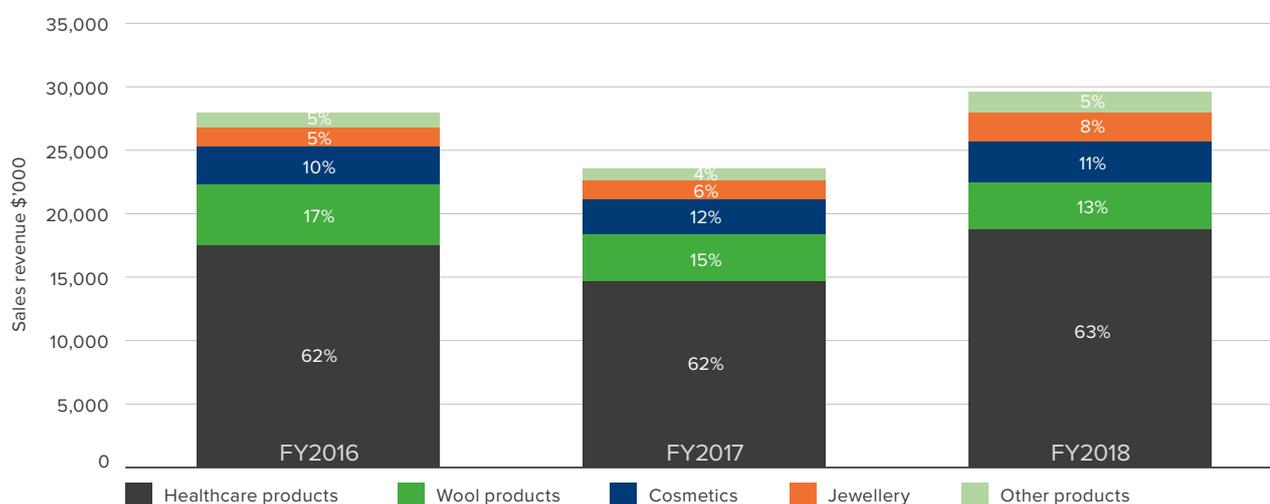
Revenues declined in FY2017 when compared to FY2016, which was partly a result of fewer tour groups as well as less average revenue per tourist. The decline was in relation to the sale of merchandise and products, with commissions received remaining consistent. During FY2017, Management re-structured the promoter arrangements which resulted in the Company paying less promotion fees compared to FY2016. This however had the impact of ITO's bringing in fewer tour groups to the Company's stores. In order to stimulate sales during this time, the store managers reduced the prices of goods, which resulted in customers purchasing on average more products but generating overall lower sales revenues at the Company's retail stores.

Commissions are calculated based on purchases made by customers at third party stores. Even though fewer tourist groups visited the Company stores in FY2017, a similar level of purchases were made in third party stores compared to FY2016 which resulted in commissions for FY2017 being consistent with FY2016.

In FY2018, the Company recognising the lower number of tour groups was not sustainable in the context of Mediland Pharm's growth strategies (as described in Section 3.8 of the Prospectus) renegotiated the promotion fees paid to ITO's to be more consistent with FY2016 levels. This led to an increase in the number of tour groups, which was the driver for increased revenues in FY2018 which also included securing a large incentive Group in Q1FY18. Although the average revenue per customer appears to have declined, this was due to renovations for 3 months at the Company stores in Sydney and Melbourne with the number of purchasing customers declining as opposed to the average value of purchases. The increased tourist numbers in FY2018 resulted in increased commissions earned from third party stores.

Revenue seasonality is also impacted by the timing of Chinese New Year and the Chinese National Holiday influencing the travel dates of tour groups each year. In addition, the timing of large Incentive Groups impacts when sales of merchandise and product occur, which is not consistent year on year.

Figure 4.3: Annual sales by product category



The top four product categories have generated approximately 95.0% of sales from FY2016 to FY2018. Healthcare products are the largest selling product category.

Contribution margin

Contribution margin is calculated after deducting product cost of goods sold, promotion fees, commissions paid and other direct costs of sale. The largest component of cost of goods sold and direct costs are promotion fees paid to ITO's. Following the renegotiation of promoter fees in FY2017, the contribution margin increased compared to FY2016. However, this was achieved by foregoing revenues as the ITO's brought less tourist to the retail stores which resulted in the Company providing discounts and promotions in order to increase sales. Following the renegotiation of promoter fees in FY2018 back to FY2016 levels the contribution margin has declined when compared to FY2017, but still higher than FY2016.

Operating expenses

Historical operating expenses

| \$'000 | Historical Period | | |
|---------------------------------|---------------------|---------------------|---------------------|
| | FY2016 Pro forma | FY2017 Pro forma | FY2018 Pro forma |
| Employment costs | 2,035 | 1,792 | 1,644 |
| Management fees | 672 | 572 | 1,062 |
| Occupancy | 532 | 714 | 613 |
| Bank fees | 421 | 338 | 429 |
| Public company costs | 325 | 325 | 325 |
| Professional fees | 381 | 395 | 265 |
| Other operating expenses | 110 | 118 | 89 |
| Travel | 61 | 44 | 47 |
| Marketing | 18 | 19 | 2 |
| Total operating expenses | 4,555 | 4,317 | 4,476 |

The largest component of operating expenses relates to management fees and employee costs, which account for on average 58% of operating costs. Employment costs predominately consist of sales staff and store managers. Management fees relate to Pacific Merchant Group Limited recharges for rent, and employment fees for the finance team and other head office staff. The significant increase in management fees for FY18 relates to the transfer of finance employees previously accounted for within the Company's payroll to Pacific Merchant Group Limited and also the additional hire of 10 sales staff employed by Pacific Merchant Group Limited but located at the retail stores (the Related Party Contracts are described in Section 9.3 of the Prospectus).

Occupancy expenses relate to rent, electricity and other costs incurred at the three stores.

All other aspects of the operating cost base are consistent year on year and are largely fixed.

4.13 DIVIDEND POLICY

Mediland Pharm intends to pay a dividend to shareholders based on the targeted dividend pay-out ratio in the range of 20% to 40% of statutory NPAT. Assuming the Minimum Subscription, this payout ratio would have resulted in a dividend per share on the pro forma FY2018 NPAT equal to 0.23 cents to 0.47 cents per share, fully franked, representing a dividend yield of 1.1% to 2.3% of the Offer Price.



5.

KEY INDIVIDUALS, INTERESTS AND BENEFITS

5. KEY INDIVIDUALS, INTERESTS AND BENEFITS

5.1 BOARD OF DIRECTORS

Upon Listing, the Board will comprise five members, consisting of an Independent Non-Executive Chairman, two Non-Executive Directors, one Managing Director and one Executive Director. The composition of the Board committees and details of its key corporate governance policies are set out in Section 5.5.

The Board comprises four members, consisting of an Independent Non-Executive Chairman, one Executive Director, one Managing Director and one Non-Executive Directors. The composition of the Board committees and details of its key corporate governance policies are set out in Section 5.5.

The Directors of the Company bring to the Board a variety of skills and experience, including industry and business knowledge, financial management and corporate governance experience. Profiles of each member of the Board are set out below:

| | |
|---|---|
|  | <p>Peter French Independent Non-Executive Chairman</p> <ul style="list-style-type: none">• Peter French is a cell and molecular biologist with extensive experience in both basic and clinical medical research and in the biotechnology and healthcare industry.• Peter was a founder ASX-listed Cryosite (ASX:CTE), Australia's first cord blood stem cell storage company. Cryosite listed on the ASX in 2002, and Peter served as a non-executive director until 2006.• In 2003 he was appointed CEO and subsequently Managing Director of ASX-listed VRI Biomedical (later Probiomics Ltd (ASX:PCC)), a company involved in developing, manufacturing and launching probiotic-based products.• In 2010 Peter was appointed Chief Executive Officer of ASX-listed gene therapy company Benitec Biopharma Limited (ASX:BLT), and in 2013 he was appointed Managing Director. Peter conducted several successful capital raisings in Australia and the US, including a NASDAQ listing (NASDAQ:BNTC) in 2015.• Peter served as an Executive Director on the Board of Bioxyne Limited (ASX:BXN) from 2016-2018, an ASX-listed company developing, marketing and selling a probiotic for immune and gut health.• Peter has a PhD awarded in 1986 from Deakin University for cell biology studies carried out at CSIRO in Parkville, Melbourne from 1983-1985.• Peter was awarded the title of "Innovator of Influence" from the Australian Science and Innovation Forum in November 2015. |
|---|---|

| | |
|---|---|
|  | <p>Tracey Cray Independent Non-Executive Director</p> <ul style="list-style-type: none">• Mrs Cray is a strategic business professional with over 15 years experience in the hospitality and tourism industry. Working with leading hotel brands including Choice Hotels, IHG, Mantra Group and Accor, including franchise operating models.• Mrs Cray holds qualifications in Human Resources and Workplace Health and Safety and has a history of achieving success in delivering and exceeding company objectives, driving performance and increasing business efficiencies. Her key strengths include operational and compliance requirements in Human Resources, Workplace Health and Safety, Learning and Development, Holistic Customer Service and Brand Awareness. |
|---|---|

5. KEY INDIVIDUALS, INTERESTS AND BENEFITS CONTINUED



Theo Renard

Proposed Non-Executive Director

- Mr Renard has over 21 years' experience in credit and relationship banking in commercial and investment banking with Nedcor Investment Bank in South Africa and Asia and ABN AMRO Bank in Australia and Asia.
- Mr Renard was a Director from October 2008 to March 2017 and the CFO and Company Secretary from July 2008 to June 2018 of Realm Resources Limited (ASX:RRP). He was the Vice President Finance of Atrum Coal NL (ASX:ATU) from September 2014 to February 2017. He also had two years' experience as the CFO and Company Secretary of a retail group with retail and manufacturing operations in Asia and the Subcontinent.
- Mr Renard is a Chartered Accountant in South Africa and a member of Australian Institute of Company Directors (AICD) and obtained a Bachelor's degree in Accounting Science with honours from the University of South Africa.



Jhon Shen

Executive Director

- Mr Shen is a businessman with a track record of developing profitable businesses and incubating new business opportunities through acquisition in the retail, tourism, travel and hospitality sectors.
- Mr Shen has first-hand experience within the Chinese retail sector, as he worked in both operational and management level within the Company since March 2015. During this time he has gained extensive knowledge and experience, which has assisted him to better understand in how to operate a successful retail operation within Australia through offering high appealing products to the Chinese consumer.
- Mr Shen graduated from the University of New South Wales with a Masters Degree in Finance and Accounting.



Yeshween Mudaliar

Managing Director

- Mr Mudaliar is a professional hospitality executive with 15 years' industry experience. Over the past 15 years, he has successfully fulfilled senior executive roles with leading hotel chains including Marriott, Accor and IHG, in both managed and franchise operational models.
- With outstanding excellence in sales and business development focusing on increasing revenue and profitability, he naturally progressed his career to an asset management and business acquisition specialist. His vast network of relationships across a number of industries has supported his expertise to increase his clients' business portfolios with highly profitable acquisitions, mergers and ensuring corporate compliance.
- Mr Mudaliar has a Diploma in Travel and Tourism from Sir George Seymour National College in New Zealand. He also has a certificate in Senior Development Executive Program and Hotel Real Estate Investments and Asset Management from Cornell University.

5.1.1 Directors Disclosure

Each Director above has confirmed to the Company that he or she anticipates being able to perform his or her duties as a Director without constraint from other commitments.

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Shares.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

5.2 SENIOR MANAGEMENT

The following table provides information regarding the senior management team of Mediland Pharm, including their position and expertise.

| | |
|---|--|
|  | <p>Jhon Shen Executive Director</p> <ul style="list-style-type: none">• See Section 5.1 |
|  | <p>Yeshween Mudaliar Managing Director</p> <ul style="list-style-type: none">• See Section 5.1 |
|  | <p>Jessie Tao Chief Financial Officer (CFO)</p> <ul style="list-style-type: none">• Ms Tao has over 10 years' experience with international top accounting firms, including work in China, Hong Kong and Australia. Jessie has extensive experience in the field of external audit across a wide range of industries as well as general tax advisory and accounting services. She is a partner of Smart Wealth Advisors and her clients seek her expertise in management, external reporting, financial analysis, and tax and regulatory compliance.• Beyond this, Ms Tao supports clients with a range of consulting services including business valuations, due diligence, human resource consulting including fringe benefits and salary sacrifice advice, systems review and establishment, benchmark reporting as well as regular compliance issues such as the lodgement of income tax, GST, FBT and payroll tax returns and annual financial statements.• Ms Tao is a CPA in Australia and she obtained a Bachelor of Commerce in Professional Accounting from Macquarie University. |
|  | <p>Indira Naidu Company Secretary</p> <ul style="list-style-type: none">• Indira Naidu has broad experience and expertise gained across several multinational and Australian listed entities with particular skills in Assurance, Financial and Statutory Reporting and Corporate Governance.• She is a member of the Institute of Chartered Accountants in Australia and New Zealand and AICD. She has also completed ASIC RG146 course and currently undertaking Graduate Studies in the Company Directors Course with AICD.• After graduating from the University of the South Pacific with a Bachelor of Arts Degree in Accounting and Financial Management, she commenced her career at KPMG Fiji as an auditor and continued her career in HLB Mann Judd in Sydney. With over 16 years of experience in Audit and Assurance, Risk Management, Financial Reporting and Internal Audit in resource, financial services, retail, manufacturing and in not-for-profit sectors, she has assisted her clients with statutory reporting, compliance with regulatory bodies and implementation of accounting/financial reporting software.• After leaving the Audit arena, she held the position of Group Finance Manager and Co-company secretary for Realm Resources Limited a publicly listed mining company. |

5. KEY INDIVIDUALS, INTERESTS AND BENEFITS CONTINUED

5.3 INTERESTS AND BENEFITS

This Section sets out the extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- financial services licensee involved in the Offer; or
- promoter of the Company,

holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- the property acquired or proposed to be acquired by Mediland Pharm in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of Mediland Pharm.

5.3.1 Directors' and managements' interests and remuneration

Upon Completion of the Offer, the Company's Executive Director, Managing Director, Non-Executive Directors, CFO, Company Secretary and other members of senior management will be employed under individual contracts of employment with the Company. The contracts set out:

- The individual's total fixed compensation, including fixed cash remuneration and the Company's superannuation contribution;
- Eligibility to participate in any incentive scheme (e.g. annual bonuses or securities ownership plans) which may be implemented by the Company;
- Notice and termination provisions; and
- Employee entitlements including leave.

The Company makes contributions with respect to the senior executives to complying superannuation funds in accordance with relevant superannuation legislation and the individual contracts of employment.

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for their services as a Director. However, under the Constitution and the ASX Listing Rules, the total amount of fees paid to all Non-Executive Directors in any financial year must not exceed the aggregate amount of Non-Executive Directors fees approved by Shareholders at the Company's general meeting. This amount has initially been fixed by the Company at \$700,000.

A summary of the directors' and the managements' employment agreements is set out below.

| DIRECTOR AND/OR EXECUTIVE | INTEREST AND REMUNERATION DESCRIPTION |
|---|--|
| <p>Peter French Independent Non-Executive Chairman</p> | <ul style="list-style-type: none"> The Company has entered into letters of appointment with Peter French to govern his employment with the Company as the Non-Executive Director and the Chairman. Peter will receive a fixed remuneration of \$80,000 (inclusive of superannuation) for the first year of his employment as the Non-Executive Director effective from 1 November 2018, among which \$50,000 will be in cash and \$30,000 will be in form of rights to Shares for nil consideration (NED Rights). Please refer to Section 5.4.2 for the details of NED Rights issued to Peter. Peter will also receive a fixed remuneration of \$20,000 (inclusive of superannuation) for the first year of this employment as the Chairman effective from 19 November 2018. The Company will also reimburse him for all reasonable and properly documented expenses incurred in performing the duties of his office. Peter's appointment may be terminated immediately if he becomes disqualified from managing a corporation under the Corporations Act, is removed as a director, or is not re-elected to the Board after mandatory retirement pursuant to the terms of the Constitution and the Listing Rules. |
| <p>Tracey Cray Independent Non-Executive Director</p> | <ul style="list-style-type: none"> The Company has entered into a letter of appointment with Tracey Cray to govern her employment with the Company as the Non-Executive Director. Tracey will receive a fixed remuneration of \$80,000 (inclusive of superannuation) for the first year of her employment effective from 1 November 2018, among which \$50,000 will be in cash and \$30,000 will be in form of NED Rights. Please refer to Section 5.4.2 for the details of NED Rights issued to Tracey. The Company will also reimburse her for all reasonable and properly documented expenses incurred in performing the duties of her office. Tracey's appointment may be terminated immediately if she becomes disqualified from managing a corporation under the Corporations Act, is removed as a director, or is not re-elected to the Board after mandatory retirement pursuant to the terms of the Constitution and the Listing Rules. |
| <p>Theo Renard Proposed Independent Non-Executive Director</p> | <ul style="list-style-type: none"> The Company has entered into a letter of appointment with Theo Renard to govern his employment with the Company as the Non-Executive Director. Theo will receive a fixed remuneration of \$80,000 (inclusive of superannuation) for the first year of his employment effective from 24 January 2019, among which \$50,000 will be in cash and \$30,000 will be in form of NED Rights. Please refer to Section 5.4.2 for the details of NED Rights issued to Theo. The Company will also reimburse him for all reasonable and properly documented expenses incurred in performing the duties of his office. Theo's appointment may be terminated immediately if he becomes disqualified from managing a corporation under the Corporations Act, is removed as a director, or is not re-elected to the Board after mandatory retirement pursuant to the terms of the Constitution and the Listing Rules. |

5. KEY INDIVIDUALS, INTERESTS AND BENEFITS CONTINUED

| DIRECTOR AND/OR EXECUTIVE | INTEREST AND REMUNERATION DESCRIPTION |
|---|--|
| <p>Jhon Shen Executive Director</p> | <ul style="list-style-type: none"> The Company has entered into an executive services agreement with Jhon Shen to govern his employment with the Company as the Executive Director. Jhon will receive a fixed remuneration of \$180,000 (inclusive of superannuation) for the first year of his employment effective from 15 October 2018. The Company will also reimburse him for all reasonable and properly documented expenses incurred in performing the duties of his office. Jhon's appointment may be terminated immediately if he becomes disqualified from managing a corporation under the Corporations Act, is removed as a director, or is not re-elected to the Board after mandatory retirement pursuant to the terms of the Constitution and the Listing Rules. Jhon may terminate his employment contract by giving 6 months' notice in writing. The Company may terminate by giving 6 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other circumstances, the Company may terminate Jhon's executive services agreement immediately without notice. Upon the termination of Jhon's executive services agreement, he will be subject to a restraint of trade period of 6 months. The enforceability of the restraint clause is subject to all usual legal requirements. |
| <p>Yeshween Mudaliar Managing Director</p> | <ul style="list-style-type: none"> The Company has entered into an executive services agreement with Yeshween Mudaliar to govern his employment with the Company as the Managing Director. Yeshween will receive a fixed annual remuneration of \$109,500 (inclusive of superannuation) for the first year of his employment effective from 15 October 2018. He will also receive 2,500,000 performance rights prior to the Listing. Please refer to Section 5.4.3 for the details of Performance Rights to be issued to Yeshween. The Company will also reimburse him for all reasonable and properly documented expenses incurred in performing the duties of his office. Yeshween's appointment may be terminated immediately if he becomes disqualified from managing a corporation under the Corporations Act, is removed as a director, or is not re-elected to the Board after mandatory retirement pursuant to the terms of the Constitution and the Listing Rules. Yeshween may terminate his employment contract by giving 6 months' notice in writing. The Company may terminate by giving 6 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other circumstances, the Company may terminate Yeshween's executive services agreement immediately without notice. Upon the termination of Yeshween's executive services agreement, he will be subject to a restraint of trade period of 6 months. The enforceability of the restraint clause is subject to all usual legal requirements. |

| DIRECTOR AND/OR EXECUTIVE | INTEREST AND REMUNERATION DESCRIPTION |
|---|---|
| Jessie Tao CFO | <ul style="list-style-type: none"> The Company has entered into an executive services agreement with Jessie Tao to govern her employment with the Company as CFO. Jessie will receive a fixed annual remuneration of \$51,150 (inclusive of superannuation). Jessie will also be eligible to participate in any incentive scheme that may be implemented by the Company. She will also receive 500,000 performance rights prior to the Listing. Please refer to Section 5.4.3 for the details of Performance Rights to be issued to Jessie. The Company will also reimburse her for all reasonable and properly documented expenses incurred in performing the duties of her office. Jessie may terminate her employment contract by giving 6 months' notice in writing. The Company may terminate by giving 6 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other circumstances, the Company may terminate Jessie's executive services agreement immediately without notice. Upon the termination of Jessie's executive services agreement, she will be subject to a restraint of trade period of 6 months. The enforceability of the restraint clause is subject to all usual legal requirements. |
| Indira Naidu Company Secretary | <ul style="list-style-type: none"> The Company has entered into a services agreement with Indira Naidu to govern her employment with the Company as the Company Secretary. Indira will receive annual fixed remuneration of \$28,800 (exclusive of superannuation). Indira will also be eligible to participate in any incentive scheme that may be implemented by the Company. The Company will also reimburse her for all reasonable and properly documented expenses incurred in performing the duties of her office. Indira may terminate her employment contract by giving 6 months' notice in writing. The Company may terminate by giving 6 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other circumstances, the Company may terminate Indira's executive services agreement immediately without notice. Upon the termination of Indira's executive services agreement, she will be subject to a restraint of trade period of 6 months. The enforceability of the restraint clause is subject to all usual legal requirements. |

5.3.2 Directors' and managements' interest in Shares and other securities

Directors are not required under the Constitution to hold any Shares. The Directors are entitled to apply for Shares under the Offer. Final Directors' shareholdings will be notified to ASX following Listing. The Directors' interest in Shares (either personally or through entities associated with the Director) at Completion of the Offer are outlined below:

| Name | Role | Shares held at Completion of the Offer | NED Rights or Performance Rights held at Completion of the Offer ² |
|-------------------|---------------------------------|--|---|
| Peter French | Non-Executive Chairman | – | \$30,000 worth of NED Rights |
| Tracey Cray | Non-Executive Director | – | \$30,000 worth of NED Rights |
| Theo Renard | Proposed Non-Executive Director | – | \$30,000 worth of NED Rights |
| Jhon Shen | Executive Director | 250 million ¹ | – |
| Yeshween Mudaliar | Managing Director | – | 2,500,000 Performance Rights |

1. Jhon's family trust holds those Shares indirectly through Pacific Merchant Group Limited.

2. Please refer to Section 5.4.2 for the terms of NED Rights and Section 5.4.3 for the terms of the Performance Rights.

The management's interests in Shares (either personally or through entities associated with the management) at Completion of the Offer are outlined below:

5. KEY INDIVIDUALS, INTERESTS AND BENEFITS CONTINUED

| Name | Role | Shares held at Completion of the Offer | Performance Rights held at Completion of the Offer ¹ |
|--------------|-------------------|--|---|
| Jessie Tao | CFO | – | 500,000 Performance Rights |
| Indira Naidu | Company Secretary | – | – |

1. Please refer to Section 5.4.3 for the terms of the Performance Rights.

5.3.3 Interests of advisers

The following entities have been engaged as professional advisers to various members of the Mediland Pharm Group for the purposes of the Offer. The details of work provided and the fees payable are summarised below.

| Adviser | Role | Fee (exclusive of tax) ^{1,2,3} |
|--|---|---|
| Bridge Street Capital Partners | Lead Manager to the Company | Please see Section 9.2.1 |
| Austra Capital | Corporate Advisor | Please see Section 9.2.2 |
| Baker & McKenzie | Australian legal adviser to the Company | \$300,000 |
| Grant Thornton Corporate Finance Pty Ltd | Investigating Accountant to the Company and has prepared the Investigating Accountant's Report in Section 8 | \$125,000 |
| BDO East Coast Partnership | Australian tax advisers to the Company and has prepared the Taxation Report for the Company | \$49,500 |
| Frost & Sullivan | Independent expert to the Company and has prepared the Independent Market Report in Section 2 | \$17,550 |

1. Amount is based on the assumption that the Maximum Subscription is raised under the Offer.
2. These amounts and other expenses of the Offer will be paid by the Company (or one of its subsidiaries) out of funds raised under the Offer. Further information on the use of proceeds from the Offer and costs of the Offer are set out in Sections 7.1.1 and 9.9 respectively.
3. The Company has paid, or agreed to pay such amount for relevant services of the service provider up until the Prospectus Date. Further amounts may be paid for other work in accordance with the service provider's normal time-based charges.

5.4 EMPLOYEE INCENTIVE ARRANGEMENTS

5.4.1 Employee Incentive Plan

The Company has adopted the Employee Incentive Plan (**EIP**) in order to assist in the motivation and retention of selected Company employees. The EIP is designed to align the interests of eligible employees more closely with the interests of the Company by providing an opportunity for eligible employees to receive an equity interest in the Company. Under the EIP, eligible employees may be offered Performance Rights, Options, Share Awards or Exempt Share Awards which may be subject to vesting conditions set by the Board. The key terms of the EIP are as follows:

| TERMS | DESCRIPTION |
|---------------------------------------|---|
| Awards | <p>Under the EIP, the Company may offer or issue to eligible employees:</p> <ul style="list-style-type: none"> • Performance Rights – rights to be issued or provided with fully paid ordinary Shares in the Company at nil issue price upon specific vesting conditions being achieved. • Options – rights to be issued or provided with Shares upon payment of an exercise price and which can only be exercised if specific vesting conditions are achieved. • Share Awards – Shares issued to employees in lieu of or in addition to wages, salary or bonus. • Exempt Share awards – Shares issued for no consideration or at an issue price which is a discount to the market price with the intention that up to \$1,000 (or such other amount which is exempted from tax under the <i>Income Tax Assessment Act 1936</i> or the <i>Income Tax Assessment Act 1997</i> from time to time) of the total value or discount received by each employee which will be exempt from tax. |
| Eligible employees | Awards may be granted at the discretion of the Board to any person who is an employee, officer, Director or consultant of Mediland Pharm Group. |
| Price | The Board has discretion to determine the issue price and/or exercise price for the Awards. |
| Vesting and exercise of Awards | The Awards held by a participant will vest in and become exercisable by that participant upon the satisfaction of any vesting conditions specified in the offer and in accordance with the rules of the EIP. Vesting conditions may be waived at the discretion of the Board. |
| Change of control | In the event a takeover bid is made to acquire all of the issued Shares of the Company, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid, the Board may waive unsatisfied vesting conditions in relation to some or all Awards. Further, if a takeover bid is made to acquire all of the issued Shares of the Company, participants may accept the takeover bid in respect of any Awards (other than exempt Share awards) which they hold notwithstanding the restriction period in respect of those Awards has not expired. |
| Claw-back | If any vesting conditions of an Award are mistakenly waived or deemed satisfied when in fact they were not satisfied, then in accordance with the terms of the Employee Incentive Plan, the Board may determine that the relevant Awards expire (if not yet exercised), or it may otherwise recover from the participant some or all Shares issued upon exercise of the Awards or any proceeds received from the sale of those Shares. |
| Variation of Share capital | If prior to the exercise of an Award, the Company undergoes a reorganisation of capital or bonus issue, the terms of the Awards will be changed to the extent necessary to comply with the ASX Listing Rules. |

5. KEY INDIVIDUALS, INTERESTS AND BENEFITS CONTINUED

5.4.2 Terms of NED Rights

The Company has agreed to grant under the EIP rights to be issued Shares for nil consideration in lieu of part of the NEDs' fees. The table below sets out a summary of the terms and conditions of the NED Rights that have been granted as at the date of this Prospectus.

| TERMS | DESCRIPTION | | | | | | | | | | | | | | | |
|--|---|----------------------------------|---|--|-----------------------------------|--|-----------------------------------|--|-----------------------------------|----------|----|-------------|----------|--------------|--|-----------------|
| Issue Date | Commencement of the appointment with NEDs | | | | | | | | | | | | | | | |
| Participants | Tracey Cray, Peter French and Theo Renard | | | | | | | | | | | | | | | |
| Value of NED Rights to be Issued | <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Value of NED Rights to be issued</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Tracey Cray</td> <td>\$30,000</td> </tr> <tr> <td>2.</td> <td>Peter French</td> <td>\$30,000</td> </tr> <tr> <td>3.</td> <td>Theo Renard</td> <td>\$30,000</td> </tr> <tr> <td colspan="2">Total</td> <td>\$90,000</td> </tr> </tbody> </table> | No. | Name | Value of NED Rights to be issued | 1. | Tracey Cray | \$30,000 | 2. | Peter French | \$30,000 | 3. | Theo Renard | \$30,000 | Total | | \$90,000 |
| No. | Name | Value of NED Rights to be issued | | | | | | | | | | | | | | |
| 1. | Tracey Cray | \$30,000 | | | | | | | | | | | | | | |
| 2. | Peter French | \$30,000 | | | | | | | | | | | | | | |
| 3. | Theo Renard | \$30,000 | | | | | | | | | | | | | | |
| Total | | \$90,000 | | | | | | | | | | | | | | |
| Quotation | <p>NED Rights granted under the engagement agreements entered into with the NEDs will not be quoted on the ASX.</p> <p>The Company will make application to the ASX for official quotation of Shares issued on NED Rights becoming vested and being exercised.</p> | | | | | | | | | | | | | | | |
| Restriction Period | None. | | | | | | | | | | | | | | | |
| Exercise Price | Nil. | | | | | | | | | | | | | | | |
| Vesting Conditions | <p>The NED Rights will be vested based on the following table provided that the NEDs remain directors of the Company as at the relevant Vesting Date. The Vesting Dates are set out as below:</p> <table border="1"> <thead> <tr> <th>Vesting Date</th> <th>Percentage of the total offered Performance Rights to be vested</th> </tr> </thead> <tbody> <tr> <td>1 year anniversary of the commencement date of the appointment</td> <td>33.33% of the total value granted</td> </tr> <tr> <td>2 year anniversary of the commencement date of the appointment</td> <td>33.33% of the total value granted</td> </tr> <tr> <td>3 year anniversary of the commencement date of the appointment</td> <td>33.33% of the total value granted</td> </tr> </tbody> </table> | Vesting Date | Percentage of the total offered Performance Rights to be vested | 1 year anniversary of the commencement date of the appointment | 33.33% of the total value granted | 2 year anniversary of the commencement date of the appointment | 33.33% of the total value granted | 3 year anniversary of the commencement date of the appointment | 33.33% of the total value granted | | | | | | | |
| Vesting Date | Percentage of the total offered Performance Rights to be vested | | | | | | | | | | | | | | | |
| 1 year anniversary of the commencement date of the appointment | 33.33% of the total value granted | | | | | | | | | | | | | | | |
| 2 year anniversary of the commencement date of the appointment | 33.33% of the total value granted | | | | | | | | | | | | | | | |
| 3 year anniversary of the commencement date of the appointment | 33.33% of the total value granted | | | | | | | | | | | | | | | |

| TERMS | DESCRIPTION |
|--|--|
| Calculation of Number of NED Rights to be Issued | <p>The number of NED Rights to be issued to each NEDs on each of the Vesting Dates will be calculated in accordance with the following formula:</p> $N = \text{PBF} / \text{VWAP}$ <p>where:</p> <p>N is the number of NED Rights to be issued on the relevant Vesting Date;</p> <p>PBF is an amount, in Australian dollars, equal to the value of shares the NEDs are entitled to on the relevant Vesting Date; and</p> <p>VWAP is the volume weighted average sale price of a share in the Company on the ASX over the last five ASX trading days of the immediately prior to the relevant Vesting Date (or as determined by the Board), rounded to the nearest whole cent.</p> <p>If the application of the formula above does not result in a whole number of NED Rights, the number of NED Rights will be rounded down to the nearest whole number</p> |

5.4.3 Long term incentive plan

Based on the EIP, the Company has also established a Long Term Incentive Plan (**LTIP**) to encourage the high performance of its key management personnel and senior management personnel in order to promote the long-term success of the Company. The LTIP is an equity-based plan which is delivered in the form of Performance Rights. These Performance Rights have a three year vesting period and will only vest if performance targets are met at the end of this period.

The table below sets out a summary of the terms and conditions of the Performance Rights that has been offered to its key management personnel and senior management personnel as at the date of this Prospectus.

| TERMS | DESCRIPTION | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------|--|--------------------|---|----------|---|----|-------------------|-------------------|-----------|----|--------------|-----------------|-----------|----|------------|---------------|-----------|----|--------------|---------------|-----------|----|--------------|---------------|-----------|----|---------|---------------|-----------|----|-------------|--------------------|-----------|----|--------|--------------------|-----------|----|------------|-----|---------|--------------|--|--|-------------------|
| Issue Date | On Completion of the Offer. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Participants | 9 senior management personnel determined by the Board. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number or Performance Rights issued | <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Position</th> <th>Number of Performance Rights to be issued</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Yeshween Mudaliar</td> <td>Managing Director</td> <td>2,500,000</td> </tr> <tr> <td>2.</td> <td>Meliza Perez</td> <td>Finance Manager</td> <td>1,500,000</td> </tr> <tr> <td>3.</td> <td>Jing Huang</td> <td>Store Manager</td> <td>1,250,000</td> </tr> <tr> <td>4.</td> <td>Hongwei Chen</td> <td>Store Manager</td> <td>1,250,000</td> </tr> <tr> <td>5.</td> <td>Jonathan Liu</td> <td>Store Manager</td> <td>1,250,000</td> </tr> <tr> <td>6.</td> <td>Ting Li</td> <td>Store Manager</td> <td>1,250,000</td> </tr> <tr> <td>7.</td> <td>Chenlu Bian</td> <td>Operations Manager</td> <td>1,250,000</td> </tr> <tr> <td>8.</td> <td>Yi Liu</td> <td>Operations Manager</td> <td>1,250,000</td> </tr> <tr> <td>9.</td> <td>Jessie Tao</td> <td>CFO</td> <td>500,000</td> </tr> <tr> <td colspan="3">Total</td> <td>12,000,000</td> </tr> </tbody> </table> | No. | Name | Position | Number of Performance Rights to be issued | 1. | Yeshween Mudaliar | Managing Director | 2,500,000 | 2. | Meliza Perez | Finance Manager | 1,500,000 | 3. | Jing Huang | Store Manager | 1,250,000 | 4. | Hongwei Chen | Store Manager | 1,250,000 | 5. | Jonathan Liu | Store Manager | 1,250,000 | 6. | Ting Li | Store Manager | 1,250,000 | 7. | Chenlu Bian | Operations Manager | 1,250,000 | 8. | Yi Liu | Operations Manager | 1,250,000 | 9. | Jessie Tao | CFO | 500,000 | Total | | | 12,000,000 |
| No. | Name | Position | Number of Performance Rights to be issued | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. | Yeshween Mudaliar | Managing Director | 2,500,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | Meliza Perez | Finance Manager | 1,500,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | Jing Huang | Store Manager | 1,250,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. | Hongwei Chen | Store Manager | 1,250,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. | Jonathan Liu | Store Manager | 1,250,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. | Ting Li | Store Manager | 1,250,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. | Chenlu Bian | Operations Manager | 1,250,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. | Yi Liu | Operations Manager | 1,250,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. | Jessie Tao | CFO | 500,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | | | 12,000,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Entitlements | Each Performance Right that vests entitles the Participants to subscribe for one fully paid ordinary share in the capital of the Company. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

5. KEY INDIVIDUALS, INTERESTS AND BENEFITS CONTINUED

| TERMS | DESCRIPTION | | | | | | | | |
|-----------------------------------|--|--------------|---|----------------|--------|----------------|--------|----------------|--------|
| Quotation | Performance Rights granted under the LTIP will not be quoted on the ASX. The Company will make application to the ASX for official quotation of Shares issued on Performance Rights becoming vested and being exercised. | | | | | | | | |
| Performance Rights Restrictions | The Participants will not be entitled to sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Performance Rights, or agree to do any of those things, unless the Board determines otherwise, during the Restriction Period. | | | | | | | | |
| Restriction Period | None. | | | | | | | | |
| Issue price per Performance Right | Nil. | | | | | | | | |
| Exercise Price | Nil. | | | | | | | | |
| Vesting Conditions | <p>The Performance Rights will be vested based on the following table provided that the Participants remain employees of any member entity in the Group as at the relevant Vesting Date. The Vesting Dates are set out as below:</p> <table border="1"> <thead> <tr> <th>Vesting Date</th> <th>Percentage of the total offered Performance Rights to be vested</th> </tr> </thead> <tbody> <tr> <td>9 January 2020</td> <td>33.33%</td> </tr> <tr> <td>9 January 2021</td> <td>33.33%</td> </tr> <tr> <td>9 January 2022</td> <td>33.33%</td> </tr> </tbody> </table> <p>While the vesting condition applies to the Performance Rights, they are Unvested Performance Rights. If the vesting condition is not met, the relevant Unvested Performance Rights will be forfeited.</p> | Vesting Date | Percentage of the total offered Performance Rights to be vested | 9 January 2020 | 33.33% | 9 January 2021 | 33.33% | 9 January 2022 | 33.33% |
| Vesting Date | Percentage of the total offered Performance Rights to be vested | | | | | | | | |
| 9 January 2020 | 33.33% | | | | | | | | |
| 9 January 2021 | 33.33% | | | | | | | | |
| 9 January 2022 | 33.33% | | | | | | | | |
| Ceasing to be an employee | <p>In the event that the Participant resign or voluntarily cease to be an employee of the Group, or where the employment the Participant is terminated by the Group in accordance with his/her employment contract any Unvested Performance Rights at that time will be forfeited.</p> <p>In the event that the Participant cease to be an employee of the Group for reasons other than resignation, voluntary termination or termination by the Company or Mediland Pharm in accordance with his/her employment contract Unvested Performance Rights will automatically vest.</p> | | | | | | | | |

5.5 CORPORATE GOVERNANCE

This Section explains how the Board will oversee the management of Mediland Pharm's business. The Board is responsible for the overall corporate governance of Mediland Pharm. The Board monitors the operational and financial position and performance of Mediland Pharm and oversees its business strategy, including approving the strategic goals of Mediland Pharm and considering and approving its annual business plan and the associated budget. The Board is committed to maximising performance, generating appropriate level of Shareholder value and financial return and sustaining the growth and success of Company. In conducting Mediland Pharm's business with these objectives, the Board seeks to ensure that Mediland Pharm is properly managed to protect and enhance Shareholder interests and that the Company, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has developed and adopted a framework of corporate governance policies and practices, risk management practices and internal controls that it believes appropriate for Mediland Pharm's business.

The Board has adopted a Board Charter (**Charter**), which sets out the key corporate governance principles and procedures of the Company. The Charter and other corporate governance documents are available on the Company's website at www.MedilandPharm.com.au. These key documents will be kept under review by the Board and amended from time to time.

The Charter and the other governance measures adopted reflect the Board's endorsement of the recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations, 3rd edition, 2014 (**Principles**). Those Principles

marked with ☉ either have not been fully implemented or are to be addressed during the FY2019 reporting year. The commentary addresses the reasons for the departure from the requirements.

Principle 1 – Lay solid foundations for management and oversight

| | | |
|-----|---|---|
| 1.1 | The Board has outlined in its Charter, its roles and responsibilities and has established a clear distinction between its functions and those delegated to management. | ✓ |
| 1.2 | Appropriate checks including criminal record checks have been carried out on all Board members prior to their appointment. The Company will provide Shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings. | ✓ |
| 1.3 | All Directors and senior executives have a written agreement with the Company or a member of Mediland Pharm Group setting out the terms of their appointment. | ✓ |
| 1.4 | The Company Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board. | ✓ |
| 1.5 | The Board has adopted a Diversity Policy (a copy of which is on the Company's website). The Diversity Policy requires the Board to set measurable objectives for obtaining gender diversity. The Board has not yet set measurable objectives but intends to review the diversity statistics within the Company and use those measures to formulate measurable objectives. | ✓ |
| 1.6 | At least once per year the Board will, with the advice and assistance of the Nomination and Remuneration Committee (NRC), review and evaluate the performance of the Board, each Board committee and each individual Director against the relevant charters, corporate governance policies, and agreed goals and objectives. | ✓ |
| 1.7 | Performance reviews for Executive Directors and Senior Management will take place at least annually. The NRC has accountability in its Charter to oversee these reviews and report to the Board on their outcomes. The Company intends to ensure the appropriate disclosures in the remuneration report are made in relation to each reporting period as to the performance evaluations that were undertaken and the process that was followed. | ✓ |

Principle 2 – Structure the Board to add value

| | | |
|-----------|--|---|
| 2.1 | The Board has formed a Nomination and Remuneration Committee. The charter for the Nomination and Remuneration Committee is available on the Company's website. Membership of the Nomination and Remuneration Committee is: Tracey Lee Cray, Peter French and Jhon Shen. | ✓ |
| 2.2 | In establishing the Board, regard was had to the skills and expertise required of the Directors relevant to Mediland Pharm's business and the Company's Listing in Australia. Directors with the desired skills and expertise were carefully selected for appointment to the Board. | ✓ |
| 2.3 & 2.4 | The Board Charter sets out the criteria adopted by the Board for considering if a Director is independent. Upon Listing the Board will be comprised of five members, three of whom are independent. Tracey Lee Cray, Peter French and Theo Renard are considered independent as none of them has a material shareholding in the Company or is an adviser or supplier to the Company or has any other material contractual relationship with the Company other than their position as a Director. | ✓ |
| 2.5 | The Board recognises the recommendation that the Chairman should be an independent Non-Executive Director and has accordingly appointed Peter French, an independent non-executive director, as the Chairman. | ✓ |

5. KEY INDIVIDUALS, INTERESTS AND BENEFITS CONTINUED

| | | |
|-----|---|---|
| 2.6 | All Non-Executive Directors have had an extensive induction into the business of the Company prior to accepting their appointment and have received continuing information on the Company and its operations since being appointed. The induction process has included presentations by management. | ✓ |
|-----|---|---|

Principle 3 – Act ethically and responsibly

| | | |
|-----|--|---|
| 3.1 | The Board has adopted a code of conduct applicable to all Directors, senior executives and employees, a copy of which is disclosed on the Company's website. | ✓ |
|-----|--|---|

Principle 4 – Safeguard integrity in financial reporting

| | | |
|-----|---|---|
| 4.1 | The Board has established an audit and risk committee (ARC). The audit and risk committee is comprised a majority of Non-Executive Directors. Its composition being Peter French, Tracey Lee Cray and Yeshween Mudaliar. A copy of the audit and risk committee's charter is on the Company's website. | ✓ |
| 4.2 | The Board has not yet had to approve the entity's financial statements for a financial period and accordingly has not been required to receive relevant declarations from the Managing Director and CFO in respect of the financial records of the Group. It is the intention of the Board that these declarations will be required for both the half-year and full-year results and this fact has been communicated to both the Managing Director and CFO. | ✓ |
| 4.3 | The Company has not yet held an Annual General Meeting (AGM) but it is the intention of the Board to ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit. | ✓ |

Principle 5 – Make timely and balanced disclosure

| | | |
|-----|--|---|
| 5.1 | The Board has established a written continuous disclosure policy to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability for compliance. Each Board meeting considers whether any continuous disclosure issues arose during the course of the meeting. The continuous disclosure policy is on the Company's website. | ✓ |
|-----|--|---|

Principle 6 – Respect the rights of Shareholders

| | | |
|-----|---|---|
| 6.1 | The Company has established a website which provides information about the Group, Directors and executives, key governance policies and other information relevant to its investors. The website will be a key communication tool between the Company and the Shareholders. | ✓ |
| 6.2 | The Company has not yet designed and implemented an investor relations program to facilitate effective two-way communication with investors, however, the Board recognises its importance and will put in place a tailored program following the Completion. | ✓ |
| 6.3 | The Board has adopted a Shareholder Communication Policy and will provide Shareholders with opportunities to have questions addressed at Shareholder meetings, irrespective of whether the Shareholder is able to attend. A copy of the Shareholder Communication Policy is on the Company's website. | ✓ |
| 6.4 | All Shareholders will be able to communicate with the Company and its share registry electronically, which is an encouraged method of communication. | ✓ |

Principle 7 – Recognise and manage risk

| | | |
|-----|---|---|
| 7.1 | <p>The Board has established a combined audit and risk committee. The audit and risk committee is comprised majorly of Non-Executive Directors. Its composition is Peter French, Tracey Lee Cray and Yeshween Mudaliar.</p> <p>A copy of the audit and risk committee’s charter is on the Company’s website.</p> | ✓ |
| 7.2 | <p>The risk management framework for the Group has not yet been formally reviewed by the Board. The Board has appointed the ARC to assist it with discharging its oversight function in respect of material business risks and to determine if the system of risk management is sound. Outcomes of those reviews will be reported in the corporate governance statement annually.</p> | ✓ |
| 7.3 | <p>The Group has various quality assurance functions throughout the business but not a dedicated internal audit function. It is the Board’s intention that the ARC reviews the need for an internal audit function, the scope of any function should one be required and whether it will be insourced or outsourced. The outcome of the review will be reported in the Company’s annual report.</p> | ✓ |
| 7.4 | <p>As mentioned under Principle 7.2, the Board expects a report on the risk management framework in September 2019 and has requested that management address economic, environmental and sustainability risks. The outcome of that review will be reported in the Company’s annual report.</p> | ⊙ |

Principle 8 – Remunerate fairly and responsibly

| | | |
|-----|---|---|
| 8.1 | <p>The Board has formed a combined Nomination and Remuneration Committee. Membership of the Nomination and Remuneration Committee is: Tracey Lee Cray, Peter French and Jhon Shen. A copy of the charter for the NRC is provided on the company’s website.</p> <p>A copy of the charter for the NRC is provided on the Company’s website.</p> | ✓ |
| 8.2 | <p>The Board has adopted a remuneration policy for Non-Executive Directors. A remuneration policy for Executive Directors and other senior executives will be developed post Completion. A copy of the Non-Executive Director remuneration policy is provided on the Company’s website.</p> | ✓ |
| 8.3 | <p>The Company’s Securities Trading Policy prohibits participants of any equity-based remuneration scheme entering into transactions which limits the economic risk of a participant.</p> | ✓ |



6.

RISK FACTORS

6. RISK FACTORS

6.1 INTRODUCTION

The future performance of Mediland Pharm and the future investment performance of the Shares may be influenced by a range of factors, many of which are outside the control of the Company. Any, or a combination of, these factors may have a material adverse impact on Mediland Pharm business, and its operating and financial performance.

This Section 6 describes what Mediland Pharm believes to be the key risks associated with its business, the retail and tourism industry in which Mediland Pharm operates and the risks associated with an investment in the Company. It does not purport to list every risk that may be associated with Mediland Pharm business, the logistics industry and the risks associated with an investment in the Company now or in the future. The occurrence or consequence of some of the risks described in this Section 5 is partially or completely outside the control of Mediland Pharm and the Directors. The selection of risks described in this Section 5 is based on an assessment by the Company of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and the Manager as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks or matters that may adversely impact will not emerge.

Any of these risks, or any other risks or other matters, may emerge and may have a material adverse effect on the Company and its financial position and performance. There can be no guarantee that Mediland Pharm will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks described in this Section 5, and all of the other information set out in this Prospectus, and consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances, taxation position or particular needs.

If you do not understand any part of this Prospectus or are in doubt as to whether an investment in Mediland Pharm is suitable for you, we recommend you seek professional advice from your stockbroker, lawyer, accountant or other qualified professional adviser before deciding whether or not to invest in Shares.

6.2 RISKS SPECIFIC TO THE COMPANY

6.2.1 Reliance on OTOs and ITOs

Mediland Pharm has long-term partnerships with OTOs and ITOs to bring Chinese tourists to Mediland Pharm's stores. There is a risk that the OTOs and ITOs may not renew their contracts with Mediland Pharm, which will result in a decrease in Chinese tourists and have a material and adverse effect on Mediland Pharm's business.

To mitigate this risk, the Company has maintained a long-term cooperation relationship with major OTOs and ITOs. Mediland Pharm intends to maintain these mutually profitable partnerships by providing balanced incentives to OTOs and ITOs for bringing in tourists and providing consistently quality shopping experience to tourists.

6.2.2 Volume of Chinese tourists

The business of Mediland Pharm depends on the volume of Chinese tourists visiting Australia. While the volume of inbound tourists from China has been growing rapidly for some time, there is no guarantee that this growth will continue or that it does not decline. If the volume of Chinese tourists visiting Australia declines, this may impact the number of customers visiting the Company's retail outlets which may result in a reduction in revenue and profitability.

Many issues may cause the levels of Chinese tourism to Australia to stagnate or decrease in a material fashion, including: declining economic conditions, disposable incomes and wealth levels in China, material appreciation in the Australian dollar relative to the Chinese RMB (thereby making a holiday in Australia relatively more expensive), increased geopolitical instability, an escalation in the so-called "trade war" between the United States and China that could reduce economic activity, the outbreak of war in the Asia Pacific region involving disputed territory and/or North Korea, diplomatic tension between Australia and China, a change in Chinese consumer preferences with respect to holiday destinations, reduced airline capacity on direct flights between Australia and China and a spike in oil prices that could materially increase the cost of travel to Australia.

In addition, the sales volume of the Company's retail outlets will be affected by the visits of incentive groups (Incentive Groups). Incentive Groups are usually travel groups, which are designed to motivate, trigger or reward actions from employees or business partners. Incentive Groups can comprise large numbers of visitors because they are often organised by organisations or corporations. When the Company is able to liaise with the ITOs and OTOs to secure these Incentive Groups to visits its retail outlets, due to the large of volume of visitors the revenue will usually increase. However, the timeframe of the Incentive Groups' visits is usually short and the Incentive Groups business is ad hoc and not consistently recurring year to year. In the event that the Company cannot regularly secure this type of business, the Company's financial performance may be affected or show signs of periodic fluctuation and instability. However, the Company strives to secure this type of business as part of the diversification of its revenue sources.

6. RISK FACTORS CONTINUED

6.2.3 Level of spending by Chinese tourists

Chinese inbound tourists typically incorporate shopping into their visits to Australia and retail expenditure by Chinese tourists has ground strongly over the last decade. This is driven largely by Australia's reputation for product quality and safety. To the extent that retail expenditure by Chinese visitors stagnates or declines, this could reduce the revenue and profitability of Mediland Pharm. The issues that could negatively impact retail expenditure include: declining economic conditions, disposable incomes and wealth levels in China, material appreciation in the Australian dollar relative to the Chinese RMB (thereby making shopping in Australia relatively more expensive), improving product quality and traceability of Chinese products that could reduce the relative attractiveness of buying in Australia and any event that tarnishes the reputation of Australian products for quality and safety.

6.2.4 Reliance on key suppliers and manufacturers

Mediland Pharm relies on a number of suppliers and manufacturers with respect to its product range. Risks in respect of supply and manufacturing hinges upon the Group business' reliance on a concentration and consistency of key suppliers and manufacturers. A disruption to this supply chain, or if a manufacturer chooses to discontinue production, could adversely affect the Mediland Pharm's ability to meet consumer needs and ultimately be of detriment to the Company's financial performance and future prospects.

To mitigate this risk, the Company has maintained a long-term cooperation relationship with its key suppliers and manufacturers. Mediland Pharm intends to maintain these mutually profitable partnerships by providing sustainable sales channels and profitability to the suppliers and manufacturers.

6.2.5 Contractual risks

Historically, the Company and/or its subsidiaries have been dealing with its suppliers or manufacturers through short agreements setting out only the key commercial terms and without clauses regarding formation, amendment, termination, liability for breach, warranty and indemnity being drafted in details, or through orders without written contracts in place. There is a risk that the business could be disrupted where there is a disagreement or dispute in relation to a key contract or unwritten contractual arrangement. Should such a disagreement or dispute occur, it may have an adverse impact on the Company's operations and performance generally. The Company has consulted advisors and put in place written template agreements with independent sellers, service providers and goods providers for future commercial dealings.

6.2.6 Nature of Chinese tourism to Australia

Organised tour groups account for a significant proportion of inbound visitors from China, which provides a ready stream of visitors to Mediland Pharm's retail stores. Chinese travellers organising their own travel is becoming more common and it is estimated that 50% of Chinese visitors to Australia now arrive alone or as part of an adult couple. To the extent that the number of travellers in tour groups declines materially, this could impact the Company's ability to drive traffic through its stores, which could reduce revenue and profitability.

6.2.7 Changing consumer preferences of Chinese tourists

Like any retail business, Mediland Pharm relies on being able to supply merchandise in its stores that customers want to buy. Historically, the Company has been successful at doing this, with the primary categories being health products, cosmetics, wine, jewellery, souvenirs, gifts, luxury bedding products and floor rugs. Mediland Pharm closely monitors its activity levels across all its product lines to ensure that it is satisfying its customers and optimising use of its retail floor space. However, a significant and unanticipated shift in consumer preferences by Chinese tourists to Australia would reduce sales and earnings of the Company.

6.2.8 Seasonal cycle effect

The Company's business is subject to seasonal cycles in its sales. Usually more sales are generated during the period from October to March since there is generally an increase in the tourists visits during the Chinese public holidays. This causes seasonal revenue variations.

6.2.9 Change in regulation

There is a continuing risk for the Mediland Pharm business that local laws and/or regulations in Australia and China with respect to the operation of its customers may change. There is a risk that changes to the regulatory environment may materially affect the way the Mediland Pharm Business currently operates (including obligations altering the manufacturing processes, ingredients, shelf life, marketing and export/import processes). The potential detrimental flow on effects from these regulatory changes could significantly affect the sale or production of the Mediland Pharm Business' products as a result of:

- regulatory changes which restrict or entirely prevent access to customers of Mediland Pharm's stores (including but not limited to ADS scheme);
- regulatory changes which restrict or entirely prevent access to particular markets in which the Mediland Pharm Business may source its products (amendments to importation or exportation regulations);
- regulatory changes which change the product packaging requirements and disclosure obligations (including labelling and country of origin requirements containing minimum dietary disclosures); or
- the introduction of taxation measures which specifically reference food items.

The Company is not aware of any current issues or any impending regulatory changes in Australia which may affect its supply, manufacture and distribution networks. However, there is a continuing residual risk from potential regulatory changes, which may materially alter the Mediland Pharm Business' revenues and/or increase its costs which could diminish the Company's financial performance.

6.2.10 Reliance on key personnel

The development of the Company's business has been largely due to the effort, experience and leadership of its founder and management team. The Company's business is also dependent on the continued service of its existing personnel due to the nature of the business. Despite the Company's best efforts to attract and retain key personnel, there is no assurance that the Company will be able to retain the services of such persons. The Company's ability or inability to attract and retain key personnel could have a material effect upon the Company's business, results of operation and financial condition.

6.2.11 Competition

The Company's future financial performance and overall success in the market will rest upon the successful implementation of strategies to compete with other similar businesses. The Company's strategies may be adversely impacted by the number and size of its competitors who may participate in the market with a more aggressive pricing structure, innovative technologies and/or agile supply and distribution networks more adept/sophisticated than those of Mediland Pharm. Moreover, the Company may be impacted by new competition entering the industry that may be better financially resourced than itself.

Certain market conditions may cause an increase in competition. For instance, an increase in demand may present the opportunity for competitors to expand their operations and markets. Increased competition may reduce the volume and price of the products that the Company provides, which may have a material and adverse effect on Mediland Pharm's revenue and profitability and, in particular, its growth. However, Mediland Pharm has maintained a competitive advantage among its peers by expanding its business activities and through its well-recognised brand and long-term relationships with the major OTOs and ITOs and key suppliers and manufacturers.

6.2.12 Loss of leasehold locations

Mediland Pharm operates its three retail locations at locations that it leases. Currently, the Sydney and Melbourne store are under long term lease and the Gold Coast store lease expires in 2020. To the extent that the Company's lease agreements expire and it is unable to renew the existing leases or find suitable replacement premises to operate its business or find such replacement premises at a reasonable lease cost, then the revenue and profitability of Mediland Pharm is likely to be negatively impacted.

6.2.13 Management of growth

The success and potential growth of the Mediland Pharm Business is dependent on its ability to grow its store footprint and to source/offer a wider range of products to the market. If the Company is unable to do so, the result could be a reduced or negative rate of growth. The Mediland Pharm Business may also fail to grow as a result of inadequate marketing or insufficient consumer interest.

There is also a risk that management of the Company will not be able to implement its growth strategy. The capacity of Mediland Pharm's management to properly implement the strategic direction of the Company may affect the Company's financial performance.

6. RISK FACTORS CONTINUED

As part of its business strategy, the Company may make acquisitions of, or significant investments in, additional complementary companies, ventures or prospects (although no such acquisitions or investments are currently planned). Any acquisition can create integration risk, pricing risk, reputational risk and a variety of other issues including disaffected clients, directors and employees of the acquired business. These issues can potentially have adverse consequences from a strategic, financial and/or operational perspective. The Company's due diligence processes may not be successful enough to identify these potential issues and a merger or acquisition may not perform to the level expected. The Group will draw on its experienced management and past experience to mitigate the risks within the control of the Group such as seeking to retain acquired staff within the combined business and to align business objectives.

6.2.14 Lack of diversity in business activities

Most of Mediland Pharm's revenue comes from Chinese tourists travelling to Australia in group tours. Chinese tourists travelling in tour groups tend to be an older demographic, with language barriers often impelling them to choose guided group tours to foreign countries. The lack of diversity in its customer base makes Mediland Pharm's financial performance susceptible to Chinese group tour volumes. The Company's revenue will be adversely impacted if there is a drop in Chinese group tours. To mitigate this risk, the Company intends to pursue its growth strategy, detailed in Section 3.8.

6.2.15 Risk of significant control by Existing Shareholder

On Completion of the Offer, the Existing Shareholder will own 250 million Shares, or approximately 76.9% to 80.0% of the total Shares outstanding (subject to subscription amount). As a result, the Existing Shareholder is in a position to exert a significant degree of influence over the Company's management affairs and over matters requiring Shareholder approval.

6.2.16 Damage to brand and reputation

Mediland Pharm's business activities include brand names and related intellectual property of the Company. A number of factors may adversely affect these key business assets including:

- potential disputes or litigation with suppliers, customers, employees or other third parties;
- adverse media coverage (including social media);
- failure to deliver products which meet customer expectations;
- inadvertent sale of products that are faulty, causing a recall notification; and
- other risks to the Mediland Pharm brand names and intellectual property that are beyond the Company's control.

These factors could also negatively impact Mediland Pharm's public reputation and the Company's revenues and earnings. Cumulatively, this could detrimentally affect the value of the Company's business.

6.3 GENERAL RISKS OF AN INVESTMENT IN MEDILAND PHARM

6.3.1 Share prices may fall

The price of the Shares quoted on ASX may rise or fall and the Shares may trade below or above the Offer Price due to a number of factors. There is no assurance that the price of Shares will increase following quotation on ASX, even if the Company's earnings meet or exceed forecasts. The factors which may affect the price of Shares include but are not limited to:

- general economic conditions including interest rates, exchange rates, inflation rates and commodity prices;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from market indices (including the various S&P/ASX indices);
- the nature of markets in which the Company operates; and
- general and operational business risks.

Other factors that may negatively affect the investor sentiment and influence the Company specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, flood, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man made or natural events.

6.3.2 Trading in Shares may not be liquid

Once the Shares are quoted on ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This could result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

The Escrowed Shareholder will hold approximately up to 80% of the Shares following Completion of the Offer, which may impact on liquidity. The Escrowed Shareholder has entered into voluntary escrow arrangement in relation to 100.0% of the Shares it holds immediately following Completion of the Offer. A summary of the escrow arrangements is set out in Section 9.5. The absence of any sale of Shares by the Escrowed Shareholder during this period may cause, or contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

6.3.3 Taxation changes may negatively affect Mediland Pharm or investors directly

There is the potential for changes to tax laws and changes in the way tax laws are interpreted. Any change to the current tax rates imposed on Mediland Pharm (including in foreign jurisdictions that Mediland Pharm may operate) is likely to affect returns to Shareholders.

An investment in the Shares involves tax considerations which differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Mediland Pharm.

6.3.4 Shareholders may be diluted

In the future, Mediland Pharm may elect to issue shares or engage in capital raisings to fund investments or acquisitions that Mediland Pharm may decide to undertake. While Mediland Pharm will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of shares and capital raisings.

6.3.5 Mediland Pharm may not be able to secure future debt funding on acceptable terms

Mediland Pharm may seek debt finance in the future to support growth. The terms which debt financiers are willing to offer in the future may depend on macroeconomic conditions at the time, the tenor of the facilities, the performance of Mediland Pharm and the risks associated with the proposed use of funds. Mediland Pharm is subject to the risk that it may not be able to refinance its future bank facilities as and when they fall due, or that the terms available to Mediland Pharm on refinancing will not be as favourable as the terms of its future bank facilities. An inability for Mediland Pharm to secure debt funding on reasonable terms in the future could constrain growth and could adversely impact Mediland Pharm operating and financial performance.

6.3.6 General economic and financial market conditions may impact on Mediland Pharm financial performance

Demand for Mediland Pharm services and products sold in Mediland Pharm's shops is affected by general economic conditions in Australia and China, as well as general economic conditions globally. A prolonged downturn in general economic conditions, or other macroeconomic factors, may affect Mediland Pharm customers and in turn result in reduced demand or pricing for certain products or services. The structure and segment dynamics of the industries in which Mediland Pharm operates may also be affected. These events could be expected to have a material impact on Mediland Pharm business and financial performance.

6.3.7 Accounting standards may change

Australian Accounting Standards are set by the AASB and are outside the control of Mediland Pharm and the Directors. The AASB is due to introduce new or refined Australian Accounting Standards during the period from 2015 to 2018, which may affect future measurement and recognition of key statement of profit and loss and balance sheet items, including sales and receivables.

There is also the risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit and loss and balance sheet items, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Mediland Pharm consolidated financial statements.

6. RISK FACTORS CONTINUED

6.3.8 Dividends may not be paid or if paid may not be fully franked

Depending on available profits and the financial position of Mediland Pharm, it is the current intention of the Board to pay dividends. The payment of dividends by Mediland Pharm is at the complete discretion of the Directors. The payout ratio is expected to vary between periods depending on the factors outlined in Section 4.10 and, in particular, should strategic growth, acquisition or investment opportunities arise, it may result in a payout ratio in the future that is less than the Company's target range.

No assurances can be given by any person, including the Directors, about the payment of any dividend.

Mediland Pharm expects future dividends to be franked to the maximum extent possible. However, there is no guarantee that Mediland Pharm will have sufficient franking credits in the future to fully frank dividends or that the franking system will not be varied or abolished. In addition, if the proportion of Mediland Pharm earnings from offshore operations increases, it may not be possible to fully frank dividends.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

6.3.9 Mediland Pharm may fail to meet its occupational health and safety obligations

Mediland Pharm must comply with laws and regulations in respect of occupational health and safety. If the Company breaches these laws and regulations, including for example where Mediland Pharm is held responsible for an injury or death, Mediland Pharm could be subject to sanctions and penalties. Workplace accidents and incidents may adversely affect Mediland Pharm safety record and reputation, which may make it difficult for Mediland Pharm to hire and retain employees, and to win and retain customers.

6.3.10 Mediland Pharm may be involved in disputes or litigation

Mediland Pharm may be subject to litigation, complaints and other claims or disputes, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, suppliers, regulators or other third parties in the course of its business. Such matters may adversely affect Mediland Pharm financial performance and position. Even if such matters are successfully defended or settled without financial consequences, they may have an adverse effect on Mediland Pharm reputation.

6.3.11 Mediland Pharm could be impacted by force majeure events

Events may occur within or outside Australia that may have potential impacts on the Australian economy, the operations of Mediland Pharm and the price of Shares. These events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Mediland Pharm products and services and its ability to conduct business.



7.

DETAILS OF THE OFFER

7. DETAILS OF THE OFFER

7.1 THE OFFER

Mediland Pharm is seeking to raise \$12.5 million with an oversubscription amount of \$2.5 million through the issue of up to 75 million Shares under the Offer. The Offer is a general public offer. The allocation of Shares between the Applicants is determined by Mediland Pharm at its absolute discretion.

The Offer is not underwritten.

A Minimum Subscription amount of \$12,500,000, representing 62,500,000 Shares at the Offer Price of \$0.20 per Share, is required under the Offer. The Offer will not proceed, and all Applications and associated Application Monies will be returned to Applicants (without interest), unless the Minimum Subscription amount of \$12,500,000 is raised under the Offer. The Company reserves the right not to proceed with the Offer or any part of it at any time before allotment of Shares to Applicants under the Offer.

The total number of Shares on issue at Completion of the Offer will be up to 325,000,000 and all Shares will, once issued, rank equally in all respects with the Shares currently on issue. A summary of the rights attaching to the Shares is set out in Section 9.4.

7.1.1 Purpose of the Offer and use of proceeds

Mediland Pharm expects to receive proceeds of \$12.5 million at Minimum Subscription and of \$15 million at Maximum Subscription from the issue of Shares at the Offer Price of \$0.20 per Share.

The purpose of the Offer is to:

- provide Mediland Pharm access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities;
- achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares and obtain brand recognition, particularly in relation to key Chinese stakeholders including customers, suppliers, tour group operators and other business partners;
- assist Mediland Pharm in attracting and retaining staff; and
- pay the costs of the Offer.

The Table 7.1 below sets out the proposed use of funds based on the Minimum Subscription and Maximum Subscription.

Table 7.1: Sources and uses of Offer proceeds

| Sources | Minimum Subscription (\$m) | Maximum Subscription (\$m) | Uses | Minimum Subscription (\$m) | Minimum Subscription (%) | Maximum Subscription (\$m) | Maximum Subscription (%) |
|---|----------------------------|----------------------------|--|----------------------------|--------------------------|----------------------------|--------------------------|
| Cash proceeds received from the issue of Shares under the Offer | 12.5 | 15.0 | Relocation to a larger site in Gold Coast and associated fit out cost | 1.0 | 7.3% | 1.1 | 6.8% |
| Expected cash position as at 31 January 2019 | 1.2 | 1.2 | Expanding retail network through either development or acquisition of direct retail stores in key markets and location | 5.0 | 36.5% | 7.0 | 43.2% |
| | | | Developing online sales and marketing platform to capture incremental revenue | 3.5 | 25.5% | 3.7 | 22.8% |
| | | | Working capital | 2.7 | 19.7% | 2.7 | 16.7% |
| | | | Costs of the offer (current estimate) ¹ | 1.5 | 10.9% | 1.7 | 10.5% |
| Total sources | 13.7 | 16.2 | Total uses | 13.7 | 100.0% | 16.2 | 100.0% |

1. Refer to Section 9.9 for more information about the costs of the Offer.

The proposed use of proceeds described above represents the Company's current intentions based upon the present plans and business conditions. The amounts and timing of the actual expenditures may vary significantly and will depend upon numerous factors, including the timing and success of the Company's development efforts.

7.1.2 Shareholding structure

The details of the ownership of Shares as at the Prospectus Date and Shares on Completion of the Offer are set out in Table 7.2 below:

Table 7.2: Details of the ownership of Shares

| | Shares held at the Prospectus Date | | Shares held at Completion of the Offer | | | |
|---------------------------------|------------------------------------|---------------|--|---------------|-------------------------|---------------|
| | No. of Shares (million) | % | Minimum Subscription | | Maximum Subscription | |
| | No. of Shares (million) | % | No. of Shares (million) | % | No. of Shares (million) | % |
| Pacific Merchants Group Limited | 250 | 100.0% | 250 | 80.00% | 250 | 76.92% |
| New Shareholders | – | – | 62.5 | 20.00% | 75 | 23.08% |
| Total | 250 | 100.0% | 312.5 | 100.0% | 325 | 100.0% |

Details of the Shares that will be subject to voluntary escrow arrangements are set out in Section 9.5.

7.1.3 Potential effect of the fundraising on the future of Mediland Pharm

The Directors believe that on Completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and carry out its stated business objectives.

7.2 TERMS AND CONDITIONS OF THE OFFER

| TOPIC | SUMMARY |
|---|--|
| What is the type of security being offered? | Shares (being fully paid ordinary shares in the capital of Mediland Pharm). |
| What are the rights and liabilities attached to the Shares being offered? | A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.4. |
| What is the consideration payable for each Share being offered? | The Offer Price is \$0.20 per Share. |
| What is the Offer period? | <p>The key dates, including details of the Offer period, are set out in the key dates on page 2 of this Prospectus.</p> <p>The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time.</p> <p>The Company, in consultation with the Lead Manager reserves the right to amend any or all of the dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to withdraw the Offer, without prior notice. The quotation and commencement of trading of the Shares is subject to confirmation from ASX.</p> |
| What are the cash proceeds to be raised under the Offer? | A minimum of \$12.5 million and a maximum of \$15 million will be raised from New Shareholders under the Offer, if the Offer proceeds. |

7. DETAILS OF THE OFFER CONTINUED

| TOPIC | SUMMARY |
|--|---|
| What is the minimum Application size under the Offer? | The minimum Application size under the Offer is \$2,000 (equivalent to 10,000 Shares in aggregate). There is no maximum Application size under the Offer, however the Company and the Lead Manager reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for. |
| What is the allocation policy? | The allocation of Shares under the Offer will be determined by the Company having regard to the allocation policies outlined in Section 7.4. |
| When will Applicants receive confirmation whether Applications are successful? | It is expected that holding statements will be dispatched by standard post on or about 22 January 2019. |
| Will the Shares be listed? | <p>Mediland Pharm will apply to ASX within seven days of the Prospectus Date, for its admission to the Official List, and quotation of Shares by, ASX under the code “MPH”.</p> <p>Completion of the Offer is conditional on ASX approving the application and granting permission for the Shares to be quoted on ASX on terms acceptable to the Company. If this approval and permission is not given within three months of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all monies received from Applicants will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of Mediland Pharm or the Shares offered for subscription.</p> |
| When are the Shares expected to commence trading? | <p>It is expected that trading of the Shares on ASX will commence on or about 25 January 2019.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive a statement of holding do so at their own risk.</p> <p>The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Mediland Pharm Offer Information Line, by a Broker or otherwise.</p> |
| Is the Offer underwritten? | No. The Offer is not underwritten. |
| Are there any escrow arrangements? | Yes. Details are provided in Section 9.5. |
| Have any ASX waivers been obtained or been relied on? | No. |
| Are there any tax considerations? | Yes. Refer to Section 9.7. |
| Are there any brokerage, commission or stamp duty considerations? | No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.2.1 for details of various fees payable by the Company to the Lead Manager. |

| TOPIC | SUMMARY |
|--------------------------------------|---|
| What should I do with any enquiries? | <p>All enquiries in relation to this Prospectus should be directed to the Mediland Pharm IPO Information Line on 1300 349 201 (within Australia) and +61 3 9415 4179 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Mediland Pharm is a suitable investment for you, you should consult with your stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p> |

7.3 HOW TO APPLY FOR SHARES UNDER THE OFFER

7.3.1 Completing the Application Form

Except as set out below, to participate in the Offer, you must complete the Application Form attached to, or accompanying this Prospectus. The Application Form contains detailed instructions on how to complete the form.

7.3.2 Payment and submitting the Application Form

Payment by BPAY®

You may apply for Shares online and pay your Application Monies by BPAY®. Applicants wishing to pay by BPAY® should complete the online Application Form accompanying the electronic version of this Prospectus which is available at <https://medilandIPO.thereachagency.com> and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (**CRN**)).

You should be aware that you will only be able to make a payment via BPAY® if you are the holder of an account with an Australian financial institution which supports BPAY® transactions.

When completing your BPAY® payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid. It is your responsibility to ensure that payments are received by 5.00pm (AEDT) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY®, and policies with respect to processing BPAY® transactions may vary between banks, credit unions or building societies. The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY® before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

If paying by cheque(s) or bank draft(s):

Complete the Application Form attached to or accompanying this Prospectus. Once your Application Form is completed, please send your Application Form and cheque or bank draft for the Application Monies to the Registry at the address set out below:

Mailing Address

Mediland Pharm Offer
C/- Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3000, Australia

Cheque(s) or bank draft(s) must be:

- in Australian currency;
- drawn at an Australian branch of a financial institution;
- crossed "Not Negotiable"; and
- made payable to "Mediland Pharm".

If paying by cheque(s), Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s). If the amount of your cheque(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

7. DETAILS OF THE OFFER CONTINUED

7.3.3 Acceptance of Applications

Regardless of the method of lodgement, the Registry must receive the relevant Application by no later than the close of the Offer (unless Mediland Pharm varies the dates and times).

A completed Application Form constitutes an irrevocable offer to Mediland Pharm to subscribe for Shares on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus), and as set out in the Application Form.

Mediland Pharm reserves the right to:

- reject any Application, including Applications that have not been correctly completed or are accompanied by payments that are dishonoured;
- accept late Applications received after the close of the Offer;
- allocate to any Applicant a lesser number of Shares than that for which any Applicant applied; and
- waive or correct any errors made by an Applicant in their Application.

7.3.4 Withdrawal or early close of the Offer

The Company reserves the right to withdraw the Offer at any time before the issue of Shares to Successful Applicants. If the Offer is withdrawn, then Application Monies will be refunded. No interest will be paid on any Application Money refunded as a result of the withdrawal of the Offer or otherwise. The Company will retain any interest, which accrues on Application Monies.

The Company reserves the right to close the Offer early.

7.3.5 Brokerage, commission and stamp duty

You do not have to pay brokerage, commission or stamp duty if you acquire Shares under the Offer. Fees are payable, in relation to the Offer, to Bridge Street Capital Partners Pty Ltd, the Lead Manager to the Offer. Details are set out in "Interests of advisers" in Section 5.3.3. These fees will be paid out of the proceeds of the Offer.

7.4 ALLOCATION OF SHARES

The acceptance of Applications and the allocation of Shares are at the discretion of Mediland Pharm. In consideration for the Directors agreeing to consider an Applicant's Application, the Applicant agrees its Application is an irrevocable offer, which cannot be withdrawn. The Company reserves the right to reject any Application and to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies. No Applicant under the Offer has any assurance of being allocated all or any Shares applied for.

7.5 APPLICATION MONIES

All Application Monies will be held in a special purpose trust account until Shares are issued to Successful Applicants.

Application Monies will be refunded (in full or in part) if:

- an Application is rejected;
- an Application is subject to scale-back;
- the Offer is withdrawn or cancelled;
- the Minimum Subscription is not met; or
- permission for quotation of the Shares is not granted within three (3) months after the date of this Prospectus or such longer time as permitted by the Corporations Act.

No interest will be paid on any Application Monies that are refunded. After Listing, or if Listing does not occur, Mediland Pharm will retain any interest earned on Application Monies. Refund cheques will be sent after the close of the Offer or as otherwise applicable under the circumstances outlined above.

7.6 ACKNOWLEDGEMENTS

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the AUD amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company, the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia, or otherwise satisfies the requirements in Section 9.8;
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Offer under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws in accordance with the US Securities Act registration requirements or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7. DETAILS OF THE OFFER CONTINUED

7.7 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

See Section 9.8 for further details regarding foreign selling restrictions.

7.8 ASX LISTING, REGISTERS AND HOLDING STATEMENTS

7.8.1 Application to ASX for listing of Mediland Pharm and quotation of Shares

Mediland Pharm will apply to ASX for admission to the Official List and quotation of the Shares on ASX (under the code "MPH").

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Mediland Pharm to the Official List is not to be taken as an indication of the merits of Mediland Pharm or the Shares offered for subscription.

If permission is not granted for the Shares to be quoted on ASX on terms acceptable to the Company within three months of the Prospectus Date (or any later date permitted by law), all monies received by the Company in connection with the Offer will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.8.2 CHESS and issuer sponsored holdings

Mediland Pharm has applied, or will apply prior to Listing, to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Registry may charge a fee for these additional issuer sponsored statements.



8.

INVESTIGATING ACCOUNTANT'S REPORT

8. INVESTIGATING ACCOUNTANT'S REPORT



Board of Directors
Mediland Pharm Limited
Level 19,
227 Elizabeth Street
Sydney NSW 2000

23 November 2018

Dear Directors

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

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F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE

INTRODUCTION

This report has been prepared at the request of the directors of Mediland Pharm Limited ("Mediland Pharm" or "the Company") for inclusion in the prospectus to be dated on or about 23 November 2018 (the "Prospectus") in respect of the initial public offering of fully paid ordinary shares in the Company ("the Offer") and admission to the Australian Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds an Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

SCOPE

You have requested Grant Thornton Corporate Finance to perform a limited assurance engagement in relation to the following pro forma historical financial information of the Company included in Section 4 of the Prospectus:

Pro Forma Historical Financial Information

- the pro forma historical consolidated statement of profit and loss and other comprehensive income for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 which are included in Section 4.5 of the Prospectus;
- the pro forma historical consolidated cash flow information for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 which are included in Section 4.11 of the Prospectus;
- the historical consolidated statement of financial position as at 30 June 2018 which is included in Section 4.9 of the Prospectus; and
- the pro forma historical consolidated statement of financial position as at 30 June 2018 which is included in Section 4.9 of the Prospectus.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

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(together the **Pro Forma Historical Financial Information**).

The Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

The Pro Forma Historical Financial Information has been derived from the audited consolidated financial statements of Pacific Merchants Group Limited and its controlled entities (the predecessor group prior to the restructure as described in Section 9.2 of the Prospectus) covering the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018 and the pro forma adjustments applied to the audited historical financial information as described in Section 4.7 and Section 4.10 of the Prospectus.

The Pro Forma Historical Financial Information has been prepared for inclusion in the Prospectus. The audited consolidated historical financial statements of Pacific Merchants Group Limited used as the basis for the Pro Forma Historical Financial Information were audited by BDO East Coast Partnership in accordance with Australian Auditing Standards. The audit opinions issued to the Directors of Pacific Merchants Group Limited in respect of FY2016, FY2017 and FY2018 were qualified in relation to the auditors not being able to observe the counting of physical inventories due to being appointed after the applicable balance date of each year. Additionally, the consolidated financial report excluded the New Zealand subsidiaries which were controlled by the Group, which is not in accordance with the requirements of AASB 10 Consolidated Financial Statements which requires the consolidation of all entities controlled by the Group. The New Zealand subsidiaries do not form part of the restructured Mediland Pharm Group to be listed.

As described in Section 4.2 of the Prospectus the stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Pro Forma Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 4.7 and Section 4.10 of the Prospectus, as if those events or transactions had occurred as at the date of the Pro Forma Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, or cash flows.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for:

- the preparation and presentation of the Pro Forma Historical Financial Information including the selection and determination of the pro forma adjustments and/ or adjustments made to the historical financial information and included in the Pro Forma Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information that are free from material misstatement, whether due to fraud or error.

8. INVESTIGATING ACCOUNTANT'S REPORT CONTINUED



OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Pro Forma Historical Financial Information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances.

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Pro Forma Historical Financial Information from audited consolidated financial statements of the Company and its controlled entities covering the years ended 30 June 2016, 30 June 2017 and 30 June 2018;
- consideration of the appropriateness of the pro forma adjustments described in Section 4.7 and Section 4.10 of the Prospectus;
- enquiry of the Directors, management and others in relation to the Pro Forma Historical Financial Information;
- analytical procedures applied to the Pro Forma Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors; and
- a review of the consistency of the application of the stated basis of preparation and adopted accounting policies as described in the Prospectus used in the preparation of the Pro Forma Historical Financial Information;

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the Pro Forma Historical Financial Information and historical operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.



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An instinct for growth™

CONCLUSIONS

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Section 4 of the Prospectus, comprising;

- the pro forma historical consolidated statement of profit and loss and other comprehensive income for the years ended 30 June 2016, 30 June 2017 and 30 June 2018;
- the pro forma historical consolidated cash flow information for the years ended 30 June 2016, 30 June 2017 and 30 June 2018;
- the historical consolidated statement of financial position as at 30 June 2018; and
- the pro forma historical consolidated statement of financial position as at 30 June 2018.

is not presented fairly, in all material respects, on the basis of the pro forma transactions and/ or adjustments described in Section 4.7 and Section 4.10 of the Prospectus and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Mediland Pharm's accounting policies.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the Pro Forma Historical Financial Information, being for inclusion in the Prospectus. As a result, this Independent Limited Assurance Report may not be suitable for use for another purpose.

Consent

Grant Thornton Corporate Finance Pty Limited has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance Pty Limited is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence

Grant Thornton Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

Neil Cooke
Partner

8. INVESTIGATING ACCOUNTANT'S REPORT CONTINUED



Appendix A (Financial Services Guide)

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

This Financial Services Guide is dated 23 November 2018.

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1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987 and Australian Financial Services Licence no 247140) ("Grant Thornton Corporate Finance") has been engaged by Mediland Pharm Limited (the "Company") to provide general financial product advice in the form of an Independent Limited Assurance Report (the "Report") in relation to the offer of fully paid ordinary shares in the Company (the "Offer"). This report is included in the prospectus dated on or about 23 November 2018 (the "Prospectus"). You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2 This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

4 General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
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Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail finance product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the Report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of the Report, Grant Thornton Corporate Finance will receive from the Company a fee of \$125,000 excluding GST which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, and related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receives non-monetary benefits in respect of, or that is attributable to the provision of the services described in this FSG.

6 Referrals

Grant Thornton Corporate Finance including its Partners, Directors, employees or associates and related bodies corporate, does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the Report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

8 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint.

8. INVESTIGATING ACCOUNTANT'S REPORT CONTINUED



If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for the Report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

9 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

10 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW, 2000



9.

ADDITIONAL INFORMATION

9. ADDITIONAL INFORMATION

9.1 REGISTRATION, SHARE CAPITAL AND COMPANY TAX STATUS

The Company was incorporated in New South Wales on 27 August 2018 as a public company. There are three operating companies in the Mediland Pharm Group, being:

- Darling Harbour Pty Ltd which was incorporated in New South Wales on 24 May 2013;
- St. Wells Pty Ltd which was incorporated in Victoria on 25 May 2013; and
- Surfers Paradise Pty Ltd which was incorporated in Queensland on 24 May 2013.

A group restructure, commencing on 4 August 2018 and completing on 31 October 2018, resulted in the acquisition of 100% of the three operating companies by the Company.

The following diagram shows the entities in the Mediland Pharm Group.



The Company and the operating entities are and will be subject to tax at the relevant corporate tax rate. The Company is considering forming an income tax consolidated group with the Company as head entity and the operating entities as subsidiary members. Where a choice to consolidate is made, the Company intends that formation of the income tax consolidated group will arise during the year ended 30 June 2019. The election to form an income tax consolidated group can be made up to the due date of lodgement of the income tax return for the Company for the year ended 30 June 2019. Prior to forming the income tax consolidated group the 3 subsidiaries of Mediland Pharm will exit the Pacific Merchants Group Limited existing income tax consolidated group. Upon exit each subsidiary will be required to pay an exit payment which will be equal to the obligation arising under the Tax Sharing Agreement which has not been paid previously, and which includes 30% of the net taxable profit (approximately the net profit before tax) from 1 July 2018 up to the date of exit which will be immediately before Shares are allotted under the Offer.

On Completion of the Offer, the Company will have up to 325 million Shares on issue including up to 75 million Shares to be issued under this Prospectus.

9.2 MATERIAL CONTRACTS

The Directors consider that there are a number of contracts which are significant or material to the Group or of such nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries do not purport to be complete and are qualified by the text of the contracts themselves.

9.2.1 Lead Manager Agreement

By an agreement dated 6 November 2018 between the Company and the Lead Manager amended on 16 November 2018, the Lead Manager has agreed to coordinate the management and selling of the Offer (**Lead Manager Agreement**). The following is a brief summary of the key provisions of the Lead Manager Agreement.

(a) Term

The Lead Manager Agreement will formally expire on the earlier of the Listing and 30 June 2019. The Company and Lead Manager may renew the Lead Manager Agreement with written notice.

Subject to the successful Completion of the Offer, the Lead Manager has the right to participate as the lead manager or joint manager on any capital raisings to be undertaken by the Company during the period of two years from Listing. The Company agrees that the terms and fees involved in any such future role will be consistent with general market practice and are to be agreed between the Company and the Lead Manager at a future date.

(b) Obligations of the Lead Manager

Under the Lead Manager Agreement, the Lead Manager has agreed to provide services in relation to the completing of the Offer, which includes due diligence, investor and stockbroker briefings, capital raising for the IPO, preparation of any investor document as part of the road show, marketing arrangements and coordination with the Company's advisers to the Listing.

It is noted that the Lead Manager does not guarantee, commit to, underwrite or provide any assurances that Offer will be completed on terms satisfactory to the Company.

(c) Obligations of the Company

Under the Lead Manager Agreement, the Company:

- undertakes that the services provided by the Company's management, tax and legal advisors will be adequately provided;
- agrees to obtain its own professional advice on legal, accounting, taxation, and other specialist matters outside the Lead Manager's area of expertise (**Other Professional Advice**);
- agrees that the Lead Manager will be given access to all Other Professional Advice and may rely on the accuracy of the Other Professional Advice; and
- will not issue any new shares or equity-linked securities without the written approval of the Lead Manager.

(d) Fees

The Company is required to pay the Lead Manager the following fees:

- Management Fee: a fee of 2.0% of the total amount of the Offer, less any amount raised from investors on the a priority list provided by the Company (**Priority List**), payable within 5 Business Days of the Settlement (ex-GST); and
- Placement Fee: a fee of 5.0% of the total amount of the Offer, less any amount raised from investors on the Priority List, payable within 5 Business Days of the Settlement (ex-GST). The Lead Manager can nominate to receive its fees under the Lead Manager Agreement as Shares in lieu of cash calculated based on the Offer Price, up to a maximum value of \$150,000 (i.e. 750,000 Shares).

The Lead Manager is also entitled to be reimbursed for the reasonable costs of and incidental to the Offer incurred by them including but not limited to travel and translation costs (**Out of Pocket Fee**). All expenses over \$500.00 must be pre-approved by the Company before they are incurred by the Lead Manager.

(e) Termination

Standard terms and conditions apply in relation to the effect of the Lead Arranger Agreement except for the following:

- the Company remains liable to pay the full amount of the Management Fee and Placement Fee; and
- the Company is liable to pay any Out of Pocket Fees incurred up to a period of two years after the date of termination.

(f) Lock-up

During the period that is 6 months after the commencement of trading of the Company's shares on the ASX, the Company will not issue any new shares or equity-linked securities without the express written approval of the Lead Manager.

9. ADDITIONAL INFORMATION CONTINUED

(g) Conditions

Standard terms and conditions apply in relation to the effect of the Lead Arranger Agreement except for the following:

- the Lead Manager will not accept any role or assignment that represents, or could reasonable represent, a conflict of interest with the activities contemplated in the Lead Arranger Agreement;
- The Lead Manager will have the right to participate as a Lead Manager or Joint Lead Manager on any capital raisings to be undertaken by the Company during the period that is two years after commencement of trading of the Company's shares on the ASX; and
- the Company agrees to indemnify the Lead Manager against any and all liability to third parties, provided that such liability was not caused by any unlawful or gross negligent act of the Lead Manager.

9.2.2 Corporate Adviser Agreement

By an agreement dated 26 October 2018 between the Company and the Corporate Adviser, Austra Capital Pty Ltd, the Corporate Advisor has agreed to coordinate the management and selling of the Offer (**Corporate Adviser Agreement**). The following is a brief summary of the key provisions of the Corporate Adviser Agreement.

(a) Term

The Corporate Adviser Agreement will formally expire on the date of the Listing. The Company and Corporate Adviser may renew the Corporate Adviser Agreement with written notice.

(b) Obligations of the Corporate Adviser

Under the Corporate Adviser Agreement, the Corporate Adviser has agreed to provide services in relation to the completing of the Offer, which includes due diligence, investor and stockbroker briefings, capital raising for the IPO, preparation of any investor document as part of the road show, marketing arrangements and coordination with the Company's advisers to the Listing.

It is noted that the Corporate Adviser does not guarantee, commit to, underwrite or provide any assurances that Offer will be completed on terms satisfactory to the Company.

(c) Obligations of the Company

Under the Corporate Adviser Agreement, the Company:

- undertakes that the services provided by the Company's management, tax and legal advisors will be adequately provided;
- agrees to obtain its own professional advice on legal, accounting, taxation, and other specialist matters outside the Corporate Adviser's area of expertise (**Other Professional Advice**);
- agrees that the Corporate Adviser will be given access to all Other Professional Advice and may rely on the accuracy of the Other Professional Advice;
- will not issue any new shares or equity-linked securities without the written approval of the Corporate Adviser;

(d) Fee

The Company is required to pay the Corporate Adviser the following fees:

- Retainer Fee of \$100,000 (ex-GST) paid in the three instalments as follows:
 - a. \$30,000 payable within 5 Business Days after the execution of the Corporate Advisor Agreement;
 - b. \$40,000 payable within 5 Business Days after the first Due Diligence Committee meeting; and
 - c. \$30,000 payable within 5 Business Days before the lodgement of the Prospectus to ASIC;
- Corporate Advisory Fee: a fee of 2.0% of the Offer, payable in cash or share in the Company at the Offer Price, within 5 Business Days of the Settlement (ex-GST).

The Corporate Adviser is also entitled to be reimbursed for the reasonable costs of and incidental to the Offer incurred by them including but not limited to travel and translation costs.

(e) Termination

Standard terms and conditions apply in relation to the effect of the Lead Arranger Agreement except for the following:

- if the Company terminates the Corporate Advisor Agreement, the Company remains liable to pay the full amount of the Retainer Fee and Corporate Advisory Fee; and
- the Company is liable to pay any for any other services brought in by the Corporate Adviser as negotiated in writing.

(f) Conditions

Standard terms and conditions apply in relation to the effect of the Lead Arranger Agreement except that the Company agrees to indemnify the Corporate Adviser against any and all liability to third parties, provided that such liability was not caused by any unlawful or gross negligent act of the Corporate Adviser.

9.2.3 Deeds of access, insurance and indemnity for Directors

(a) Access

The Company has entered into deeds of access, insurance and indemnity with each Director which contain rights of access to certain books and records of Mediland Pharm.

(b) Indemnification

Under the Constitution, Mediland Pharm is required to indemnify all Directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, insurance and indemnity, Mediland Pharm indemnifies parties against all liabilities to another person that may arise from their position as an officer of Mediland Pharm or its subsidiaries to the extent permitted by law. The deed stipulates that Mediland Pharm will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

(c) Insurance

Under the Constitution, Mediland Pharm may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law and under the deed of access, insurance and indemnity, Mediland Pharm must maintain insurance cover for each Director for the duration of the access period.

9.3 RELATED PARTY CONTRACTS

Related party transactions (that is, transactions between a public company and a director, an entity controlled by a director, or a parent company of the public company) are regulated in Australia under the Corporations Act by a requirement for disinterested shareholder approval, unless the transaction is on "arm's length terms", represents no more than reasonable remuneration, or complies with other limited exemptions.

9.3.1 Related party guarantee

As at the date of this Prospectus, Jhon Shen, the Executive Director and the sole director of the Company's three subsidiaries, Darling Harbour Pty Ltd, St Wells Pty Ltd and Surfers Paradise Pty Ltd (**Subsidiaries**), has provided personal guarantee under the leases of Sydney Store, Melbourne Store and Gold Coast Store for the benefit of the lessors against the liabilities of the subsidiaries (**Guarantees**). Details of the Guarantees are as follows.

| LOCATION | LESSEE | CONSIDERATION | GUARANTEE |
|------------------|--------------------------|---|---|
| Sydney Store | Darling Harbour Pty Ltd | In consideration of the lessor entering into the lease with the lessee at the request of the guarantor. | <ul style="list-style-type: none">• The guarantor guarantees the performance by the lessee of all terms, covenants and conditions and punctual payment of the rent and all costs and damages payable by the lessee on any default, repudiation or otherwise.• The guarantor, as a separate undertaking, indemnifies the lessor against all loss relating to the lease incurred by any default of the lessee.• The guarantee and indemnity shall be a continuing guarantee and indemnity and shall remain in full force until the full amount for which the Guarantor is liable under the lease has been paid. |
| Melbourne Store | St Wells Pty Ltd | | |
| Gold Coast Store | Surfers Paradise Pty Ltd | | |

9. ADDITIONAL INFORMATION CONTINUED

The Board believes that the above Guarantees occur in the normal course of business, and the terms and conditions of the Guarantees are more favourable to the Group than those it would face had any or all of these leases had been entered into with a counterparty without the Guarantees provided by Jhon Shen.

9.3.2 Related party sublease

The Company has entered into a sublease of part of the Company's head office (Sublease) with Aust & NZ Group Pty Ltd. Jhon Shen, the Executive Director, is the spouse of the sole director and shareholder of Aust & NZ Group Pty Ltd, Siyuan Du.

Details of the Sublease are as follow.

| PREMISE | RENT | TERM | OTHER KEY TERMS |
|--|---|---|---|
| 70 square metres of Suite 19.04, Level 19, 227 Elizabeth Street, Sydney NSW 2000 | \$37,583.00 per annum exclusive of GST, being 20% of the current rent paid under the head lease of \$187,915.00 per annum exclusive of GST, and subject to annual increases as set out in the head lease. | From 14 November 2018 to 30 June 2022 with no option to renew | <ul style="list-style-type: none">The provisions of the head lease will apply to the Sublease;The sublease will at all times during the term permit the head lessor to exercise the head lessor's powers under the head lease; andIf the head lease is terminated or surrendered other than at the request of the sublesor, the Sublease will immediately terminate, without notice, without any liability on the part of the sublesor or the sublease. |

The Board believes that the above Sublease occur in the normal course of business, and the terms and conditions of the Sublease are no more favourable than those available, or which might reasonably be expected to be available, for similar transactions with unrelated entities on an arm's length basis, and that the risks faced by the Company from this arrangement are not materially different from or are more favourable to the Group than those it would face had the Sublease had been entered into with a counterparty without the connections to Jhon Shen described in this Section 9.3.2.

9.4 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

9.4.1 General

The rights and liabilities attaching to ownership of the Shares are:

- detailed in the Constitution of the Company which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders. This summary assumes the Company is admitted to the Official List of the ASX.

9.4.2 Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each fully paid Share held. On a poll, partly paid Shares confer a fraction of a vote pro-rata to the amount paid up on the Share.

9.4.3 Dividends

Subject to any special terms and conditions of issue, the amount which the Directors from time to time determine to distribute by way of dividend are divisible among the members in proportion to the amounts paid up on the Shares held by them.

9.4.4 Issue of shares

Subject to the Constitution, the Listing Rules and the ASX Settlement Operating Rules, the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions and the issue price they think fit. Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital or otherwise, as the Directors think fit.

9.4.5 Variation of class rights

Subject to the Corporations Act and the Listing Rules, the rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

9.4.6 Transfer of Shares

Subject to the Constitution, the Corporations Act, the Listing Rules and to the rights or restrictions attached to any shares or class of shares, holders of Shares may transfer them by a proper transfer effected in accordance with the ASX Settlement Operating Rules or an instrument in writing in any usual form or in any other form that the Directors approve.

The Directors may decline to register a transfer of Shares for reasons including where the transfer is not in registrable form or where the refusal to register the transfer is permitted under the Listing Rules or the ASX Settlement Operating Rules. If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

9.4.7 Small holdings

The Directors may sell the Shares of a Shareholder if that Shareholder holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A non-marketable parcel of Shares is defined in the Listing Rules and is, generally, a holding of shares with a market value of less than \$500.

9.4.8 General meetings and notices

Subject to the Constitution and to the rights or restrictions attached to any shares or class of shares, each member is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to members under the Constitution or the Corporations Act.

9.4.9 Winding up

Subject to any special or preferential rights attaching to any class or classes of shares, the Constitution, the Corporations Act and the Listing Rules, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them, less any amounts which remain unpaid on these shares at the time of distribution.

9.4.10 Directors – appointment and removal

The minimum number of Directors is three and the maximum is to be fixed by the Directors but may not be more than 10 unless the Company passes a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any managing Director) retires at each annual general meeting of the Company. The Directors may also appoint a Director to fill a casual vacancy on the Board in addition to the Directors who will then hold office until the next annual general meeting of the Company.

9.4.11 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairman has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

9.4.12 Directors' remuneration

The Directors, other than the Executive Directors, are entitled to be paid by such Directors' fees for their services as the Directors decide, provided that the total fees do not exceed the maximum aggregate sum as may be approved from time to time by Shareholders in general meeting. The Constitution also makes provision for the Company to pay all expenses of Directors in attending meetings and carrying out their duties and for the payment of additional fees for extra services or special exertions. Any change to that maximum aggregate sum needs to be approved by Shareholders.

9. ADDITIONAL INFORMATION CONTINUED

9.4.13 Alteration of share capital

Subject to the Listing Rules, the Constitution and the Corporations Act, the Company may alter its share capital.

9.4.14 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution.

9.4.15 Variation of the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of the Company. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

9.4.16 Share buy-backs

The Company may buy back shares in accordance with the provisions of the Corporations Act.

9.4.17 Dividend plan

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan.

9.5 ESCROW ARRANGEMENTS

9.5.1 Voluntary escrow arrangements

The Existing Shareholder, Pacific Merchants Group Limited has agreed to enter into a voluntary escrow arrangement in relation to the 250 million Shares it holds on Completion of the Offer for a period of 12 months from the Listing Date. An 'escrow' is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to certain exceptions set out in the escrow deeds.

The voluntary escrow arrangement does not preclude participation in a takeover where:

- the takeover bid is for all of the securities;
- holders of at least half of the ordinary securities that are not subject to restriction (including those Shares that are subject to the voluntary escrow arrangements) to which the takeover bid relates have accepted; and
- in the case of an off-market bid, if the takeover bid is conditional, the bidder and the Escrowed Shareholder agree in writing that a holding lock will be re-applied to each Share that is subject to the voluntary escrow arrangements that is not unconditionally bought by the bidder under that bid.

The Escrowed Shareholder's restricted securities may be transferred or cancelled as part of a merger by way of scheme of arrangement under Part 5.1 of the Corporations Act if the Escrowed Shareholder agrees in writing that a holding lock will be re-applied if the merger does not take effect.

An Escrowed Shareholder may not be precluded from transferring their restricted securities where:

- the transfer is compelled by an order of a court of competent jurisdiction;
- the transfer is a transfer to whomever the restricted securities have been bequeathed or to the Escrowed Shareholder's spouse provided that the transferee agrees in writing to be subject to the escrow restrictions;
- the transfer is an off-market transfer to any entity controlled by the Escrowed Shareholder provided that the transferee agrees in writing to be subject to the escrow restrictions; and
- prior written consent of the Company is sought following a representation to the Board by the Escrowed Shareholder which demonstrates that the transfer is necessary to alleviate financial hardship.

9.5.2 Escrow requirements under the ASX Listing Rules

Subject to the quotation of the Company's securities on ASX, certain Shares may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of quotation.

During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Shares required to be held in escrow prior to the Shares commencing trading on the ASX.

9.6 LEGAL PROCEEDINGS

The Directors are not aware of any civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature instituted, pending or threatened in which the Company is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company.

9.7 SUMMARY OF AUSTRALIAN TAX ISSUES FOR AUSTRALIAN TAX RESIDENT INVESTORS

9.7.1 Australian tax considerations

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. During the ownership of the Shares by investors, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax and stamp duty implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors that hold their Shares on capital account. These comments do not apply to investors that hold Shares as trading stock on revenue account, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth) which have made elections for the fair value or Reliance on Financial Reports (ROFR) methodologies.

Taxation issues, such as (but not limited to) those covered by this Section, are only one of the matters an investor needs to consider when making a decision about a financial product. Investors should consider taking advice from someone who holds an Australian financial services licence before making such a decision.

9.7.2 Dividends paid on shares

Dividends may be paid to Shareholders by the Company. The Company may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

(a) Australian tax resident individuals and complying superannuation entities

Dividends paid by the Company on a share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to Shares to the extent they are held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend. Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund.

To the extent that the dividend is unfranked, the investor should include the dividend in their assessable income with no tax offset.

(b) Australian tax resident corporate shareholders

Corporate investors are also required to include both the dividend and associated franking credit in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend. Where the tax offset exceeds the tax payable, the excess cannot give rise to a refund for a company but can be converted into carry forward tax losses.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

9. ADDITIONAL INFORMATION CONTINUED

(c) Australian tax resident trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

(d) Australian tax resident shares held 'at risk'

The benefit of franking credits can be denied where an investor is not a 'qualified person' in which case the investor will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold Shares "at risk" for more than 45 days continuously over a specified period in order to qualify for franking benefits, including franking credits. This period is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above but within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

(e) Australian capital gains tax implications for Australian tax resident Shareholders on a disposal of Shares

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian capital gains tax (CGT) provisions in respect of the disposal of their Shares.

Where the capital proceeds received on disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are added together. To the extent that a net gain exists, such Shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain (after the application of any carried forward capital losses) will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to the comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against future capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for at least 12 months prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder or trust, and a one third reduction of a capital gain for an Australian tax resident complying superannuation entity Shareholder. The concession applies to any net capital gain (i.e. it applies after capital losses have been deducted against any gains). The concession is not available to corporate Shareholders.

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied. Shareholders which are trusts should seek specific advice as to the circumstances in which a beneficiary may be entitled to a CGT discount.

9.7.3 Tax File Numbers

A shareholder is not obliged to quote their tax file number (**TFN**), or where relevant, Australian Business Number (**ABN**), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal tax rate plus the Medicare levy from certain dividends paid.

No withholding requirement applies in respect of fully franked dividends paid by the Company on the Shares.

9.7.4 Stamp Duty

The below provides high level guidance on the landholder duty implications for the acquisition of the Shares. However, investors would need to seek their own advice to determine whether any duty would be payable on the acquisition of Shares under the IPO and any subsequent acquisitions/disposal of Shares.

(a) Landholder duty

Stamp duty is a state/territory based tax. An entity will be a landholder if it holds, directly or indirectly through its subsidiaries, interests in land (i.e. freehold land, leaseholds and fixtures/assets fixed to land depending on the jurisdiction) which have an unencumbered market value that meets or exceeds the relevant landholder duty threshold in the relevant state/territory.

The landholder duty threshold in each state/territory ranges from nil to \$2 million and landholder duty is calculated at rates of up to 5.95% on the unencumbered market value of the landholder's interests in land (and goods in certain jurisdictions). Higher rates apply to residential land if the acquirer of the interest is a foreign person.

(b) The Company is a landholder and listed on the ASX

Where the Company is listed on the ASX and is a landholder in any State or Territory in Australia, no landholder duty should be payable by a Shareholder on the acquisition of the Shares under the IPO (i.e. the issuance of Shares by the Company under the IPO) if the investors:

- Acquire the Shares after the Company is listed and all of the shares of the Company are quoted on the Australian Securities Exchange; and
- Each investor and any associated persons (or persons acquiring under one arrangement or in concert) do not acquire 90% or more of the interests in the Company or, as a result of the acquisition, hold 90% or more of the interests in the Company.

Further, under current stamp duty legislation, stamp duty should not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided the above requirements are met.

(c) The Company is not a landholder

No landholder duty should be payable on the acquisition of Shares under the IPO by the investor where the Company is not a landholder in any State or Territory.

9.7.5 Australian Goods and Services Tax

Under current Australian GST law, GST should not be payable in respect of the issue of Shares by the Company which will be input taxed financial supplies made to Australian investors. No GST will be payable on the payment of dividends on the basis dividends are not consideration for any supply.

However, Australian investors may be charged GST on brokerage, or other professional advisory services acquired by them in their own right in relation to the Proposed IPO of the Company.

Australian investors should seek their own advice to determine whether they will be entitled to claim GST incurred on costs associated with the acquisition of Shares.

9.8 FOREIGN SELLING JURISDICTIONS

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

9. ADDITIONAL INFORMATION CONTINUED

9.8.1 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency; or
- subscribes, or has subscribed, for securities that have a minimum amount payable of at least NZ\$750,000.

9.8.2 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.8.3 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.8.4 General foreign selling restrictions

The offer of Shares under this Prospectus does not constitute a public offer in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to permit otherwise a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

9.9 Costs of the Offer

The total expenses of the Offer (inclusive of GST) are estimated to be between approximately \$1.7 million and \$1.9 million and are expected to be applied towards the items set out below.

| Item of expenditure | Minimum Subscription (\$) | Maximum Subscription (\$) |
|---|---------------------------|---------------------------|
| Corporate advisory | 385,000 | 440,000 |
| Lead Manager | 578,000 | 770,000 |
| Legal fees | 275,000 | 275,000 |
| ASX fees | 137,000 | 139,000 |
| Investigating accountant and taxation fees | 192,000 | 192,000 |
| Independent Market Report | 19,305 | 19,305 |
| Printing and other costs | 69,000 | 69,000 |
| Total estimated expenses¹ | 1,655,305 | 1,904,305 |

1. Final expenses may be higher due to tax impacts.

9.10 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Austra Capital Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Corporate Advisor to the Company in the form and context it is so named;
- Bridge Street Capital Partners Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Lead Manager to the Company in the form and context it is so named;
- Grant Thornton Corporate Finance Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in the form and context it is so named and to the inclusion of its Independent Limited Assurance Report on the Historical Financial Information in Section 8;
- BDO East Coast Partnership has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian tax advisers of the Company in the form and context it is so named;
- Baker & McKenzie has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- Computershare Investor Services Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Registry in the form and context it is so named; and
- Frost & Sullivan Australia has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the independent industry expert in the form and context it is so named.

No entity or person referred to above in Section 9.10 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section 9.10, has not authorised or caused the issue of this Prospectus, does not make any offer of New Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section 9.10.

9. ADDITIONAL INFORMATION CONTINUED

In addition, as permitted by ASIC Class Order [CO 00/193] this Prospectus may include or be accompanied by certain statements fairly representing a statement by an official person, or from a public official document or a published book, journal or comparable publication.

9.11 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales.

9.12 STATEMENT OF DIRECTORS

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act.

This Prospectus is signed by a Director of Mediland Pharm in accordance with section 351 of the Corporations Act.



APPENDIX A – SIGNIFICANT ACCOUNTING POLICIES

APPENDIX A – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by Mediland Pharm Limited in the preparation and presentation of the Pro Forma Historical Financial Information included in the Prospectus.

The accounting policies have been consistently applied, unless otherwise stated.

(A) BASIS OF PREPARATION

The Pro Forma Historical Financial Information has been prepared on an accruals basis and is based on historical costs modified where applicable, by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value of accounting has been applied.

(B) PRINCIPLES OF CONSOLIDATION

The Pro Forma Historical Financial Information incorporates the assets and liabilities of the Australian subsidiaries of Mediland Pharm Limited as at 30 June 2018, 2017 and 2016 and the results of those subsidiaries for the financial years then ended.

Subsidiaries are all those entities within Australia over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists.

Subsidiaries in Australia are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity.

(C) PLANT AND EQUIPMENT

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

All plant and equipment is depreciated on a straight-line basis over their useful lives to the group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| Class of fixed assets | Depreciation rates |
|------------------------|--------------------|
| Motor vehicles | 5 – 10 years |
| Furniture and fittings | 3 – 40 years |
| Office equipment | 1 – 5 years |

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(E) TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

Impairment

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade and other receivable balances may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(F) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(G) EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense

Contribution to defined contribution superannuation plans are expensed in the period in which they are incurred.

(H) INVENTORIES

Finished goods are stated at the lower of cost and net realisable value; the weighted average method is principally used to determine cost. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(I) INCOME TAX

The income tax expense for the financial year is the tax payable on the current financial year's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(J) REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable from customers.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

APPENDIX A – SIGNIFICANT ACCOUNTING POLICIES

CONTINUED

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(K) GOODS AND SERVICE TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

(L) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(M) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

The functional and presentation currency of the company is Australian Dollars. Foreign currency transactions during the financial year are converted into the functional currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are converted at the rates of exchange prevailing at that date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss.

(N) ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(O) PROVISIONS

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of an obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, take into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability.

(P) INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets, other than interest in subsidiaries, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and reward of ownership.

Impairment of financial assets

The group assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

(Q) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Long Service Leave

As discussed above, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and losses only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Estimated useful lives of assets

The group determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(R) CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash equivalent unless restricted from the being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current; it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.



GLOSSARY

GLOSSARY

| TERM | DEFINITION |
|--|---|
| \$ or AUD | Australian dollars, the lawful currency of the Commonwealth of Australia. |
| AASB | The Australian Accounting Standards Board. |
| ABN | Australian Business Number. |
| ACN | Australian Company Number. |
| ADS | China's Approved Destination Status scheme. |
| AEDT | Australian Eastern Daylight Time. |
| AICD | Australian Institute of Company Directors. |
| Applicant | A person who has applied to subscribe for Shares under the Offer. |
| Application | A valid application for Shares made under this Prospectus. |
| Application Form | The form accompanying or attached to this Prospectus by which an Applicant may apply for Shares. |
| Application Money or Application Monies | Money payable for Shares applied for by an Applicant. |
| ASIC | Australian Securities and Investment Commission. |
| ASX or Australian Securities Exchange | ASX Limited (ABN 98 008 624 691), or the securities market it operates, as the context requires. |
| ASX Listing Rules or Listing Rules | The official listing rules of the ASX. |
| ASX Settlement | ASX Settlement Pty Limited (ABN 49 008 504 532). |
| ASX Settlement Operating Rules | The settlement rules of the settlement facility provided by ASX Settlement. |
| Australian Auditing Standards | The Australian Auditing Standards and other authoritative pronouncements issued by the AASB. |
| Australian Accounting Standards | The Australian Accounting Standards and other authoritative pronouncements issued by the AASB. |
| Board | The Board of Directors of the Company. |
| BPAY® | BPAY Pty Ltd (ABN 69 079 137 518). |
| Business Day | A day on which: <ul style="list-style-type: none"> a) ASX is open for trading in securities; and b) banks are open for general banking business in Sydney, Australia. |
| CBEC | Cross-border eCommerce. |
| CEO | Chief Executive Officer of the Company. |
| CFO | Chief Financial Officer of the Company. |
| Chairman | The chairman of the Board of the Company. |

GLOSSARY CONTINUED

| TERM | DEFINITION |
|----------------------------------|--|
| CHESS | ASX's Clearing House Electronic Sub-register System. |
| China | The People's Republic of China. |
| Closing Date | 5:00pm (AEDT) on 14 January 2019 or such other date as the Board may decide, and is the date on which the Offer closes. |
| Company or Mediland Pharm | Mediland Pharm Limited (ABN 16 164 186 038), the issuer of this Prospectus. |
| Completion | The issue of the Shares to Successful Applicants. |
| Constitution | The constitution of the Company. |
| Corporate Adviser | Austra Capital Pty Ltd (ACN 604 562 512) (CAR AFSL 456663). |
| Corporations Act | <i>Corporations Act 2001</i> (Cth). |
| Directors | The directors of the Company, and Director means any one of them. |
| EBIT | Earnings before interest and taxes. |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation. |
| EIP | The Employee Incentive Plan adopted by the Company. |
| Escrowed Shareholders | Holder of the Shares in the Company as of the date of this Prospectus. |
| Executive Director | A Director appointed as an executive director of the Company. |
| Exempted Share Awards | Has the meaning given in Section 5.4.1. |
| Existing Shareholder | Pacific Merchants Group Limited, which owns all Shares of the Company as at the date of this Prospectus and will be the majority shareholder of the Company following the Offer. |
| Expiry Date | The date on which this Prospectus expires, being the date which is 13 months after the Prospectus Date. |
| Exposure Period | Has the meaning given in "Important Information" Section. |
| Financial Information | Has the meaning given in Section 4. |
| FITs | Free independent travellers. |
| FMC Act | The Financial Markets Conduct Act 2013 of New Zealand. |
| Frost & Sullivan | Frost & Sullivan Australia Pty Ltd (ABN 35 096 869 108). |
| FTZs | Free-trade zones established by Chinese government in China. |
| FY | Financial year, ending on 30 June of any year, and the two digits following FY indicate which year (for example FY2018 means the financial year ending 30 June 2018). |
| Group | The consolidated group comprising the Company and its subsidiaries. |
| GST | The meaning given in section 195-1 of the A New Tax System (Goods and Services) <i>Tax Act 1999</i> (Cth). |
| Historical Period | Means FY16, FY 17 and FY 18 of the Company. |

| TERM | DEFINITION |
|--------------------------------------|---|
| Holding Statement | A holding statement of Shares. |
| Hong Kong | The Hong Kong Special Administrative Region of China. |
| Hong Kong Companies Ordinance | Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended from time to time. |
| HS Code | The Harmonised Commodity Description and Coding System of the tariff nomenclature. |
| IFRS | International Financial Reporting Standards. |
| Incentive Group(s) | Has the meaning given in Section 6.2.2. |
| Investigating Accountant | Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987). |
| Lead Manager | Bridge Street Capital Partners Pty Ltd (ABN 32 164 702 005) (CAR AFSL No. 456663). |
| Listing | The admission of the Company to the Official List of ASX. |
| Listing Date | The date that the Company is admitted to the Official List of ASX. |
| LTIP | The Long Term Incentive Plan adopted by the Company. |
| ITOs | Inbound tour operators. |
| KDPs | Key Distribution Partners. |
| Management | The executive management team of the Group. |
| Managing Director | A Director appointed as a managing director of the Company. |
| Maximum Subscription | The maximum subscription amount under the Offer, being \$15,000,000. |
| Minimum Subscription | The minimum subscription amount under the Offer, being \$12,500,000. |
| New Share(s) | Share(s) to be issued under the Offer. |
| New Shareholders | Shareholders other than Existing Shareholders. |
| Non-Executive Director or NED | A Director appointed as a Non-Executive director of the Company. |
| NED Rights | The rights to receive Shares for nil consideration offered to a NED, the terms of which are described in Section 5.4.2. |
| NPAT | Net profit after tax. |
| Offer | The invitation in this Prospectus to subscribe for Shares. |
| Offer Information Line | The Offer Information Line being 1300 349 201 within Australia and +61 3 9415 4179 outside Australia. |
| Offer Price | \$0.20 per Share. |
| Official List | The official list of entities that ASX has admitted and not removed. |
| Official Quotation | The quotation of the Shares on ASX. |
| Opening Date | 8:30am (AEDT) on 3 December 2018. |

GLOSSARY CONTINUED

| TERM | DEFINITION |
|--|--|
| OTOs | Outbound tour operators. |
| Pacific Merchants Group Limited | Pacific Merchants Group Limited (ABN 16 164 186 038), the sole shareholder of the Company as at the Prospectus Date. |
| Performance Rights | Has the meaning given in Section 5.4.1. |
| Prospectus | This document and any supplementary or replacement prospectus in relation to this document. |
| Prospectus Date | The date on which a copy of this Prospectus is lodged with ASIC, being 23 November 2018. |
| Pro Forma Historical Cash Flow | Has the meaning given in Section 4.11. |
| Pro Forma Historical Consolidated Financial Information | Has the meaning given in Section 4.12. |
| Pro Forma Historical Consolidated Statement of Profit and Loss | Has the meaning given in Section 4.5. |
| Pro Forma Historical Financial Information | Has the meaning given in Section 4.1. |
| Registry | Computershare Investor Services Pty Limited (ABN 48 078 279 277). |
| RMB | Chinese Renminbi, the lawful currency of China. |
| Section | A section of this Prospectus. |
| SFO | The Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong, as amended from time to time. |
| Share(s) | Ordinary fully paid share(s) in the Company. |
| Shareholder | A holder of Share(s). |
| Share Awards | Has the meaning given in Section 5.4.1. |
| Successful Applicant | An Applicant who is issued Shares under the Offer. |
| TFN | Tax file number. |
| US or United States | United States of America. |
| US Securities Act | US Securities Act of 1933, as amended. |

Mediland Pharm Limited

ABN 83 628 420 824

General Offer - Return your form to:

Mediland Pharm
c/- Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001

For all enquiries:

(within Australia) 1300 349 201
(outside Australia) +61 3 9415 4179
Monday to Friday 8.30am to 5.00pm (AEDT)

General Offer Application Form

General Offer closes 5.00pm (AEDT) on Monday, 14 January 2019

This Application Form relates to the General Offer by Mediland Pharm Limited (ABN 83 628 420 824) (**Mediland Pharm** or the **Company**) of fully paid ordinary shares (**New Shares**) in the Company, made under the prospectus lodged with the Australian Securities and Investments Commission on 23 November 2018 (or any supplementary or replacement prospectus) (**Prospectus**).

This Application Form is important. If you are in doubt as to how to deal with it, please contact your financial or other professional adviser. You should read the entire Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus. Capitalised terms have the meaning given to them in the Prospectus.

By applying under the General Offer, you make the acknowledgments, declarations, representations and warranties set out in the Prospectus.

STEP 1 New Shares applied for

Enter the number of New Shares you wish to apply for. The Application must be for a minimum of 10,000 New Shares (A\$2,000.00). Enter the amount of the Application Monies. To calculate this amount, multiply the number of New Shares applied for by the offer price which is A\$0.20.

STEP 2 Applicant name(s) and postal address

Enter the full name you wish to appear on the confirmation statement. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table overleaf for the correct forms of registrable title(s). Applications using the wrong form of names may be rejected. CHESS participants should complete their name identically to that presently registered in CHESS. Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered. Enter your contact name and telephone number. This information may be used to communicate other matters to you subject to the Company's privacy statement. This is not compulsory but will assist us if we need to contact you.

STEP 3 CHESS holdings only

The Company will apply to ASX for New Shares to participate in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX. In CHESS, the Company will operate an electronic CHESS subregister of securityholdings and an electronic issuer sponsored subregister of securityholdings.

Together, the two subregisters will make up the Company's principal register of New Shares. The Company will not be issuing certificates to applicants in respect of New Shares allotted.

If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold New Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN.

Otherwise, leave the section blank and on allotment you will be sponsored by the Company and a "Shareholder Reference Number" ("SRN") will be allocated to you. Please note that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any New Shares issued will be held on the issuer sponsored subregister.

STEP 4 Application payment

Applicants under the General Offer must return this Application Form and Application Monies to the Share Registry.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable to "Mediland Pharm". Cash is not accepted.

Lodgement instructions

The General Offer is expected to close at 5.00pm (AEDT) on Monday, 14 January 2019, unless varied in accordance with the Corporations Act and ASX Listing Rules. You should allow sufficient time for postage. Return the Application Form with cheque (s) attached to: Mediland Pharm c/- Computershare Investor Services Pty Limited, GPO Box 52, Melbourne VIC 3001. Neither Computershare nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS), as registry for Mediland Pharm for the purpose of maintaining registers of securities and facilitating payments and other corporate actions and communications. Your personal information may be disclosed to related bodies corporate of CIS, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by Mediland Pharm in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this Application Form or e-mail privacy@computershare.com.au.

Mediland Pharm Limited

ABN 83 628 420 824

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GPO Box 52
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CORPORATE DIRECTORY

MEDILAND PHARM LIMITED

REGISTERED OFFICE

Level 19, 227 Elizabeth Street
Sydney NSW 2000

PROPOSED ASX CODE: MPH

DIRECTORS

Peter French

Non-Executive Director and Chairman

Tracy Lee Cray

Non-Executive Director

Theo Renard

Proposed Non-Executive Director

Jhon Shen

Executive Director

Yeshween Mudaliar

Managing Director

Indira Naidu

Company Secretary

LEAD MANAGER

Bridge Street Capital Partners Pty Limited

CAR AFSL 456663
Level 14, 234 George Street
Sydney NSW 2000

OFFER WEBSITE:

<https://medilandIPO.thereachagency.com>.

MEDILAND PHARM SHARE OFFER INFORMATION LINE

Within Australia: 1300 349 201
Outside Australia: +61 3 9415 4179
Open 8:30am to 5:00pm AEDT Monday to Friday

AUSTRALIAN LEGAL ADVISER

Baker & McKenzie

Tower One – International Towers Sydney
Level 46, 100 Barangaroo Avenue
Sydney NSW 2000

INVESTIGATING ACCOUNTANT

Grant Thornton Corporate Finance Pty Ltd

Level 17 383 Kent Street
Sydney NSW 2000
Australia

AUDITOR AND TAX ADVISER

BDO East Coast Partnership

Level 11, 1 Margaret Street
Sydney NSW 2000

INDEPENDENT INDUSTRY EXPERT

Frost & Sullivan Australia Pty Ltd

Level 1, 54 Miller Street
North Sydney NSW 2060

CORPORATE ADVISOR

Austra Capital Pty Limited

CAR AFSL 456663
Level 9, 50 Clarence Street
Sydney NSW 2000

REGISTRY

Computershare Investor Services Pty Limited

Level 4, 60 Carrington Street
Sydney NSW 2000



MEDILAND
Pharm Limited